**HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

**(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH**

# INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Hürriyet Gazetecilik ve Matbaacılık A.Ş.

## Audit of the Consolidated Financial Statements

### 1. Opinion

We have audited the accompanying consolidated financial statements of Hürriyet Gazetecilik ve Matbaacılık A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of balance sheet as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

### 2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

### 3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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| *Key audit matters* | *How our audit addressed the key audit matter* |
|---|---|
| ***Investment properties are measured by using the fair value method***<br><br>As explained in Note 13, as of 31 December 2018, the Group's investment properties, which have a carrying amount of TRY 197,465,641 and represent a significant share of total assets, comprise of land and buildings.<br><br>The accounting policy for investment properties used by the Group management is the "fair value method", as described in Note 2.2. The fair values of these assets are determined by independent valuation experts authorised by the Capital Markets Board ("CMB") and are recognised in the consolidated financial statements after being assessed by the Group management. Fair values of the investment properties depend on the valuation method used as well as the input and assumptions used in the valuation model. Fair values are directly affected by factors such as market conditions, specific characteristics, physical condition and the geographic location of each investment property.<br><br>The reasoning of our focus in this area:<br><br>• The quantitative materiality of the investment properties in the financial statements,<br><br>• When determining the fair values of the investment properties, methods such as the benchmarking analysis approach, cost approach and direct capitalisation approach are used, and these methods include variables that may lead to changes in the fair values. | • Valuation reports prepared by the independent property valuation institutions assigned by the Group are obtained and the property valuation accreditations and licences of these institutions granted by the Capital Markets Board are checked based on Independent Audit Standards.<br><br>• Deeds and ownership ratios of investment properties were tested on a sample basis.<br><br>• We compared the consistency of the inputs which have a significant impact on the property value determined and were stated in the valuation reports, such as unit sales value, against observable market prices, and then tested whether the appraised values are within an acceptable range.<br><br>• Fair values stated in the valuation reports were compared with the disclosures in the consolidated financial statements to assess if the values in the disclosures and accounting records are consistent with the valuation report and the disclosures are sufficient based on the requirements of TFRS.<br><br>We had no material findings in our audit procedures related to the investment properties accounted for using the fair value method. |

| *Key audit matters* | *How our audit addressed the key audit matter* |
|---|---|
| ***Fair value of land and buildings recognised using the fair value method***<br><br>As explained in Note 14, the Group started to recognise land and buildings accounted under property, plant and equipment at their fair value as of 31 December 2018. The fair value of land and buildings was TRY 237,542,921 as of 31 December 2018, and a fair value increase of TRY 24,462,928 was recognised under equity.<br><br>The accounting policy Group management applies when recognising these lands and buildings is the "fair value method", as described in detail in Note 2.2. The fair values of these assets are determined by independent valuation institutions authorised by the Capital Markets Board ("CMB") and are recognised in consolidated financial statements after being assessed by Group management. Fair values of the investment properties depend on the valuation method used as well as the input and assumptions in the valuation model. Fair values are directly affected by factors such as market conditions, specific characteristics, physical condition and the geographic location of each investment property.<br><br>Reasons we emphasised this topic are as follows:<br><br>• The significance of land and buildings in the financial statements in terms of amount,<br><br>• When determining the fair values of the land and buildings, methods such as the benchmarking analysis approach, cost approach and direct capitalisation approach are used, and these methods include variables that can lead to changes in the fair values of the properties. | • Valuation reports prepared by the independent property valuation institutions assigned by the Group are obtained and the property valuation accreditations and licences of these institutions granted by the Capital Markets Board are checked based on Independent Audit Standards.<br><br>• Deeds and ownership ratios of land and buildings were tested on a sample basis.<br><br>• We compared the consistency of the inputs which have a significant impact on the property value determined and were stated in the valuation reports, such as unit sales value, against observable market prices, and then tested whether the appraised values are within an acceptable range.<br><br>• Fair values stated in the valuation reports were compared with the disclosures in the consolidated financial statements to assess if the values in the disclosures and accounting records are consistent with the valuation report and the disclosures are sufficient based on the requirements of TFRS.<br><br>We had no material findings in our audit procedures related to the land and buildings accounted for using the fair value method. |

## 4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## 5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 7 March 2019.

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

Gökhan Yüksel, SMMM
Partner

İstanbul, 7 March 2019

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

**HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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## HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

| | Note references | (Audited) Current Period 31 December 2018 | (Audited) Prior Period 31 December 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 4 | 56,867,896 | 65,946,767 |
| Financial investments | 6 | 72,133 | 68,713 |
| Trade receivables | | | |
| -Trade receivables from related parties | 34 | 59,248,328 | 37,988,588 |
| -Trade receivables from non-related parties | 8 | 103,180,193 | 184,369,460 |
| Other receivables | | | |
| -Other receivables from related parties | 34 | 117,323,015 | - |
| -Other receivables from non-related parties | 9 | 4,326,809 | 3,217,598 |
| Inventories | 11 | 17,527,084 | 13,848,026 |
| Prepaid expenses | 20 | 4,291,302 | 4,083,170 |
| Other current assets | 21 | 15,893,989 | 3,028,124 |
| **Total current asset** | | **378,730,749** | **312,550,446** |
| **Non-current assets** | | | |
| Financial investments | 6 | 313,923 | 1,343,821 |
| Other receivables | | | |
| -Other receivables from non-related parties | 9 | 5,363,176 | 2,056,772 |
| Investments accounted for using the equity method | 12 | 4,479,950 | 7,124,215 |
| Investment properties | 13 | 197,465,641 | 172,479,346 |
| Tangible assets | 14 | 273,576,563 | 253,501,615 |
| Intangible assets | | | |
| -Other intangible assets | 15 | 11,954,109 | 18,277,333 |
| Deferred tax asset | 31 | 1,966,834 | 1,800,832 |
| Other non-current assets | 21 | 317,705 | - |
| **Total non-current assets** | | **495,437,901** | **456,583,934** |
| **Total assets** | | **874,168,650** | **769,134,380** |

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

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

## HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

| | Note references | (Audited) Current Period 31 December 2018 | (Audited) Prior Period 31 December 2017 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Short-term borrowings | 7 | 67,887 | 10,550,732 |
| Short-term portion of long-term borrowings | 7 | 15,582,708 | 101,139,261 |
| Trade payables | | | |
| -Trade payables to related parties | 34 | 15,420,957 | 22,575,033 |
| -Trade payables to non-related parties | 8 | 50,890,149 | 50,362,747 |
| Employee benefit payables | 10 | 2,993,159 | 6,160,715 |
| Other payables | | | |
| -Other payables to non-related parties | 9 | 4,656,574 | 10,388,050 |
| Derivative instruments | 5 | - | 1,098,340 |
| Deferred income | 20 | 10,460,323 | 27,912,178 |
| Current income tax liabilities | 31 | 527,292 | 1,773,031 |
| Short-term provisions | | | |
| -Short-term provisions for employment benefits | 19 | 14,164,860 | 13,381,264 |
| -Other short-term provisions | 17 | 6,740,806 | 5,946,278 |
| Other short-term liabilities | 21 | 35,166,801 | 231,219 |
| **Total current liabilities** | | **156,671,516** | **251,518,848** |
| **Non-current liabilities** | | | |
| Long-term borrowings | 7 | 11,733,333 | 150,478,785 |
| Deferred income | 20 | 901,525 | 1,292,312 |
| Long-term provisions | | | |
| -Long-term provisions for employment benefits | 19 | 45,317,176 | 46,184,398 |
| Deferred tax liability | 31 | 19,381,541 | 16,553,127 |
| **Total non-current liabilities** | | **77,333,575** | **214,508,622** |
| **Total liabilities** | | **234,005,091** | **466,027,470** |

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

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

## HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

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

| | Note references | (Audited) Current Period 31 December 2018 | (Audited) Prior Period 31 December 2017 |
|---|---|---|---|
| **EQUITY** | | | |
| **Total equity** | | **640,163,559** | **303,106,910** |
| **Equity attributable to equity holders of the parent company** | | **639,981,423** | **302,066,635** |
| Share capital | 22 | 592,000,000 | 552,000,000 |
| Inflation adjustment to share capital | 22 | 77,198,813 | 77,198,813 |
| Share premiums (discounts) | 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 | 212,241,738 | 187,778,810 |
| - Gain (loss) on remeasurement of defined benefit plans | 22 | (21,093,944) | (18,617,479) |
| Other comprehensive income and expenses that may be reclassified subsequently to profit or loss | | | |
| - Currency translation differences | 22 | 80,374,527 | 72,041,619 |
| - Derivatives used for hedging | | | |
| - Gain (loss) from cash flow hedges | 22 | - | (856,705) |
| Restricted reserves | 22 | 101,083,330 | 191,532,907 |
| Retained earnings/Accumulated deficit | | (671,268,213) | (494,582,896) |
| Net profit (loss) for the period | | 269,368,228 | (264,505,378) |
| **Non-controlling interests** | | **182,136** | **1,040,275** |
| **Total liabilities and equity** | | **874,168,650** | **769,134,380** |

These consolidated financial stetements as at and for the period ended 31 December 2018 were approved by the Board of Directors on 4 March 2019.

## HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

| | Note References | (Audited) Current Period 1 January - 31 December 2018 | Revised (Audited) Prior Period 1 January - 31 December 2017 |
|---|---|---|---|
| Sales | 23 | 422,063,269 | 485,640,732 |
| Cost of sales (-) | 23 | (305,867,872) | (304,348,045) |
| **Gross profit/(loss)** | | **116,195,397** | **181,292,687** |
| General administrative expenses (-) | 24 | (78,098,808) | (76,809,711) |
| Marketing expenses (-) | 24 | (83,013,259) | (84,879,280) |
| Other operating income | 26 | 49,412,722 | 31,991,833 |
| Other operating expenses (-) | 27 | (40,687,121) | (43,033,218) |
| **Operating profit/(loss)** | | **(36,191,069)** | **8,562,311** |
| Share of (loss)/gain of investments accounted by the equity method | 12 | (4,651,220) | (1,680,725) |
| Income from investing activities | 28 | 390,489,483 | 39,228,248 |
| Expenses from investing activities (-) | 29 | (6,030,200) | (24,931,882) |
| **Operating profit/(loss) before finance income/(expense)** | | **343,616,994** | **21,177,952** |
| Finance expenses (-) | 30 | (33,090,834) | (41,530,302) |
| **Profit/(loss) before tax from continuing operations** | | **310,526,160** | **(20,352,350)** |
| **Tax income/(expense) of continuing operations** | **31** | **(20,134,331)** | **250,360** |
| Current tax income (expense) | 31 | (20,703,195) | (2,378,344) |
| Deferred tax income (expense) | 31 | 568,864 | 2,628,704 |
| **Profit/(loss) for the period from continuing operations** | | **290,391,829** | **(20,101,990)** |
| Profit/(loss) for the period from discontinued operations | 32a, 32b | (21,883,168) | (251,798,715) |
| **Net profit/(loss) for the period** | | **268,508,661** | **(271,900,705)** |
| **Allocation of net profit/(loss) for the period** | | | |
| Attributable to non-controlling interests | | (859,567) | (7,395,327) |
| Attributable to equity holders of the parent company | | 269,368,228 | (264,505,378) |
| **Loss per share** | | | |
| Attributable to shareholders of the parent company | 33 | 0.4851 | (0.4792) |

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

## HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

| | Note References | (Audited) Current Period 1 January - 31 December 2018 | Revised (Audited) Prior Period 1 January - 31 December 2017 |
|---|---|---|---|
| **Other comprehensive income statement** | | | |
| **Net profit (loss) for the period** | | **268,508,661** | **(271,900,705)** |
| **Other comprehensive income** | | | |
| **Other comprehensive income (expense) that will not be subsequently reclassified to profit and loss** | | | |
| - Gain/(loss) on revaluation of property | 14 | 27,882,782 | 134,770,872 |
| - Gain/(loss) on revaluation for defined benefits | 19 | (3,174,955) | (1,291,830) |
| Taxes related to other comprehensive income (expense) that will not be subsequently reclassified to profit and loss | | | |
| - Gain/(loss) on revaluation of property, tax effect | 31 | (3,419,854) | (18,161,691) |
| - Gain/(loss) on revaluation for defined benefits, tax effect | 31 | 698,490 | 264,903 |
| **Other comprehensive income (expense) that will be subsequently reclassified to profit and loss** | | | |
| - Currency translation differences | | 8,363,713 | 14,991,482 |
| - Other comprehensive income (expense) from cash flow hedges | | 1,098,340 | (1,070,881) |
| Taxes related to other comprehensive income (expense) that will be subsequently reclassified to profit and loss | | | |
| - Other comprehensive income from cash flow hedges, tax effect | 31 | (241,635) | 214,176 |
| **Other comprehensive income (expense)** | | **31,206,881** | **129,717,031** |
| **Total comprehensive income (expense)** | | **299,715,542** | **(142,183,674)** |
| **Allocation of total comprehensive income (expense)** | | | |
| Attributable to non-controlling interests | | (828,762) | (6,892,950) |
| Attributable to shareholders of the parent company | | 300,544,304 | (135,290,724) |

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

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

## HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

| | | | | | Other comprehensive income or (expense) that will be subsequently reclassified to profit or loss | | Other comprehensive income or (expense) that will not be subsequently reclassified to profit or loss | | | Accumulated profits | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Note references** | **Share capital** | **Inflation adjusment to share capital** | **Share premiums (discounts)** | **Hedge instrument gain (loss)** | **Currency translation differences (1)** | **Gain (losses) on property revaluation** | **Gain (losses) on remeasurement of defined benefit plan** | **Restricted reserves** | **Retained earnings / (losses) (2)** | **Net profit / (loss) for the period** | **Equity attributable to shareholders of the parent company** | **Non-controlling interests** | **Total equity** |
| **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** |
| Transfers | | - | - | - | - | - | - | - | 4,366,697 | (76,830,530) | 72,463,833 | - | - | - |
| Proceeds from changes in ownership interests in subsidiaries that do not result in loss of control (2) | | - | - | - | - | - | - | - | - | 25,878,140 | - | 25,878,140 | 2,817,513 | 28,695,653 |
| Total comprehensive income / (expense) | | - | - | - | (856,705) | 14,489,105 | 116,609,181 | (1,026,927) | - | - | (264,505,378) | (135,290,724) | (6,892,950) | (142,183,674) |
| *- Other comprehensive income (expense)* | | - | - | - | *(856,705)* | *14,489,105* | *116,609,181* | *(1,026,927)* | - | - | - | *129,214,654* | *502,377* | *129,717,031* |
| *-Net profit (loss) for the period* | | - | - | - | - | - | - | - | - | - | *(264,505,378)* | *(264,505,378)* | *(7,395,327)* | *(271,900,705)* |
| **Balances at 31 December 2017** | **22** | **552,000,000** | **77,198,813** | **76,944** | **(856,705)** | **72,041,619** | **187,778,810** | **(18,617,479)** | **191,532,907** | **(494,582,896)** | **(264,505,378)** | **302,066,635** | **1,040,275** | **303,106,910** |
| **Balances at 1 January 2018** | **22** | **552,000,000** | **77,198,813** | **76,944** | **(856,705)** | **72,041,619** | **187,778,810** | **(18,617,479)** | **191,532,907** | **(494,582,896)** | **(264,505,378)** | **302,066,635** | **1,040,275** | **303,106,910** |
| **Adjustments related to required changes in accounting policies (Note 2)** | | - | - | - | - | - | - | - | - | **(2,784,761)** | - | **(2,784,761)** | **(122,369)** | **(2,907,130)** |
| IFRS 9 policy change effect, net | | - | - | - | - | - | - | - | - | **(2,784,761)** | - | **(2,784,761)** | **(122,369)** | **(2,907,130)** |
| **Balances after adjustments** | | **552,000,000** | **77,198,813** | **76,944** | **(856,705)** | **72,041,619** | **187,778,810** | **(18,617,479)** | **191,532,907** | **(497,367,657)** | **(264,505,378)** | **299,281,874** | **917,906** | **300,199,780** |
| Transfers | | - | - | - | - | - | - | - | (90,449,577) | (173,900,556) | 264,505,378 | 155,245 | - | 155,245 |
| Purchase or sale of subsidiary | | - | - | - | - | - | - | - | - | - | - | - | (104,660) | (104,660) |
| Capital Increase | 22 | 40,000,000 | - | - | - | - | - | - | - | - | - | 40,000,000 | - | 40,000,000 |
| Gain (Loss) from share-based transactions | | - | - | - | - | - | - | - | - | - | - | - | 197,652 | 197,652 |
| Total comprehensive income / (expense) | | - | - | - | 856,705 | 8,332,908 | 24,462,928 | (2,476,465) | - | - | 269,368,228 | 300,544,304 | (828,762) | 299,715,542 |
| *-Other comprehensive income (expense)* | | - | - | - | *856,705* | *8,332,908* | 24,462,928 | (2,476,465) | - | - | - | *31,176,076* | *30,805* | *31,206,881* |
| *- Gain (loss) on remeasurement of defined benefit plans* | | - | - | - | - | - | - | (2,476,465) | - | - | - | *(2,476,465)* | - | *(2,476,465)* |
| *- Gain (loss) on remeasurement* | | - | - | - | - | - | 24,462,928 | - | - | - | - | *24,462,928* | - | *24,462,928* |
| *- Gain (loss) from cash flow hedges* | | - | - | - | 856,705 | - | - | - | - | - | - | *856,705* | - | *856,705* |
| *- Currency translation differences* | | - | - | - | - | 8,332,908 | - | - | - | - | - | *8,332,908* | *30,805* | *8,363,713* |
| *-Net profit (loss) for the period* | | - | - | - | - | - | - | - | - | - | *269,368,228* | *269,368,228* | *(859,567)* | *268,508,661* |
| **Balances at 31 December 2018** | **22** | **592,000,000** | **77,198,813** | **76,944** | **-** | **80,374,527** | **212,241,738** | **(21,093,944)** | **101,083,330** | **(671,268,213)** | **269,368,228** | **639,981,423** | **182,136** | **640,163,559** |

(1) In accordance with the board decision dated 22 November 2017 of Pronto Media Holding, which is located in Russia as the indirect subsidiary of Trader Media East Ltd. of which of the Group owns 97.29% shares, the Group decided to discontinue the digital operations within its body and impairment losses of such operations have been recognized under "discontinued operations" in the in statement of profit/(loss). Additionally, currency translation differences recognized under equity attributable to TME activities will be transferred from equity to the statement of profit or loss when the necessary conditions are met.

(2) In 2018, net outflow of restricted reserves amounting to TRY 90,449,577 has been realised. This outflow consists of real estate sale profits amounting to TRY 126,234,986 transferred to the extraordinary reserve from restricted reserves separated from the profit due to the expiration of the period. In addition to this transfer, the Group has allocated general legal reserves amounting to TRY 1,963,995 from the profit of the year 2017 and transferred the fund exempted from gain onsale of real estates amounting to TRY 33,666,169 and R&D incentive grant amounting to TRY 155,245 to the restricted reserve during the period.

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

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

## HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

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

| | Note References | (Audited) Current Period 1 January - 31 December 2018 | Revised (Audited) Prior Period 1 January - 31 December 2017 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | **138,637** | **19,945,190** |
| **Net profit (loss) for the period** | | **268,508,661** | **(271,900,705)** |
| Profit (loss) from continuing operations | | 290,391,829 | (20,101,990) |
| Profit (loss) from discontinued operations | | (21,883,168) | (251,798,715) |
| **Adjustments to reconcile profit (loss) for the period** | | **(218,383,364)** | **329,521,046** |
| Adjustments related to depreciation and amortization expenses | 14, 15 | 20,084,015 | 32,163,606 |
| Adjustments related to impairment (reversal) | | | |
| Adjustments related to impairment (reversal) of receivables | 8 | 16,716,993 | 26,881,245 |
| Adjustments related to provision for impairment of inventories | 11 | 598,287 | 524,601 |
| Adjustments related to impairment (reversal) of other intangible assets | 15 | 4,458,033 | 279,096,574 |
| Adjustments related to impairment (reversal) of tangible assets | 14,29 | 824,683 | 6,037,278 |
| Adjustments related to impairment (reversal) of investment property | 28, 29 | (15,816,458) | (20,127,878) |
| Adjustments related to provisions | | | |
| Adjustments related to (reversal) of provision for employment benefits | 19 | 9,098,282 | 11,060,763 |
| Adjustments related to litigation and legal provisions (reversal) | 17 | 2,099,682 | 4,110,287 |
| Adjustment related to general provisions (reversals) | | 867,171 | 347,454 |
| Adjustment related to other provisions (reversals) | | 4,825,487 | (3,786,886) |
| Adjustments related to interest (income) expense | | | |
| Adjustments related to interest income | 26 | (1,842,697) | (2,123,357) |
| Adjustments related to interest expense | 30 | 28,065,796 | 40,689,152 |
| Unearned finance income due to term purchases | 26 | 10,985,574 | 11,545,068 |
| Unearned finance expense due to term sales | 27 | (547,161) | (6,117,963) |
| Adjustments related to undistributed profits of investments accounted at equity method | | | |
| Adjustments related to undistributed profits of associates | 12 | 4,651,220 | 1,680,725 |
| Adjustments related to tax (income) expense | 31 | 20,134,331 | (54,188,461) |
| Adjustments regarding to (gain) loss on sale of fixed assets | | | |
| Adjustments related to (gain) loss on sale of tangible assets | 28, 29 | (1,163,727) | 1,728,838 |
| Adjustments related to (gain) loss on sale of assets held for sale | 32 | (300,838,137) | - |
| Adjustments related to profit (loss) confirmation | 32 | (21,584,738) | - |
| **Changes in working capital** | | **(22,163,312)** | **(29,194,747)** |
| Adjustments related to (increase) decrease in trade receivables | | | |
| (Increase) decrease in trade receivables from related parties | | (23,365,032) | (5,395,485) |
| (Increase) decrease in trade receivables from third parties | | (5,988,991) | (35,589,746) |
| Adjusments related to (increase) decrease in inventories | | (4,025,894) | 2,869,661 |
| (Increase) decrease in prepaid expenses | | (1,599,466) | 436,417 |
| Adjustments related to increase (decrease) in trade payables | | | |
| Increase (decrease) in trade payables to related parties | | (5,393,657) | (3,589,802) |
| Increase (decrease) in trade payables to third parties | | 11,256,474 | (1,927,828) |
| Increase (decrease) in payables related to employee benefits | | (1,217,503) | (431,299) |
| Increase (decrease) in deferred income | | (7,264,615) | 9,260,288 |
| Adjustments related to other increase (decrease) in working capital | | | |
| (Increase) decrease in other assets related to operating activities | | (13,509,211) | 4,416,755 |
| Increase (decrease) in other liabilities related to operating activities | | 28,944,583 | 756,292 |

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 PERIOD 1 JANUARY – 31 DECEMBER 2018

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

| | Note References | (Audited) Current Period 1 January - 31 December 2018 | Revised (Audited) Prior Period 1 January - 31 December 2017 |
|---|---|---|---|
| **Cash generated from operations** | | **27,961,985** | **28,425,594** |
| Employment benefits paid | 19 | (11,618,906) | (11,852,970) |
| Payments related to other provisions | 17 | (206,020) | (3,620,604) |
| Taxes returns (payments) | 31 | (21,948,934) | (1,612,167) |
| Other cash inflows (outflows) | 8, 26 | 5,950,512 | 8,605,337 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | **217,288,928** | **65,344,261** |
| Cash inflows from the sale of asset held for sale | | 219,605,125 | - |
| Cash inflows from sale of tangible and intangible assets | 13, 14, 15 | 10,592,513 | 86,632,873 |
| Cash outflows from purchase of tangible and intangible assets | | | |
| Cash outflows from purchases of tangible assets | 14 | (6,494,103) | (12,596,116) |
| Cash outflows from purchases of intangible assets | 15 | (8,258,504) | (11,127,763) |
| Dividends received | 28 | 1,200 | 311,910 |
| Interests received | 26 | 1,842,697 | 2,123,357 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | **(234,032,100)** | **(39,803,486)** |
| Cash inflows arising from issuance of shares and other equity instruments | | | |
| Cash inflows from share issuance | | 40,197,652 | - |
| Cash outflows from changes in ownership of an affiliate not resulting loss of control | | - | 28,695,653 |
| Cash inflows from borrowing | | | |
| Bank borrowings utilized | 7 | 90,204,775 | 400,302,091 |
| Cash outflow related to payments of debt | | | |
| Bank borrowings paid | 7 | (336,365,310) | (428,154,866) |
| Interests paid | 30 | (28,065,796) | (40,689,151) |
| Other cash inflows (outflows) | | (3,421) | 42,787 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES** | | **(16,604,535)** | **45,485,965** |
| Effects of currency translation rate changes on cash and cash equivalents | | 7,525,664 | (3,834,918) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(9,078,871)** | **41,651,047** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | **4** | **65,946,767** | **24,295,720** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **4** | **56,867,896** | **65,946,767** |

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 with locations in İstanbul, Ankara, İzmir, Adana, Antalya, Trabzon and Germany.

As stated in Note 22, Doğan Şirketler Grubu Holding A.Ş., which has 552,000,000 shares registered in its shares, representing 77.67% of the issued capital of Hürriyet, has transferred its shares to Demirören Medya Yatırımları Ticaret A.Ş. ("Demirören Medya") on 16 May 2018. The share transfer was completed with the extraordinary general meeting held on 6 June 2018. As a result of this transaction, Demirören Media has become the main shareholder of the Company.

The ultimate shareholder of the company is the Demirören family.

The number of employees of the Group as of 31 December 2018 is 1,135 (31 December 2017: 1,521).

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 Securities of Depositary of Turkey (CSD); shares representing 20.81% as of 31 December 2018 (31 December 2017: 22.34%) of Hürriyet are accepted as "in circulation". As of the date of the report, this ratio is 20.81% (Note 22).

### Subsidiaries

As of 31 December 2018, 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 |
| Hürriyet Zweigniederlassung GmbH. ("Hürriyet Zweigniederlassung") | Germany | Europe | Printing newspaper |
| Hürriyet Invest B.V. ("Hürriyet Invest") | Netherland | Europe | Investment |
| Trader Media East Ltd. ("TME") | Jersey | Europe | Investment |
| Sporarena Dijital Hizmetler Pazarlama Ve Ticaret A.Ş. ("Sporarena") | Turkey | Turkey | Internet Publishing |
| TCM Adria d.o.o. | Crotia | Europe | Investment |
| Mirabridge International B.V. | Netherland | Europe | Investment |
| ZAO Pronto Akzhol | Kazakhistan | Russia and EE | Newspaper and internet publishing |
| TOO Pronto Akmola | Kazakhistan | Russia and EE | Newspaper and internet publishing |
| OOO Pronto Samara | Russia | Russia and EE | Newspaper and internet publishing |
| ID Impress Media LLC | Russia | Russia and EE | Publishing |
| OOO Rukom | Russia | Russia and EE | Internet Publishing |
| OOO Pronto Media Holding Ltd | Russia | Russia and EE | Newspaper and internet publishing |
| OOO Rektcentr | Russia | Russia and EE | Newspaper and internet publishing |
| Publishing House Pennsylvania Inc. | The United States of America | Russia and EE | Investment |
| OOO SP Belpronto | Belarus | Russia and EE | Newspaper and internet publishing |
| Publishing International Holding BV | Netherland | Europe | Investment |

## NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

### Subsidiaries (Continued)

| Joint Ventures | Registered country | Geographic segment | Nature of business |
|---|---|---|---|
| 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 |
|---|---|---|---|
| Demirören Media International GmbH ("Demirören Media") (1) | Germany | Europe | Newspaper publishing |

(1) The Company's trade registry name "Dogan Media International GmBH" has been changed to "Demirören Media International GmBH" on 9 October 2018.

## 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 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 records its statutory accounting records in accordance with the Tax Legislation and The Uniform Chart of Accounts (Accounting System Implementation General Communiqué) published by T.C. Ministry of Finance in Turkish Lira.

Consolidated financial tables are prepared on the historical cost basis except for lands, buildings, investment properties and derivative instruments.

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

### 2.1 Basis of presentation (Continued)

### 2.1.1 Preparation and presentation of financial statements (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.

**Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Turkish Lira, which is the functional and presentation currency of the Company.

### 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 statement of profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising from 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 Principles of consolidation method

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 have been performed. Financial statements of consolidated entities are prepared in accordance with the TFRS.

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

### 2.1 Basis of presentation (Continued)

### 2.1.3 Principles of consolidation method (Continued)

**a)** ***Subsidiaries***

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

- Has power 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 at least to 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 voting rights of the other shareholders;
- Potential voting rights held by the Group and 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 (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 effective ownership represents the share which the Group has through the shares held by Hürriyet and/or indirectly by its subsidiaries.

Intercompany transactions and balances are eliminated on consolidation. The dividends arising from shares held by Hürriyet in its subsidiaries are eliminated from equity and income for the period.

Subsidiaries 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.

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

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

### 2.1 Basis of presentation (Continued)

### 2.1.3 Principles of consolidation method (Continued)

**a) *Subsidiaries (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 TFRS). 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 31 December 2018 and 2017 are as follows:

| | Proportion of voting power held by Hürriyet and its Subsidiaries (%) | | Effective ownersihp interest (%) | |
|---|---|---|---|---|
| **Subsidiaries** | **31 December 2018** | **31 December 2017** | **31 December 2018** | **31 December 2017** |
| Yenibiriş | 100.00 | 100.00 | 100.00 | 100.00 |
| Glokal [1] | - | 92.00 | - | 92.00 |
| 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 |
| SporArena [2] | 100.00 | 100.00 | 100.00 | 100.00 |
| ID Impress Media LLC | 91.00 | 91.00 | 88.53 | 88.53 |
| TCM Adria d.o.o. [3] | 100.00 | 100.00 | 97.29 | 97.29 |
| Mirabridge International B.V. | 100.00 | 100.00 | 97.29 | 97.29 |
| ZAO Pronto Akzhol [4] | 80.00 | 80.00 | 77.83 | 77.83 |
| TOO Pronto Akmola [5] | 100.00 | 100.00 | 97.29 | 97.29 |
| OOO Pronto Samara | 100.00 | 100.00 | 97.29 | 97.29 |
| OOO Rukom [6] | 100.00 | 100.00 | 97.29 | 97.29 |
| OOO Pronto Media Holding Ltd [7] | 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 |
| Publishing International Holding BV | 100.00 | 100.00 | 97.29 | 97.29 |

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

### 2.1 Basis of presentation (Continued)

### 2.1.3 Principles of consolidation method (Continued)

### a) *Subsidiaries (Continued)*

(1) The subsidiary was sold to Glocal Invest BV on 14 May 2018.

(2) The subsidiary was registered on 6 October 2017.

(3) The subsidiary was liquidated as of 4 December 2018.

(4) The subsidiary was liquidated as of 3 July 2018.

(5) The subsidiary was liquidated as of 3 July 2018.

(6) The subsidiary ceased its operations in 2012.

(7) The subsidiary decided to discontinue its digital platform operations with the Board of Director decision dated on 22 November 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.

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.

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

**2.1 Basis of presentation (Continued)**

**2.1.3 Principles of consolidation method (Continued)**

***(b) Associates and joint ventures (Continued)***

An associate is an entity over which the Group has significant influence and that is other than a subsidiary and 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 consoliated financial statements are classified as available for sale financial assets (Note 6).

**2.1.4 Offsetting**

Financial assets and liabilities are offset and the net amount is reported when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**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. Consolidated statement of financial position as at 31 December 2018 is prepared comperatively with the financial statement prepared as at and the year ended 31 December 2017; 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 period of 1 January - 31 December 2018 are prepared comperatively with the financial statements prepared for the period of 1 January - 31 December 2017.

## 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 (Continued)

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. In accordance with the board decision dated 22 November 2017 of Pronto Media Holding which is located in Russia as the indirect subsidiary of Trader Media East Ltd., of which the Group owns 97.29% shares, the Group decided to discontinue the operations of digital platforms within its body, and classified such operations as "discontinued operations". The Group within that context has presented the related activities as the discontinued operation in order to conform to the statement of profit or loss and its related notes and the current financial statement in the cash flow for the period 1 January - 31 December 2017.

Doğan Holding has decided to start necessary actions at the meeting as of 6 April 2018 and numbered 2018/14 in order to transfer Hürriyet's share which consists of 10,274,043 unit, covering %92 of paid-in capital, at Glokal, to the Doğan Holding or its direct or indirect subsidiaries and has given the management necessary authority. In the result of the action explained above, the assets belonging to Glokal have been classified in the assets classified as held for sale whereas its liabilities have been categorized into the liabilities directly associated with assets classified as held for sale. The share transfer of Glokal was completed on 14 May 2018 and the activities in the period up to the completion of the sales transaction were classified as discontinued operations. In this context, the Group has presented related activities as discontinued operations to be in conformity with presentation of statement of profit or loss and related notes of the current period financial statements at the period 1 January - 31 December 2017.

In order to allow the determination of financial position and performance, the Group has made some reclassifications in order to conform current period financial statements to prior periods. The nature of the classifications and amounts are as follows:

- The "Sales Return Provision" amounting to TRY 769,673 reclassified under "Trade Payables" in the consolidated statement of financial position for the period 1 January- 31 December 2017, has been reclassified as "Deferred Revenue" in the related period in order to comply with the financial statements as of 31 December 2018.
- The "Other Miscellaneous Payables and Liabilities" amounting to TRY 949,574 reclassified under "Other Short-term Liabilities" in the consolidated statement of financial position for the period 1 January - 31 December 2017, has been reclassified as "Deferred Revenue" in the related period in order to comply with the financial statements as of 31 December 2018.

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

## 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 (Continued)

*First transition to TFRS 15, "Revenues from the contracts with the customers" standard*

The Group has accounted TFRS 15 "Revenue arising from the contracts with the customer" in the place of TAS 18 at 1 January 2018, first application date. The Group has not recorded any impact of the first transition to TFRS 15 on the retained earnings. Therefore, the consolidated financial statements of the previous years have not been restated and the financial statements have been presented in accordance with TAS 18.

*First Transition to TFRS 9, "Financial Instruments" standard*

The Group has started to apply TFRS 9 "Financial Instruments" standard in the place of TAS 39 at 1 January 2018,first application date. This standard includes the requirements related to classification and measurement of financial assets and liabilities and expected credit risk model instead of impairment loss model, being used now. The effect of transition of standard has been accounted in accordance with simplified method. The group recorded the cumulative effect related to first transtion to TFRS 9 in the retained earning at first application date. Therefore, no requirement about the reoganization of previous year's financial statement is not considered necessary and such financial statements have been presented according to TAS 39.

The adjustments related to the classification of financial assets and liabilities under TFRS 9 are summarized below.The classification differences has no impact on the mesurement of financial assets, except for financial investment account group.

| Financial Assets | Previous classification based on TAS 39 | New classification based on TFRS 9 |
|---|---|---|
| Cash and cash equivalent | Loans and receivables | Amortised cost |
| Trade receivable | Loans and receivables | Amortised cost |
| Derivative financial assets | Fair value adjustment reclassified to profit and loss or other comprehensive income | Fair value adjustment reclassified to profit and loss or other comprehensive income |
| Financial investment | Available-for-sale financial assets | Fair value adjustment reclassified to profit and loss or other comprehensive income |

| Financial Liabilities | Previous classification based on TAS 39 | New classification based on TFRS 9 |
|---|---|---|
| Derivative financial liabilities | Fair value adjustment reclassified to profit and loss or other comprehensive income | Fair value adjustment reclassified to profit and loss or other comprehensive income |
| Loans | Amortised cost | Amortised cost |
| Trade Payable | Amortised cost | Amortised cost |

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

## 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 (Continued)

### Explanations related to the effects of transition to the TFRS 15 and TFRS 9

The effects of the changes in application of TRFS 9 to the consolidated financial statements for the period ended 31 December 2018 are below:

| 31 December 2018 | Reported | Adjustments | Balances before the standards applied |
|---|---|---|---|
| **Consolidated statement of financial position** | | | |
| Trade receivables | 162,428,521 | (1,648,155) | 164,076,676 |
| Deferred tax asset | 1,966,834 | 362,594 | 1,604,240 |
| **Consolidated profit or loss statement and other comprehensive income statement** | | | |
| Other operating expenses | (40,687,121) | (1,648,155) | (39,038,966) |
| Deferred tax income | 568,864 | 362,594 | 206,270 |
| **Consolidated cash flow statement** | | | |
| Profit for the period from continuing operations | 290,391,829 | (1,285,561) | 291,677,390 |

The effects of the changes in applying TFRS 9 and TFRS 15 to the consolidated financial statements as at 1 January 2018 are below:

| Retained earnings as of 1 January | 2018 |
|---|---|
| **Previously reported** | **(494,582,896)** |
| The effect of the adjustment related to the application of TFRS 9 | (2,784,761) |
| The effect of the adjustment related to the application of TFRS 15 | - |
| **Revised balance** | **(497,367,657)** |

### 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 adoption of a new TFRS are applied retrospectively or prospectively in accordance with the respective TFRS transition requirements, if any. Such changes are applied retrospectively and prior period financial statements are restated accordingly. If the changes in the accounting estimates are relavent to only one period, such changes have been applied for the current period. However, if the changes are relevant to future period, such changes have been applied for the current and future period.

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

### 2.1 Basis of presentation (Continued)

### 2.1.7 New and revised Turkish Financial Reporting Standards ("TFRS")

In the current period, there is no such standard or interpretation affecting the Group's financial performance, statement of financial position, presentation or note disclosures. However, the details of standards and interpretations effective in the current period but have no impact on the consolidated financial statements and standards and interpretations not yet effective and have not been early adopted by the Group are set out below.

**a) The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2018:**

- TFRS 9, "Financial instruments"; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 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. The new standard resulting from the compliance study with US GAAP is intended to ensure that the revenue is financially reported and that total revenue is comparable worldwide.

- Amendment to TFRS 15, "Revenue from contracts with customers", effective from annual periods beginning 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.IASB has included additinonal practical measures related to the transition to the new revenue standard.

- Amendments to TFRS 4, "Insurance contracts", 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:

  - provide all the companies issuing insurance contracts the option of recognizing the fluctuations that may arise when TFRS 9 is applied before the new insurance contracts standard is issued in the other comprehensive income statement rather than recognizing in the statement of profit or loss.

  - give companies whose activities are predominantly connected with insurance an optional temporary exemption of 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.

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

### 2.1 Basis of presentation (Continued)

### 2.1.7 New and revised Turkish Financial Reporting Standards ("TFRS") (Continued)

**a) The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2018 (Continued):**

- Amendments to 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.

- Amendments to 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 TFRS 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.

- Annual improvements 2014 - 2016; effective from annual periods beginning on or after 1 January 2018:

  - 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,
  - TAS 28, "Investments in associates and joint venture" regarding measuring an associate or joint venture at fair value.

- TFRS Interpretation 22, "Foreign currency transactions and advance consideration"; effective from annual periods beginning on or after 1 January 2018. This TFRS 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. This guideline reduces the diversity in the purposeful application.

The possible effects on its financial statements in consequence of applying such standards are disclosed in Note 2.1.5.

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

**2.1 Basis of presentation (Continued)**

**2.1.7 New and revised Turkish Financial Reporting Standards ("TFRS") (Continued)**

**b) Standards, amendments and interpretations published as of 31 December 2018 but not effective yet:**

- Amendment to TFRS 9, "Financial instruments"; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

- Amendment to TAS 28, "Investments in associates and joint venture"; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

- TFRS 16, "Leases"; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15, "Revenue from Contracts with Customers" is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 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.

  The Group will start to apply TFRS 16, "Leases" at 1 January 2019 which is mandatory application date. The Group plans to use the simplified transition method and not to recalculate comparative amount for the previous year before first application. Thus, all assets with the right of use will be measured at leasing debts (adjusted for prepaid or accrued rental costs).

  As of the reporting date, the Group continues to work on the impact of TFRS 16 on its financial statements. When standard is applied, the asset and liability of the Group's balance sheet will increase by the amount of the right of use of an asset and rent liability (after the effect of deferred tax) respectively, whereas the profit will decrease by the difference between the sum of an amount of the depreaciation of the right of use of an asset and the interest impact of rent liability and yearly rent payment accounted for as based on previous standard. In addition to that,operation cash flows will increase and finance cash flows will decrease by the same amount because because the repayment of the principal of rental debt will be classified as the cash flows arising from financing activities. It is not expected to have significant impact of TFRS 16 on its financial statements. However, the relevant explanations in notes to the financial statements will be added from next year.

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

### 2.1 Basis of presentation (Continued)

### 2.1.7 New and revised Turkish Financial Reporting Standards (“TFRS”) (Continued)

**b) Standards, amendments and interpretations published as of 31 December 2018 but not effective yet (Continued):**

- TFRS Interpretation 23, “Uncertainty over income tax treatments”; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12, “Income taxes”, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 12, not TAS 37, “Provisions, contingent liabilities and contingent assets”, applies to accounting for uncertain income tax treatments. IFRIC Interpretation 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

- Annual improvements 2015 - 2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - TFRS 3, “Business combinations”, a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - TFRS 11, “Joint arrangements”, a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - TAS 12, “Income taxes” a company accounts for all income tax consequences of dividend payments in the same way.
  - TAS 23, “Borrowing costs” a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- Amendments to TAS 19, “Employee benefits on plan amendment, curtailment or settlement”; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

**2.1 Basis of presentation (Continued)**

**2.1.7 New and revised Turkish Financial Reporting Standards ("TFRS") (Continued)**

**b) Standards, amendments and interpretations published as of 31 December 2018 but not effective yet (Continued):**

- Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements',and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs are as follows:

    - Use a consistent definition of materiality throghout TFRSs and the Conceptual Framework for Financial Reporting;
    - Clarify the explanation of the definition of material; and
    - Incorporate some of the guidance in TAS 1 about immaterial information

- Amendments to TFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The standards mentioned above are expected to be effective in 2019 and the following years. The Group has not yet determined the possible effects on its financial statements in consequence of applying such standards, other than the abovementioned effects, and does not expect these differences to have a significant effect on its financial statements.

**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 exists:

(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.

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

### 2.2 Summary of significant accounting policies (Continued)

### 2.2.1 Related parties (Continued)

(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).

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, Demirören Holding A.Ş. directly or indirectly has participation, including any entities under common control; real persons and 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 or legal entities that are directly or indirectly controlled individually or jointly (Note 34).

### 2.2.2 Financial assets

<u>Classification and measurement</u>

The Group has categorized its financial assets into three accounts as financial assets accounted at amortized cost,financial assets whose fair value is reflected to the income statement and financial assets whose fair value is reflected to the other comprehensive income.Classification has been performed by considering business model according to the purpose of use and expected cash flow. Management classifies its financial assets at the date that the purchase is completed.

*a) Financial assets accounted at amortized cost:*

Management, which adopted collection business model of cash flow as based on contract including only the payment of cash and the interest steming from cash balance,classified the financial assets, which have certain and fixed payment,are not traded in active market and are not derivative instrument,at amortized cost.If the maturity of the financial asset is less than 12 months, it is called Current assets whereas if the maturity is more than 12 months, it is called Non-current assets.The financial assets accounted at amortized cost include 'Trade Receivable','Other Receivable' and 'Cash and Cash Equivalent'.In addition to that, the trade receivable which are taken from factoring firm is classified in the financial assets accounted at amortized cost because its collection risk is not transferred.

*Impairment*

The Group uses the provision matrice by choosing simplified application method in the process of calculating the impairment of trade receivable because such receivables don't have significant funding component.In the case of unimpairment in the trade receivable due to any certain reasons, the Group considers expected credit loss to be equal to lifelong expected credit loss. The calculation of provision for expected credit loss has been performed using the expected credit loss ratio determined by considering historical credit loss experience and macroeconomic indicators.

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

**2.2 Summary of significant accounting policies (Continued)**

**2.2.2 Financial assets (Continued)**

*(b) Assets accounted at fair value*

The assets which management adopted the collection or sale business model of cash flow resulted from contracts have been accounted at fair value.The assets as explained in previous sentence have been classified as the non-current asset if the management does not intend to sell within 12 months.The Group makes a decision about recording the fair value difference as equity investment in the statement of profit or loss or the other comprehensive income for the investment on the financial assets as based on equity in the process of first record.This decision cannot be changed.

*i) The asset whose fair value is recorded in the statement of profit or loss*

The assets whose fair value is recorded in the statement of profit or loss include the 'Derivative Instrument' accounts in the financial statement.Derivative instrument is recorded as an asset if its fair value is positive whereas derivative instrument is recorded as a liability if its fair value is negative.The derivative instruments of the Group consist of the operation of purchase and sale of currency with maturiy.

*ii) The asset whose fair value is recorded in the other comprehensive income*

The assets whose fair value is recorded in the other comprehensive income include 'Financial Investment' and 'Derivative Instrument' accounts in the financial statement.Valuation difference has been classified in retained earning in the case of the sale of the assets whose fair value difference is recorded in the other comprehensive income.

**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).

When calculating the impairment of trade receivables, which are recognised based on the cost amortised in financial statements and do not include an important financing component, Group preferred to adopt "simplified approach" in TFRS 9 standard.

According to "simplified approach" of TFRS 9 Standard, loss provisions concerning trade receivables are calculated equal to "lifetime expected credit loss" if trade receivables are not impaired due to valid reasons as stated in TFRS 9.

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

### 2.2 Summary of significant accounting policies (Continued)

### 2.2.3 Trade receivables and provision for doubtful receivables (Continued)

TAS 39 "Financial Instruments:Recognition and Measurement" valid before 1 January 2018: Instead of "realised credit losses model" in TAS 39, "expected credit loss model" was defined in TFRS 9 "Financial Instruments" Standard.Expected credit loss is estimated by weighting credit losses, expected to occur throughout the expected life of financial instruments, based on previous statistics. When calculating the expected credit losses, credit losses in the previous years and forecasts of the Group are considered.

The Group uses "provision matrix" to calculate the expected credit losses of trade receivables.According to the overdue maturities of trade receivables,certain provision rates are calculated and these ratios are revised each reporting period, if necessary.The change related to the expected credit lossis recorded under other operating income/expense (Note 26,27).

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 under the other operating income following the deduction from total provision amount (Note 8, 26, 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, 29).As of 31 December 2018,the Group has classified the impairment loss of intangible assets related to discontinued operations in the current and prior period under "Loss of discontinued operations for the period after tax" in the statement of profit or loss as stated in Note 32.

### 2.2.5 Inventories

Inventories are valued at the lower of cost or estimated selling price less estimated costs necessary to make a sale (net realizable value). 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 moving 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 the consolidated statement of profit or 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 initial impairment. The management evaluates the inventory impairment amount (if any) as of the balance sheet dates (Note 11).

## 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 value increase. 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. Gain or losses arising from changes in the fair values of investment properties are included in the consolidated statement of 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.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising from derecognition of the property is included in the statement of profit or loss in the period in which the property is derecognized.

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 cost value and fair value at the date of the change is recognized as revaluation fund in consolidated statement of other comprehensive income (Note 13).

#### 2.2.7 Property, plant and equipment

Property, plant and equipment except for land and building 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 and building).The useful life of land is considered infinite.

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

| | |
|---|---|
| Machinery and equipment | 3-15 years |
| Furniture and fixtures | 3-15 years |
| Motor vehicles | 5 years |
| Leasehold improvements | 2-20 years |

Expected useful life, residual value and depreciation method are reviewed annually for possible effects of changes in estimates and are recognized prospectively if there is a change in estimates.

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

**2.2 Summary of significant accounting policies (Continued)**

**2.2.7 Property, plant and equipment (Continued)**

An item of property, plant and equipment is derecognized in the consolidated statement of financial position upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount provided to allocate provision. 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 as of the consolidated statement of financial position date.

Regular repair and maintenance expenses are charged to the consolidated statement of profit or loss 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 asset.

Lands and buildings are recorded with their fair values. The difference between the cost value and the fair value is recorded as "revaluation funds" account under the equity, net of deferred tax. The revaluation increase is recorded in the statement of profit or loss if there is a previously recognised impairment in the statement of profit or loss. A decrease in the book value of the land and buildings is recorded in the statement of profit or loss if it exceeds the value in the revaluation fund for the previous revaluation of that asset. When the revalued asset is used, the difference between the amortization calculated over the revalued amount and the amortization calculated over the initial cost amount is recorded in retained earnings after deducting the deferred tax effect.

**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 to the business combinations. Useful lives of certain trade names are determined to be infinite. Assets that have an infinite 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:

| | |
|---|---|
| Trademark | 20 years |
| Customer lists | 9 and 18 years |
| Computer software and rights | 5-15 years |
| Internet domain names | 3-20 years |
| Other intangible assets | 5 years |

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

### 2.2 Summary of significant accounting policies (Continued)

### 2.2.8 Intangible assets and amortisation (Continued)

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 statement of profit or loss.

The Group evaluates whether there are any indications that an asset other than goodwill or intangible assets with infinite life 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).In the calculation of value in use,the discount rate before tax ,which reflects the value of money in use within current market conditions and risks related to estimates about the future cash flow is used.

Web page development costs

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 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 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 tax is determined using tax rates 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)**

**2.2.9 Taxes (Continued)**

Deferred tax liabilities are recognized when the Group is able to control the reversal of temporary differences, except in those cases where the likelihood of this difference to be recovered in the near future is low, and taxable temporary differences associated with investments in associates and interests in joint ventures calculated for all of the differences. Such investments and taxable temporary deferred tax assets arising from differences, obtaining sufficient profits subject to taxation in the near future it is highly likely that it will benefit from differences and that future related differences it is probable that it will be possible to remove.

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).

**2.2.10 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 amortised cost value is recognised in the statement of 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 qualifying asset (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).

**2.2.11 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 provision for employment termination benefit represents the present value of the acturial assumptions 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).

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

### 2.2 Summary of significant accounting policies (Continued)

#### 2.2.11 Employment termination benefits (Continued)

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.

#### 2.2.12 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.

In case the Group's contingent liabilities become probable but the reliable estimation of the amount of the resources containing economic benefits cannot be made, the related liability is presented in disclosures.

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 Group are 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).

#### 2.2.13 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 General Assembly (Note 22).

#### 2.2.14 Foreign currency transactions

<u>Foreign currency transactions and balances</u>

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 comprehensive profit or loss.

(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)

#### 2.2.14 Foreign currency transactions (Continued)

Foreign Group Companies

The results of Group undertakings using a different functional 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.

When disposing of Group companies abroad, the accumulated foreign currency translation differences of the related enterprise which are accounted for in other comprehensive income are reclassified from equity to profit or loss when the gain or loss arising from disposal is recognized.

The Group may derecognise its operations abroad in the form of sales, liquidation, repayment of capital or partial or abandonment of the entity. A reduction in the carrying amount of a foreign entity due to impairment, will not result in a partial disposal. Therefore, any gain or loss on exchange rate differences recognized in other comprehensive income is not reclassified to profit or loss when the impairment loss is recognized.

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, Eastern Europe and Eastern Europe countries (Note 3). Foreign currencies and exchange rates at 31 December 2018 and 31 December 2017 are summarized below:

| Country | Currency | 31 December 2018 | 31 December 2017 |
|---|---:|---:|---:|
| Russia | Ruble | 0.0753 | 0.0651 |
| Eurozone | Euro | 6.0280 | 4.5155 |
| United States of America | Dollar | 5.2609 | 3.7719 |

#### 2.2.15 Revenue recognition

When the Group fulfills its obligation to perform the assignment by transferring a promised good or service to the customer, the Group records revenue in the financial statements. When the control of an asset is taken (or passed) by the customer, the asset is transferred.

The Group puts revenue into financial statements in accordance with the following five basic principles:

- Determination of customer contracts
- Determination of performance obligations in contracts
- Determination of transaction prices in contracts
- Distribution of the transaction price to performance obligations in the contract

- Recognizing revenue when each performance obligation is fulfilled

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

**2.2 Summary of significant accounting policies (Continued)**

**2.2.15 Revenue recognition (Continued)**

The Group recognizes a contract with the customer as a revenue if all of the following conditions are met:

- The parties to the agreement have endorsed the contract (in accordance with written, oral or other commercial conventions) and committed to their own performance,
- The Group can identify the rights of each party to the goods or services to be transferred,
- The Group is able to define the payment conditions for the goods or services to be transferred,
- The Convention is inherently commercial,
- It is probable that the Group will collect compensation for the goods or services to be transferred to the customers.

The Group considers only the ability of the customer to pay on time and the intention to do so when assessing whether the collectibility of a consideration is probable.

At the beginning of the contract, the Group evaluates the goods or services it promises in the contract with the customer and defines each commitment for transfer to the customer as the obligation to act as follows:

a) different goods or services (goods or services package) or
b) a series of different goods or services that show great similarity and follow the same method at the time of transfer to the customer

A series of different goods or services is subject to the same cycle if the following conditions are met together:

a) Each different goods or service in the series which the Group is committed to assign to the customer constitutes a performance obligation to be completed over time, meeting the necessary conditions.

b) In accordance with the related paragraphs of the Standard, the same method shall be used to measure the progress of the Group in respect of the fulfillment of the obligation of performance of each different goods or services constituting a unit.

When another party intervenes in the provisions of the goods or services to the customer the Group determines that it has a performance obligation to provide the goods or services itself (noble) in accordance with the nature of the commitment or to mediate such goods or services provided by another party (proxy). The group is noble if it controls the designated goods or services before transferring the goods or services to the customer. In the case of fulfillment of the obligation (or bringing it), the gross amount of the price that it waits for the transferred goods or services is taken on the financial statements as a revenue. The Group is a proxy if it acts as intermediary for the provision of goods or services for which the performance obligation has been set aside, and does not reflect the financial statement for the obligation as a revenue to fulfill the obligation.

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

### 2.2 Summary of significant accounting policies (Continued)

### 2.2.15 Revenue recognition (Continued)

The fulfillment obligations of the Group are explained below:

| Obligation of Conduct | Context |
|---|---|
| **Advertising Revenue** | The Group's advertising revenues consist mainly of revenues from advertising in print media and digital media. As advertising is published, the simultenaous use and consumption of the clients' rights shows that the Group has transferred the control of the service overtime. Therefore, revenue is recognised in accordance with output method when the performance obligation is satisfied (as advertising is published). Unpublished portions of advertisements are recognized in the statement of financial position as a contractual obligation. |
| **Subcontracted Printing Revenue** | Subcontracted printing revenues consist of the printing services given to the companies within and outside the Group, using the printing facilities owned by the Group. Revenues generated under this service are accounted for "at a specific moment in time" when the newspaper is delivered for distribution. |
| **Newspaper Sales (Circulation) Revenues** | Circulation revenues consist of distribution company and revenue from mass sales and newspaper sales. The revenues generated under this service are accounted for "at a specific moment in time" on the date when the newspapers are shipped. |

The Group is an agent for some of the products and services it provides in its "Yakala.co" contracts that companies have agreed to in accordance with their digital marketing strategies. When the Group fulfills the obligation of performance for these contracts which it considers to be an agent, it puts the net amount or commission it expects to deserve into the financial statement. The net amount is the remaining amount after the Group has paid the price or commission, the portals are provided with goods or services. However, in the case of cinema tickets sold in the "Yakala.co" site operating in the field of E-commerce, the Group has an inventory risk regarding the tickets and is principle because it has the discretion in determining the price for this service. Revenue from ticket sales is not a commission income, but is recognized as gross on the financial statements.

The Group considers contractual provisions and commercial practices to determine the transaction price. The transaction price is the amount that the Group expects to qualify for the goods or services it has pledged, other than the amounts collected on behalf of third parties (eg some sales tax), for the customer transfer. Committed to a contract with a client, the price may include fixed amounts, variable amounts, or both. Group contracts can have variable amounts due to turnover based reductions, repayments, points. If the commitment price is a variable amount, the Group determines the cost of the goods or services promised to the customer through the estimated cost to be eligible for the acquisition. It is highly probable that there will not be a significant cancellation of the cumulative gross receipts in the financial statements when the uncertainty related to the variable cost is eliminated in the future because the Group can include part or all of the variable cost amount estimated by the Group. The Group considers both the likelihood and the magnitude of the cancellation of revenue, inasmuch as it is highly probable that there will not be a significant reversal of the cumulative gross receipts in the financial statements when the uncertainty regarding the variable cost subsequently disappears.

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

### 2.2 Summary of significant accounting policies (Continued)

### 2.2.15 Revenue recognition (Continued)

Revenue-based premiums that the Group has associated with retroactive service acquisitions to media agencies are variable costs. Revenue-based discounts determined by the Group through estimation are accounted as "contractual obligation" in the statement of financial position.

The Group offers advertising services for advertising and other products and services. The barter of the goods or services with similar characteristics and value is not defined as income generating transactions while the exchange of the goods or services with different characteristics and value is defined as those that generate income. In order to determine the transaction price related to the contracts where the customers committed to make non-cash payment, the Group measures the non-cash price at fair value. In cases where the fair value of the goods or services obtained cannot be measured reliably, revenue is recognized as the fair value of the goods or services received, including cash and cash equivalents transferred.

The Group records revenue from barter ad sales as based on accrual. The Group's non-published advertising revenue is recognized as "contractual obligation" in the statement of financial position.

If a contract has offered the option of obtaining additional goods or services to the business customer, this option will result in a liability if the customer provides a material right not to be obtained unless the contract is signed by the contracting party. If the option gives the customer a material right, the entitled customer pays in advance for the goods or services that it will receive in the future, and the entity receives the financial statements when the goods or services to be delivered in the future are transferred or the option is terminated. If the stand-alone selling price of the customer's option to purchase additional goods or services cannot be directly observed, the entity determines this through estimation. This estimate reflects the discount that the customer would receive if he/she used the option in question, corrected for both of the following:

(a) a discount that the customer may receive if the customer does not use the option, and
(b) the likelihood of your choice being used.

After the customer receives a prepayment, the entity shall acquire a contractual obligation of prepayment amount in the financial statement in exchange for the obligation to transfer the goods or services in the future or prepare for the prepayment. When the entity realizes the transfer of the goods or services and therefore fulfills the obligation, the contract derives the obligation from the financial statements (and is included as revenue in the financial statements).

The awards given to the dealers and final sellers of the Group are recognized as a contractual obligation in the financial statements as the awards related to the dealership loyalty project are awarded by the customer as a party and can not be obtained unless they are signed by the contractor. These prizes won under the Dealer Loyalty Project will be deducted from the contractual obligation and used as financial statements in the form of proceeds.

In cases where the Group has collected a customer's consideration and expects to repay part or all of the consideration to the customer in question, the Group takes the restitution obligation in the financial statements. The return obligation is measured at the cost (ie, the amounts not included in the transaction price) or at the price (or receivable) that the entity does not expect to receive. The return obligation (the change in the transaction price and therefore the contract obligation) is updated at the end of each reporting period, taking into account the changes in the terms.

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

### 2.2 Summary of significant accounting policies (Continued)

### 2.2.15 Revenue recognition (Continued)

The Group puts all of the following items into the financial statements in order to account for transfer of the goods and services which may be returned (together with some services provided by registration)

(a) gross receipts for products transferred at the amount that the entity is not entitled to receive (hence the revenue for the products that are expected to be returned is not included in the financial statements)
(b) a restitution obligation and
(c) an asset for which the entity is entitled to recover its products upon the fulfillment of the entity's obligation to return it (and an adjustment to be made in the cost of the sales accordingly).

An asset included in the financial statements within the scope of the right of withdrawal of the products from the customer for the fulfillment of the obligation of return shall be measured firstly from the previous carrying amount of the product, based on the amount to be found after deducting the expenses expected to be made within the scope of the withdrawal of these products. The Group returns the return obligation measurement at the end of each reporting period, reflecting the changes in the expected return amounts, and takes the necessary corrections as revenue (or rebates) financial statements.

The price specified for a goods or service is the selling price of that goods or service. If there are more than one goods or services to be transferred to the contract, the Group distributes the transaction price to each performance obligation (or different goods or services) at a rate that indicates the price the customer expects to qualify for the transfer of the goods or services promised. In order to reach the purpose of distribution, the Group distributes the transaction price to each performance obligation determined on the contract at a relative individual selling price. To distribute the transaction price on a per-sale price basis relative to each performance obligation, the Group determines the independent sale price of the different goods or services underlying each performance liability in the contract at the beginning of the contract and distributes the transaction price in proportion to these individual selling prices.

When a party fulfills the contract, the entity presents the contract in the statement of financial position as a contractual asset or contractual obligation, depending on the relationship between the actuation of the entity and the payment of the customer. The entity separately displays unconditional rights for the cost as a receivable.

The Group represents a contractual obligation before the transfer of a good or service to the customer, in the event that the customer has a payment of the price of the customer or the price of the customer unconditionally, on the date when the payment is made or on due date, whichever is sooner. The contractual obligation is the obligation to transfer the goods or services to the customer in exchange for the amount that the entity has collected (or is entitled to collect) from the customer.

The Group presents the contract as a contractual asset, except for the amounts presented as receivables, in the event that the Group fulfills the performance by transferring the goods or services to the customer before the payment is made to. The contract asset is the right of collecting the price for the goods or services transferred to the customer.

The Group recognizes contractual assets and liabilities in the statement of financial position as "contractual asset" and "contractual obligation" in the balance sheet.

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

### 2.2 Summary of significant accounting policies (Continued)

#### 2.2.16 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 33).

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 33).

#### 2.2.17 Government grants

Government grants are not recognized in the financial statements until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants which are financial assets, should be recognized as deferred revenue in the consolidated statement of financial position rather than recognised in the statement of profit or loss to clarify the expenditure item that is financed and transferred to profit or loss on a systematic and rational basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates (Note 16).

#### 2.2.18 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).

#### 2.2.19 Events after the reporting period

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 38).

#### 2.2.20 Reporting of cash flows

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

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

### 2.2 Summary of significant accounting policies (Continued)

#### 2.2.20 Reporting of cash flows (Continued)

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).

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).

#### 2.2.21 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.

Cash flows of discontinued operations are presented as a separate line together with the correction of prior period cash flow for discontinued operations.

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.

#### 2.2.22 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).

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

**2.2 Summary of significant accounting policies (Continued)**

**2.2.23 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.

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 hedging transaction is ultimately recognized in profit or loss. When a hedging transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

**2.3 Significant Accounting Estimates,Assumptions and Decisions**

During the implementation of accounting policies, the management has made the following comments, which have a significant impact on the amounts recognized in the financial statements:

*Provision for doubtful receivable*

The Group sets aside a doubtful receivable provision for trade receivables if there is an objective finding that there is no possibility of collection. The amount of this provision is the difference between the carrying amount of the receivable and the amount of the recoverable amount. The recoverable amount is the present value of expected cash inflows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the receivable originally formed.

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

### 2.3 Significant Accounting Estimates,Assumptions and Decisions (Continued)

The Group uses a provision matrix to measure expected credit losses for trade receivables. Depending on the number of days in which the maturities of trade receivables are exceeded, certain provision ratios are calculated and the rates are revised in each reporting period and revised where necessary. The change in expected credit loss provisions is accounted under other operating income / expenses in the statement of profit or loss (Note 8, 26, 27).

*Deferred Tax*

The Group recognizes deferred tax assets and liabilities for temporary differences. The partially or fully recoverable amount of deferred tax assets is estimated under current conditions.

During the evaluation, future profit projections, current period losses, unused losses and other tax assets' expiration dates and tax planning strategies that may be used are taken into consideration. In the light of the data obtained, if the future taxable profit of the Company is not sufficient to cover all the deferred tax assets, provision is booked for all or part of the deferred tax asset.

*Valuation of investment properties*

The Company recognizes its investment properties at fair value and the fair values of these assets are determined by the independent valuation institutions authorized by the Capital Markets Board and are taken as the carrying value in the statement of financial position. The fair values of investment properties include significant assumptions and estimates based on the valuation method used and the inputs and assumptions in the valuation model.

*Valuation of land and building*

The Company recognizes its land and buildings at fair value, and the fair values of these assets are determined by independent valuation institutions authorized by the Capital Markets Board and are taken as the carrying value in the statement of financial position. The fair values of land and buildings include significant assumptions and estimates based on the valuation method used and the inputs and assumptions in the valuation model.

*Provision for employee termination benefits*

The present value of the provision for employment termination benefits is determined on an actuarial basis by using certain assumptions.These assumptions are used to determine the net expense (income) of the provision for employee termination and include the discount rate. Any change in the aforementioned assumptions affects the carrying amount of the provision for employee termination. The end of period employee termination benefits and actuarial calculations are performed by a third party actuary company.

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

## NOTE 3 - SEGMENT REPORTING

### a) Segment analysis for the period between 1 January – 31 December 2018:

| | Turkey | Russia and EE (*) | Europe | Total |
|---|---|---|---|---|
| Sales | 364,693,060 | 11,501,395 | 45,868,814 | 422,063,269 |
| Cost of sales (-) | (254,546,852) | (7,417,220) | (43,903,800) | (305,867,872) |
| **Gross profit (loss)** | **110,146,208** | **4,084,175** | **1,965,014** | **116,195,397** |
| Marketing expenses (-) | (82,916,101) | (97,158) | - | (83,013,259) |
| Losses from investments accounted by the equity method (-) | (4,651,220) | - | - | (4,651,220) |
| **Net segment result** | **22,578,887** | **3,987,017** | **1,965,014** | **28,530,918** |
| General administrative expenses (-) | | | | (78,098,808) |
| Other operating income | | | | 49,412,722 |
| Other operating expenses (-) | | | | (40,687,121) |
| Finance expenses (-) | | | | (33,090,834) |
| Income from investing activities | | | | 390,489,483 |
| Expense from investing activities (-) | | | | (6,030,200) |
| **Profit (loss) before tax from continuing operations** | | | | **310,526,160** |
| Tax income (expense) for the period | | | | (20,703,195) |
| Deferred tax income (expense) | | | | 568,864 |
| **Profit (loss) for the period from continuing operations** | | | | **290,391,829** |

### b) Segment analysis for the period between 1 January – 31 December 2017:

| | Turkey | Russia and EE (*) | Europe | Total |
|---|---|---|---|---|
| Sales | 438,815,878 | 10,015,006 | 36,809,848 | 485,640,732 |
| Cost of sales (-) | (261,293,969) | (6,494,484) | (36,559,592) | (304,348,045) |
| **Gross profit (loss)** | **177,521,909** | **3,520,522** | **250,256** | **181,292,687** |
| Marketing expenses (-) | (84,618,572) | (260,708) | - | (84,879,280) |
| Losses from investments accounted by the equity method (-) | (1,680,725) | - | - | (1,680,725) |
| **Net segment result** | **91,222,612** | **3,259,814** | **250,256** | **94,732,682** |
| General administrative expenses (-) | | | | (76,809,711) |
| Other operating income | | | | 31,991,833 |
| Other operating expenses (-) | | | | (43,033,218) |
| Finance expenses (-) | | | | (41,530,302) |
| Income from investing activities | | | | 39,228,248 |
| Expense from investing activities (-) | | | | (24,931,882) |
| **Profit (loss) before tax from continuing operations** | | | | **(20,352,350)** |
| Tax income (expense) for the period | | | | (2,378,344) |
| Deferred tax income (expense) | | | | 2,628,704 |
| **Profit (loss) for the period from continuing operations** | | | | **(20,101,990)** |

(*) The information related to the discontinued operations in Russia and EE and the financial investments classified as assets held for sale are disclosed in Note 32.

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

## NOTE 3 - SEGMENT REPORTING (Continued)

### c) Segment assets:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Turkey | 785,041,897 | 699,810,751 |
| Russia and EE | 5,191,593 | 11,933,772 |
| Europe | 62,717,620 | 48,158,995 |
| | **852,951,110** | **759,903,518** |
| Unallocated assets (1) | 16,737,590 | 2,106,647 |
| Investments accounted by the equity method (Note 12) | 4,479,950 | 7,124,215 |
| **Total assets per consolidated financial statements** | **874,168,650** | **769,134,380** |

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

### d) Segment liabilities

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Turkey | 101,727,757 | 93,901,600 |
| Russia and EE | 3,547,858 | 6,787,552 |
| Europe | 15,213,872 | 19,331,442 |
| | **120,489,487** | **120,020,594** |
| Unallocated liabilities (1) | 113,515,604 | 346,006,876 |
| **Total liabilities per consolidated financial statements** | **234,005,091** | **466,027,470** |

(1) The Group's liabilities other than segment liabilities are composed of financial borrowings (Note 7), short term provisions (Note 17), long term provisions for employee termination benefits (Note 19), current tax liability and deferred tax liabilities (Note 31).

### e) Purchase and depreciation and amortization of property, plant and equipment, intangible assets and investment property

***Purchase of property, plant and equipment, intangible assets and investment property:***

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Turkey | 28,640,686 | 32,475,489 |
| Europe | 356,730 | 694,762 |
| Russia and EE | 13,546 | 4,757,094 |
| **Total** | **29,010,962** | **37,927,345** |

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

## NOTE 3 - SEGMENT REPORTING (Continued)

### e) Purchase and depreciation and amortization of property, plant and equipment, intangible assets and investment property (Continued)

***Depreciation and amortization charges:***

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Turkey | 19,004,628 | 22,822,950 |
| Russia and EE | 87,763 | 7,496,171 |
| Europe | 991,624 | 1,844,485 |
| **Total** | **20,084,015** | **32,163,606** |

Depreciation and amortization charge amounting to TRY 561,147 belongs to non-current assets classified as assets held for sale (31 December 2017: TRY 8,163,322).

### f) Non-cash other income and expenses:

| | 1 January - 31 December 2018 | | | |
|---|---|---|---|---|
| | Turkey | Russia and EE | Europe | Total |
| Provision for impairment of tangible assets (Note 14, 29) | (665,309) | - | (159,374) | (824,683) |
| Fair value adjustment of investment property (Note 13) | 17,005,620 | (1,189,162) | - | 15,816,458 |
| Provision of employee termination benefit and unused vacation (Note 19) | (9,098,282) | - | - | (9,098,282) |
| Provision for doubtful receivables (Note 8) | (15,974,679) | (44,360) | - | (16,019,039) |
| Provision of legal claims (Note 17) | (2,099,682) | - | - | (2,099,682) |
| Provision of inventory (Note 11) | (598,287) | - | - | (598,287) |
| | **(11,430,619)** | **(1,233,522)** | **(159,374)** | **(12,823,515)** |

| | 1 January - 31 December 2017 | | | |
|---|---|---|---|---|
| | Turkey | Russia and EE | Europe | Total |
| Provision for impairment of tangible assets (Note 14,29) | (4,634,177) | - | (1,138,631) | (5,772,808) |
| Fair value adjustment of investment property (Note 13) | 20,127,878 | - | - | 20,127,878 |
| Provision of employee termination benefit and unused vacation (Note 19) | (9,786,043) | (1,274,720) | - | (11,060,763) |
| Provision for doubtful receivables (Note 8) | (23,016,830) | - | - | (23,016,830) |
| Provision of legal claims (Note 17) | (3,561,157) | - | - | (3,561,157) |
| Provision of inventory (Note 11) | (524,601) | - | - | (524,601) |
| | **(21,394,930)** | **(1,274,720)** | **(1,138,631)** | **(23,808,281)** |

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

## NOTE 3 - SEGMENT REPORTING (Continued)

### g) Disclosures related to discontinued operations

*Discontinuing the operation of digital platform of Russia and EE*

In accordance with the Board of Directors decision dated 22 November 2017 of Pronto Media Holding, which is located in Russia, as the indirect subsidiary of Trader Media East Ltd, of which the Group owns 97.29% shares, the Group decided to discontinue the operations of digital platforms within its body, due to the intensity of the competition in the operating market and the lack of operational performance and classified such operations as "discontinued operations. The impairment losses due to discontinued operations recognized under "Discontinued Operations" in the statement of profit or loss. Information related to discontinued operations are disclosed in Note 32.

## NOTE 4 - CASH AND CASH EQUIVALENT

The details of cash and cash equivalents at 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Cash | 1,883,731 | 2,660,628 |
| Banks | | |
| - time deposits | 10,711,355 | 59,423,284 |
| - demand deposits | 44,272,810 | 3,862,855 |
| **Total** | **56,867,896** | **65,946,767** |

Cash and cash equivalents included in the consolidated statements of cash flows as of 31 December 2018, 2017 and 2016 are as follows:

| | 31 December 2018 | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| Cash and banks | 56,867,896 | 65,946,767 | 24,295,720 |
| **Total** | **56,867,896** | **65,946,767** | **24,295,720** |

The maturity analysis of time deposits is as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| 0-1 months | 10,711,355 | 59,423,284 |
| | **10,711,355** | **59,423,284** |

The weighted average interest rate for TRY time deposits is 18.84 % as of 31 December 2018 (31 December 2017: 13.57 %) and it is fixed. Group has no time deposit in USD as of 31 December 2018 (31 December 2017 : 0.60 %).

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

## NOTE 5 - DERIVATIVE INSTRUMENTS

**Derivative instruments whose fair value are classified in the other comprehensive income /(expense):**

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Liabilities related to foreign exchange forwards | - | 1,098,340 |
| **Total** | **-** | **1,098,340** |

## NOTE 6 – FINANCIAL INVESTMENTS

**Short-term financial investments:**

Details of restricted bank balances at 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Restricted bank balances | 72,133 | 68,713 |
| **Total** | **72,133** | **68,713** |

**Long-term financial investments:**

The details of financial assets whose fair value are recognised in the other comprehensive income at 31 December 2018 and 2017 are as follows:

| | Share (%) | 31 December 2018 | Share (%) | 31 December 2017 |
|---|---|---|---|---|
| Coats İplik Sanayi A.Ş. | 0.50 | 257,850 | 0.50 | 257,850 |
| Doruk Faktoring A.Ş. ("Doruk Faktoring") (1) | - | - | 5.11 | 1,029,898 |
| Other | <1 | 56,073 | <1 | 56,073 |
| **Total** | | **313,923** | | **1,343,821** |

(1) On 10 May 2018, the Group sold all of the shares owned in Doruk Faktoring to Doğan Holding amounting to USD 1,620,888 (TRY 6,928,140) (Note 32).

## NOTE 7 - SHORT TERM AND LONG TERM BORROWINGS

The details of financial liabilities at 31 December 2018 and 2017 are as follows:

| **Short-term borrowings:** | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Short-term bank borrowings | 67,887 | 10,550,732 |
| | **67,887** | **10,550,732** |
| Short term portion of long-term financial liabilities | 15,582,708 | 101,139,261 |
| **Total** | **15,650,595** | **111,689,993** |

| **Long-term borrowings:** | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Long-term bank borrowings | 11,733,333 | 150,478,785 |
| **Total** | **11,733,333** | **150,478,785** |

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

## NOTE 7 - SHORT TERM AND LONG TERM BORROWINGS (Continued)

**Bank borrowings:**

The details of bank borrowings at 31 December 2018 and 2017 are as follows:

| | Effective interest rate (%) | | Original currency | | TRY | |
|---|---|---|---|---|---|---|
| | **31 December 2018** | **31 December 2017** | **31 December 2018** | **31 December 2017** | **31 December 2018** | **31 December 2017** |
| **Short-term bank borrowings** | | | | | | |
| - TRY | - | 14.80 | - | 1,022,788 | - | 1,022,788 |
| - Euro | 5.00 | - | 11,262 | - | 67,887 | - |
| - Russian Ruble [1] | - | 12.51 | - | 145,500,000 | - | 9,527,944 |
| **Sub-total** | | | | | **67,887** | **10,550,732** |
| **Short-term portion of long-term bank borrowings** | | | | | | |
| - TRY | 28.00 | 12.49 | 15,582,708 | 100,537,860 | 15,582,708 | 100,537,860 |
| - Euro | - | 5.71 | - | 133,186 | - | 601,401 |
| **Sub-total** | | | | | **15,582,708** | **101,139,261** |
| **Total short-term bank borrowings** | | | | | **15,650,595** | **111,689,993** |
| **Long-term bank borrowings** | | | | | | |
| - TRY | 28.00 | 13.69 | 11,733,333 | 121,665,822 | 11,733,333 | 121,665,822 |
| - Russian Ruble [1] | - | 12.33 | - | 440,000,000 | - | 28,812,963 |
| **Total long-term bank borrowings** | | | | | **11,733,333** | **150,478,785** |

[1] As of 31 December 2018, there is no borrowing related to "Discontinued Operations" (as of 31 December 2017, TRY 9,527,944 of short-term borrowings and TRY 28,812,963 of long-term bank borrowings are related to "Discontinued Operations").

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

## NOTE 7 - SHORT TERM AND LONG TERM BORROWINGS (Continued)

**Bank borrowings (Continued):**

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

| Year | 31 December 2018 | 31 December 2017 |
|---|---|---|
| 2019 | - | 135,323,943 |
| 2020 | 11,733,333 | 15,154,842 |
| **Total** | **11,733,333** | **150,478,785** |

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

| Period | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Up to 6 months | 7,828,373 | 50,540,664 |
| 6-12 months | 7,822,222 | 61,149,329 |
| 1 - 5 years | 11,733,333 | 150,478,785 |
| **Total** | **27,383,928** | **262,168,778** |

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

Group borrows loans on fixed interest rate.Distribution of fixed interest rate loans are presented in Note 35.1 (i).

As of 31 December 2018, the Group has no bank borrowings with floating interest rates (31 December 2017: None).

**Net financial debt distribution**

Net debt distribution as of 31 December 2018 and 2017 is as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Cash and cash equivalents | 56,867,896 | 65,946,767 |
| Borrowings - due within one year | (15,650,595) | (111,689,993) |
| Borrowings - due after one year | (11,733,333) | (150,478,785) |
| | **29,483,968** | **(196,222,011)** |

| 2018 | Borrowings due within one year | Borrowings due more than one year | Total |
|---|---|---|---|
| Financial borrowings as at 1 January | 111,689,993 | 150,478,785 | 262,168,778 |
| Cash flow effect | (107,415,083) | (138,745,452) | (246,160,535) |
| Currency translation differences | 11,437,421 | - | 11,437,421 |
| Other non-cash items | (61,736) | - | (61,736) |
| **Financial borrowings as at 31 December** | **15,650,595** | **11,733,333** | **27,383,928** |

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

## NOTE 7 - SHORT TERM AND LONG TERM BORROWINGS (Continued)

### Net financial debt distribution (Continued)

| **2017** | **Borrowings due within one year** | **Borrowings due more than one year** | **Total** |
|---|---|---|---|
| Financial borrowings as at 1 January | 147,985,321 | 139,729,311 | 287,714,632 |
| Cash flow effect | (37,119,506) | 9,266,731 | (27,852,775) |
| Currency translation differences | 824,178 | 1,482,743 | 2,306,921 |
| **Financial borrowings as at 31 December** | **111,689,993** | **150,478,785** | **262,168,778** |

## NOTE 8 - TRADE RECEIVABLE AND PAYABLES

Short-term trade receivables net-off of unearned finance income at 31 December 2018 and 2017 are as follows:

### Short-term receivables from third parties:

| | **31 December 2018** | **31 December 2017** |
|---|---|---|
| Trade receivables | 166,410,199 | 248,515,051 |
| Notes receivable and cheques | 6,883,518 | 1,614,697 |
| Credit cards receivables | 3,262,996 | 3,787,318 |
| Income accruals | 1,001,388 | 1,868,559 |
| Unearned finance income due from term sales | (2,240,276) | (7,010,597) |
| Less: Provision for doubtful receivables | (72,137,632) | (64,405,568) |
| **Total** | **103,180,193** | **184,369,460** |

According to a revocable factoring agreement signed with Doruk Faktoring, trade receivables resulting from advertisements, amounting to TRY 80,054,333 (31 December 2017: TRY 115,560,486) are followed up by Doruk Faktoring. The Group has not transferred the risk of default of the receivables mentioned above and has continued to recognize its balance sheet. These receivables are related to commercial advertisements and classified ads. Weighted average maturity of the Group's sales followed up by Doruk Factoring is 63 days (31 December 2017: 104 days). The unearned finance income due from term sales related to the receivables followed up by Doruk Faktoring is TRY 1,614,905 (31 December 2017: TRY 5,127,989) and the compound interest rate is 23.44% per annum (31 December 2017: 15.38%). The rate used in this method and determined on the basis of compound interest is called "effective interest rate"; the aforementioned rate has been determined taking into consideration the data of The Central Bank of the Republic of Turkey.

As of 31 December 2018 and 31 December 2017 the average maturity days of trade receivables that are not followed by Doruk Faktoring are less than 3 months.

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

## NOTE 8 - TRADE RECEIVABLE AND PAYABLES (Continued)

### Short-term receivables from third parties (Continued):

The movements of provision for doubtful receivables are as follows:

| | 2018 | 2017 |
|---|---|---|
| **1 January** | **(64,405,568)** | **(46,020,143)** |
| The opening effect of TFRS 9 (*) | (3,727,090) | - |
| **Reporting** | **(68,132,658)** | **(46,020,143)** |
| Additions during the period (Note 27) | (16,019,039) | (23,016,830) |
| Sale of subsidiary | 6,410,789 | - |
| Collections and reversals during the period (Note 26) | 5,950,512 | 8,605,337 |
| Expected credit loss ( Note 27)* | 43,518 | - |
| Collections and provisions related to assets held for sale and discontinued operations | (741,472) | (3,864,415) |
| Currency translation differences | 350,718 | (109,517) |
| **31 December** | **(72,137,632)** | **(64,405,568)** |

(*) The effect of TFRS 9 amounting to TRY 1,961,036 on doubtful receivable is related to the sale of Glokal.

### Short term trade payables to third parties:

Trade payables at 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Short-term trade payables and notes payable | 50,473,258 | 47,201,033 |
| Expense accruals | 1,456,270 | 3,796,067 |
| Unrealized financial expenses due to term purchases | (1,039,379) | (634,353) |
| **Total** | **50,890,149** | **50,362,747** |

As of 31 December 2018, average turnover date of Group's trade payables is 37 days (31 December 2017: 36 days). As of 31 December 2018, unrealized financial expense due to term purchases is TRY 1,039,379 (31 December 2017: TRY 634,353) and the compound interest rate is 22.44 % per annum (31 December 2017: 15.38%). The compound interest used in the calculations are defined as the "effective interest 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 35.

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

## NOTE 9 - OTHER RECEIVABLE AND PAYABLES

**Other short-term receivables from third parties:**

Other short-term receivables at 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Due from personnel | 2,437,464 | - |
| Other receivables related to sale of investment property | 1,401,333 | 2,522,672 |
| Deposits and guarantees given | 488,012 | 646,901 |
| Other receivables | - | 48,025 |
| **Total** | **4,326,809** | **3,217,598** |

Other long-term receivables at 31 December 2018 and 2017 are as follows:

**Other long-term receivables from third parties:**

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Deposits and guarantees given (1) | 5,363,176 | 1,934,406 |
| Other receivables related to sale of investment property | - | 122,366 |
| **Total** | **5,363,176** | **2,056,772** |

(1) Deposits and guarantees given consist of the deposits given for electricity and guarantees given for lawsuits.

Other short-term payables at 31 December 2018 and 2017 are as follows:

**Short-term other payables to third parties:**

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Taxes payable | 3,779,885 | 9,443,938 |
| Deposits and guarantees received | 822,951 | 627,870 |
| Other payables | 53,738 | 316,242 |
| **Total** | **4,656,574** | **10,388,050** |

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

## NOTE 10 – PAYABLES REGARDING BENEFITS PROVIDED TO EMPLOYEES

Payables stemming from employee benefits as of 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Social security premiums | 2,278,110 | 5,350,836 |
| Due to personnel | 715,049 | 809,879 |
| **Total** | **2,993,159** | **6,160,715** |

## NOTE 11 – INVENTORIES

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Raw materials and supplies | 13,000,213 | 8,988,260 |
| Finished and commercial goods and spare parts | 7,052,521 | 7,357,660 |
| Promotion materials [1] | 1,853,236 | 1,460,286 |
| | **21,905,970** | **17,806,206** |
| Provision for impairment of inventory (-) | (4,378,886) | (3,958,180) |
| **Total** | **17,527,084** | **13,848,026** |

[1] Promotion materials include promotion materials such as books,CDs and DVDs proided to readers.

Provision for impairment of promotion inventories,raw materials and supplies and finished goods and merchandise goods amounting to TRY 4,378,886 (31 December 2017: TRY 3,958,180) and their movement during the period are as follows:

| | 2018 | 2017 |
|---|---|---|
| **1 January** | **(3,958,180)** | **(7,220,465)** |
| Provision for promotion inventories | (220,459) | (88,328) |
| Reversal of provision for promotion materials | 48,135 | 3,656,500 |
| Provision for raw materials and supplies | (377,828) | (436,273) |
| Reversal of provision for raw materials and supplies | 129,446 | 130,386 |
| **31 December** | **(4,378,886)** | **(3,958,180)** |

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

## NOTE 12 – INVESTMENT ACCOUNTED BY EQUITY METHOD

As of 31 December 2018 and 2017, 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 | 31 December 2018 percentage of shares, directly or indirectly owned by Hurriyet and its Subsidiaries (%) | 31 December 2017 percentage of shares, directly or indirectly owned by Hurriyet and its Subsidiaries (%) |
|---|---|---|
| Demirören Media[1] | 42.42 | 42.42 |

[1] The company's trade name "Dogan Media International GmBH" has been changed to "Demirören Media International GmBH" on 9 October 2018.

The summary of Group's share of the financial statements of the investments accounted by the equity method at 31 December 2018 and 2017 is as follows:

| 1 January - 31 December 2018 | Total assets | Total liabilities | Net assets | Net sales | Net loss for the period |
|---|---|---|---|---|---|
| Demirören Media | 9,214,707 | 4,734,757 | 4,479,950 | 5,420,466 | (4,651,220) |
| | **9,214,707** | **4,734,757** | **4,479,950** | **5,420,466** | **(4,651,220)** |

| 1 January - 31 December 2017 | Total assets | Total liabilities | Net assets | Net sales | Net loss for the period |
|---|---|---|---|---|---|
| Demirören Media | 9,874,414 | 2,750,199 | 7,124,215 | 6,146,001 | (1,680,725) |
| | **9,874,414** | **2,750,199** | **7,124,215** | **6,146,001** | **(1,680,725)** |

The investment accounted by the equity method as of 31 December 2018 and 2017 is as follows:

| | Share (%) | 31 December 2018 | Share (%) | 31 December 2017 |
|---|---|---|---|---|
| Demirören Media | 42.42 | 4,479,950 | 42.42 | 7,124,215 |
| | | **4,479,950** | | **7,124,215** |

The summary of Group's share in the financial statements of the investments accounted by the equity method at 31 December 2018 and 2017 is as follows:

| | 2018 | 2017 |
|---|---|---|
| **1 January** | **7,124,215** | **7,368,572** |
| Loss from associates | (4,651,220) | (1,680,725) |
| Currency translation differences | 2,006,955 | 1,436,368 |
| **31 December** | **4,479,950** | **7,124,215** |

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

## NOTE 13 - INVESTMENT PROPERTY

The movements in investment property as of 31 December 2018 and 2017 are as follows:

| | **Lands** | **Buildings** [(1)] | **Total** |
|---|---|---|---|
| **1 January 2018** | **120,218,265** | **52,261,081** | **172,479,346** |
| Additions | - | 14,258,355 | 14,258,355 |
| Disposal | - | (5,230,000) | (5,230,000) |
| Change in fair value adjustment (Note 28,29) | 19,883,802 | (4,067,344) | 15,816,458 |
| Currency translation differences | - | 141,482 | 141,482 |
| **31 December 2018** | **140,102,067** | **57,363,574** | **197,465,641** |

| | **Lands** [(2)] | **Buildings** [(1)] | **Total** |
|---|---|---|---|
| **1 January 2017** | **172,682,904** | **54,982,813** | **227,665,717** |
| Additions | - | 14,203,466 | 14,203,466 |
| Disposal | (69,002,324) | (20,576,758) | (89,579,082) |
| Change in fair value adjustment (Note 28,29) | 16,760,470 | 3,367,408 | 20,127,878 |
| Currency translation difference | (222,785) | 284,152 | 61,367 |
| **31 December 2017** | **120,218,265** | **52,261,081** | **172,479,346** |

(1) Disposal and additions due to the sale of the investment properties occurred via barter agreement.

(2) The Group sold land of 72,387.98 m2 amounting to TRY 23,800,000 located in Mugla Milas on 21 August 2017, land of 6,417.59 m2 amounting to TRY 44,920,000 located in Mahmutbey Village-Bagcilar on 26 December 2017 and land of 9,250.07 m2 amounting to TRY 282,324 located in Arsin-Trabzon on 27 October 2017.

As of 31 December 2018, mortgages have been established on the land and building, amounting to TRY 146,496,537, classified as investment property in the consolidated financial position (31 December 2017: None).

The Group's rent income from investment properties amounted to TRY 4,328,078 as of 31 December 2018 (31 December 2017: TRY 3,776,057) (Note 28). The Group's direct operating expenses arising from the investment properties in the period amounted to TRY 210,827 (31 December 2017: TRY 161,499).

(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 31 December 2018 and 2017:

| | | Fair value as at reporting date | | |
|---|---|---|---|---|
| | **31 December 2018** | **Level 1 TRY** | **Level 2 TRY** | **Level 3 TRY** |
| Land | 140,102,067 | - | 140,102,067 | - |
| Building | 57,363,574 | - | 57,363,574 | - |

| | | Fair value as at reporting date | | |
|---|---|---|---|---|
| | **31 December 2017** | **Level 1 TRY** | **Level 2 TRY** | **Level 3 TRY** |
| Land | 120,218,265 | - | 120,218,265 | - |
| Building | 52,261,081 | - | 52,261,081 | - |

Investment properties of the Group, have been valued by the CMB licensed Real Estate Appraisal Companies using the market comparison analysis approach, cost approach and direct capitalisation approach methods. As a result, it was determined that the values calculated from different approaches is similar and consistent with the market comparison method and value has been determined according to the market comparison method. Real Estate Appraisal Companies are authorized by CMB and provide property valuation appraisal services in accordance with the capital markets legislation and have sufficient experience and qualifications regarding the fair value measurement of the real estate in related regions.

(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 31 December 2018 are as follows:

| | 1 January 2018 | Currency translation differences | Additions | Disposals | Transfers | Fair Value Adjustment [(2)] | Disposal of subsidiary [(1)] | 31 December 2018 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Land and land improvements | 159,445,990 | 3,667,756 | - | (3,859,353) | - | 17,593,063 | - | 176,847,456 |
| Buildings | 46,321,552 | 4,322,758 | 586,119 | - | - | 9,465,036 | - | 60,695,465 |
| Machinery and equipment | 604,411,584 | 34,842,124 | 1,222,317 | (6,110,628) | - | - | (47,926) | 634,317,471 |
| Motor vehicles | 6,877,448 | - | - | (5,957,306) | - | - | - | 920,142 |
| Furnitures and fixtures | 43,551,743 | 1,280,074 | 1,776,349 | (522,509) | - | - | (1,327,261) | 44,758,396 |
| Leasehold improvements | 14,250,572 | - | 1,022,197 | - | - | - | (747,646) | 14,525,123 |
| Other tangible assets | 3,057,957 | 1,025,115 | 13,516 | - | - | - | - | 4,096,588 |
| Construction in progress | 2,558,748 | 4,590 | 1,873,605 | - | (570,148) | - | - | 3,866,795 |
| | **880,475,594** | **45,142,417** | **6,494,103** | **(16,449,796)** | **(570,148)** | **27,058,099** | **(2,122,833)** | **940,027,436** |
| **Accumulated amortization** | | | | | | | | |
| Buildings | (1,877) | 1,877 | - | - | - | - | - | - |
| Machinery and equipments | (574,117,072) | (34,284,939) | (9,647,888) | 5,955,215 | - | - | 31,030 | (612,063,654) |
| Motor vehicles | (2,599,977) | - | (467,819) | 2,486,635 | - | - | - | (581,161) |
| Furnitures and fixtures | (38,575,655) | (1,165,988) | (2,284,124) | 413,960 | - | - | 725,614 | (40,886,193) |
| Leasehold improvements | (9,942,741) | - | (1,013,366) | - | - | - | 732,918 | (10,223,189) |
| Other tangible assets | (1,736,657) | (603,614) | (356,405) | - | - | - | - | (2,696,676) |
| | **(626,973,979)** | **(36,052,664)** | **(13,769,602)** | **8,855,810** | **-** | **-** | **1,489,562** | **(666,450,873)** |
| **Net book value** | **253,501,615** | | | | | | **(633,271)** | **273,576,563** |

(1) As explained in Note 32, the Group's subsidiary Glokal has been sold to Glocal Invest BV on 14 May 2018 by the decision of the Group Parent Company dated on 6 April 2018.

(2) Amounting to TRY 824,683 of related balance has been accounted under expense from investing activities as impairment (Note 29) whereas amounting to TRY 27,882,782 of related balance has been accounted for in the other comprehensive income.

As at 31 December 2018 and 2017, there are no tangible fixed assests in machinery and equipment group which have been acquired through leasing.

At 31 December 2018, there are mortgages on land and building classified under property, plant and equipment amounting to TRY 168,349,487 (31 December 2017: TRY 22,577,500).

At 31 December 2018 depreciation expense amounting to TRY 10,433,885 (31 December 2017: TRY 15,647,815) is accounted under cost of sales (Note 23), amounting to TRY 3,279,329 (31 December 2017: TRY 4,693,816) is accounted under marketing and general administrative expenses (Note 24). As of 31 December 2018, depreciation expense amounting to TRY 56,388 is classified to discontinued operations (31 December 2017: TRY 453,263).

(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 31 December 2017 are as follows:

| | 1 January 2017 | Currency translation differences | Additions | Disposals | Transfers | Fair Value Adjustment (1) | Provision for impairment classified to discontinued operations (2) | 31 December 2017 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Land and land improvements | 25,687,467 | 2,559,648 | - | (58,691) | (574,574) | 131,832,140 | - | 159,445,990 |
| Buildings | 99,088,044 | 2,881,809 | 1,725,549 | (412,985) | (53,334,180) | (2,834,076) | (792,609) | 46,321,552 |
| Machinery and equipment | 580,571,195 | 18,455,593 | 5,165,615 | (494,654) | 713,835 | - | - | 604,411,584 |
| Motor vehicles | 7,664,799 | - | 199,914 | (987,265) | - | - | - | 6,877,448 |
| Furnitures and fixtures | 48,641,305 | 966,312 | 1,858,918 | (4,547,635) | (1,890) | - | (3,365,267) | 43,551,743 |
| Leasehold improvements | 13,371,109 | 17,079 | 1,102,603 | - | - | - | (240,219) | 14,250,572 |
| Other tangible assets | 2,512,394 | 545,563 | - | - | - | - | - | 3,057,957 |
| Construction in progress | 748,547 | 2,433 | 2,543,517 | (16,059) | (711,945) | - | (7,745) | 2,558,748 |
| | **778,284,860** | **25,428,437** | **12,596,116** | **(6,517,289)** | **(53,908,754)** | **128,998,064** | **(4,405,840)** | **880,475,594** |
| **Accumulated amortization** | | | | | | | | |
| Land and land improvements | (604,691) | - | (28,574) | 58,691 | 574,574 | - | - | - |
| Buildings | (48,272,145) | (2,286,117) | (3,535,412) | 133,406 | 53,334,180 | - | 624,211 | (1,877) |
| Machinery and equipment | (545,365,544) | (18,210,628) | (10,919,021) | 380,011 | (1,890) | - | - | (574,117,072) |
| Motor vehicles | (2,182,455) | - | (1,236,774) | 819,252 | - | - | - | (2,599,977) |
| Furnitures and fixtures | (41,906,804) | (863,722) | (3,333,378) | 4,249,419 | 1,890 | - | 3,276,940 | (38,575,655) |
| Leasehold improvements | (8,683,218) | (17,078) | (1,482,664) | - | - | - | 240,219 | (9,942,741) |
| Other tangible assets | (1,193,241) | (284,345) | (259,071) | - | - | - | - | (1,736,657) |
| | **(648,208,098)** | **(21,661,890)** | **(20,794,894)** | **5,640,779** | **53,908,754** | **-** | **4,141,370** | **(626,973,979)** |
| **Net book value** | **130,076,762** | | | | | | **(264,470)** | **253,501,615** |

(1) Amounting to TRY 5,772,808 of related balance has been accounted under expense from investing activities as impairment (Note 29) whereas amounting to TRY 134,770,872 of related balance has been accounted for in the other comprehensive income.

(2) As stated in note 2.2.7, the Group has reviewed the carrying value of property, plant and equipment and has accounted the impairment under discontinued operations (Note 32).

(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 31 December 2018 are as follows:

| | 1 January 2018 | Currency translation differences | Additions | Disposals [2] | Transfer | Fair Value adjustment [4] | Provision for impairment classified to discontinued operations [3] | 31 December 2018 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Trade names and licenses | 44,153,511 | 11,135,517 | - | - | - | (4,458,033) | - | 50,830,995 |
| Customer list | 260,233,900 | 101,635,375 | - | - | - | - | - | 361,869,275 |
| Computer software and rights | 75,737,317 | 26,824,676 | 2,332,269 | - | - | - | (3,442,474) | 101,451,788 |
| Internet domain names | 15,789,329 | 5,795,475 | - | (14,117,194) | - | - | - | 7,467,610 |
| Other intangible assets [1] | 8,531,625 | - | 5,926,235 | - | 570,148 | - | (2,318,170) | 12,709,838 |
| | **404,445,682** | **145,391,043** | **8,258,504** | **(14,117,194)** | **570,148** | **(4,458,033)** | **(5,760,644)** | **534,329,506** |
| **Accumulated amortization** | | | | | | | | |
| Trade names and licenses | (38,832,743) | (9,369,680) | (15,229) | - | - | - | - | (48,217,652) |
| Customer list | (260,233,900) | (101,635,375) | - | - | - | - | - | (361,869,275) |
| Computer software and rights | (70,444,928) | (26,747,311) | (1,961,943) | - | - | - | 2,175,687 | (96,978,495) |
| Internet domain names | (12,921,283) | (5,294,212) | - | 10,747,885 | - | - | - | (7,467,610) |
| Other intangible assets | (3,735,495) | - | (4,337,241) | - | - | - | 230,371 | (7,842,365) |
| | **(386,168,349)** | **(143,046,578)** | **(6,314,413)** | **10,747,885** | **-** | **-** | **2,406,058** | **(522,375,397)** |
| **Net book value** | **18,277,333** | | | | | | **(3,354,586)** | **11,954,109** |

(1) As of 31 December 2018, website development costs amouting to TRY 1,500,783 were capitalized under "other intangible assets" and amortized on a straight-line basis over their useful life (31 December 2017: TRY 3,328,090).

(2) The disposal is related to the sale of website and traffic of Job.ru in the result of discontinuing the digital activities in Russia and EE region.

(3) As explained in Note 32, assets of Glokal, the Group's subsidiary, have been transferred to assets classified as held for sale by the Group with the decision dated 6 April 2018.

(4) As explanined in Note 2.2.8, The Group has reviewed the carrying amount of its intangible assets and has accounted the impairment for under the discontinued operations (Note 32).

As of 31 December 2018 the total cost of trademark and licenses with indefinite useful life is TRY 2,613,343 (31 December 2017: TRY 5,320,768). In determining 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.

Amortization expense amounting to TRY 4,425,183 has been included in cost of sales (Note 23) (31 December 2017: TRY 2,684,497) and TRY 1,384,471 in marketing and general administrative expenses as of 31 December 2018 (Note 24) (31 December 2017: TRY 974,156). As of 31 December 2018, amortisation expense amounting to TRY 504,759 is classified into discontinued operations (31 December 2017: TRY 7,710,059).

(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 31 December 2017 are as follows:

| | 1 January 2017 | Currency translation differences | Additions | Disposals | Provision for impairment classified to discontinued operations [1] | 31 December 2017 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Trade names and licenses | 252,465,044 | 26,493,557 | 228,435 | - | (235,033,525) | 44,153,511 |
| Customer list | 272,772,032 | 30,075,189 | - | (4,183,583) | (38,429,738) | 260,233,900 |
| Computer software and rights | 81,097,693 | 4,660,566 | 770,230 | (2,754,009) | (8,037,163) | 75,737,317 |
| Internet domain names | 31,402,701 | (14,991,541) | 4,714,223 | (274,899) | (5,061,156) | 15,789,329 |
| Other intangible assets | 3,120,353 | - | 5,414,875 | (3,603) | - | 8,531,625 |
| | **640,857,823** | **46,237,771** | **11,127,763** | **(7,216,094)** | **(286,561,582)** | **404,445,682** |
| **Accumulated amortization** | | | | | | |
| Trade names and licenses | (36,526,314) | (1,986,032) | (320,397) | - | - | (38,832,743) |
| Customer list | (232,937,961) | (29,156,206) | (2,319,992) | 4,180,260 | - | (260,233,900) |
| Computer software and rights | (72,557,815) | (3,697,683) | (3,860,614) | 2,206,176 | 7,465,008 | (70,444,928) |
| Internet domain names | (18,996,603) | 9,566,347 | (3,765,926) | 274,899 | - | (12,921,283) |
| Other intangible assets | (2,637,315) | - | (1,101,783) | 3,603 | - | (3,735,495) |
| | **(363,656,008)** | **(25,273,574)** | **(11,368,712)** | **6,664,938** | **7,465,008** | **(386,168,349)** |
| **Net book value** | **277,201,815** | | | | **(279,096,574)** | **18,277,333** |

[1] As stated in note 2.2.8,the Group has reviewed the carrying value of its intangible assets and accounted its impairment under the discontinued operations (Note 32).

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

## NOTE 16 - GOVERNMENT GRANTS

The Group benefits under the scope of the social security institution and income tax, %5 of employer share promotion (Law no: 5510), employer share promotion (Law no: 5746), incentive of the minimum wage (Law no: 6661), disabled insured ( Law no: 4857), priority provinces social security institution stock ( Law no: 46486) and R&D income tax (Law no : 5746) are amounting to TRY 3,721,001 (31 December 2017: TRY 3,969,565).

## NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2018 and 2017, short-term provisions are as follows:

| **Provisions:** | **31 December 2018** | **31 December 2017** |
|---|---|---|
| Provisions for lawsuit and compensation | 6,549,847 | 5,928,728 |
| Provison for promotion | 190,959 | 17,550 |
| **Total** | **6,740,806** | **5,946,278** |

### Provision for lawsuit and compensation

The lawsuits against the Group are amounted to TRY 11,103,709 (31 December 2017: TRY 12,241,171).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 analysis, as of 31 December 2018 the Group has set a provision of TRY 6,549,847 for lawsuits (31 December 2017: TRY 5,928,728) but not sure about the payment maturity for the litigation.

As at 31 December 2018 and 2017, ongoing lawsuits against the Group are as follows:

| | **31 December 2018** | **31 December 2017** |
|---|---|---|
| Legal lawsuits | 9,959,404 | 11,186,876 |
| Labor lawsuits | 1,124,305 | 1,039,747 |
| Commercial lawsuits | 20,000 | 14,548 |
| **Total** | **11,103,709** | **12,241,171** |

| | **2018** | **2017** |
|---|---|---|
| **1 January** | **5,928,728** | **5,473,663** |
| Additions during the period (Note 27) | 2,099,682 | 3,561,157 |
| Payments related to provisions and compensation (Note 26) | (206,020) | (3,620,604) |
| Provision reversed (Note 26) | (947,444) | - |
| Additions related to discontinued operations | (421,666) | 549,130 |
| Currency translation differences | 96,567 | (34,618) |
| **31 December** | **6,549,847** | **5,928,728** |

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

## NOTE 18 - COMMITMENTS

The Group's collaterals/pledge/mortgage ("CPM") position as of 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | **Foreign Currency** | **TRY Equivalent** | **Foreign Currency** | **TRY Equivalent** |
| A. CPM's given in the name of its own legal personality | | | | |
| -Collaterals | | | | |
| TRY | 2,661,793 | 2,661,793 | 5,150,911 | 5,150,911 |
| Russian Ruble [2] | - | - | 565,000,000 | 36,764,550 |
| -Warranty notes | | | | |
| TRY | 203,937 | 203,937 | 203,937 | 203,937 |
| Euro | 25,000 | 150,700 | 25,000 | 112,888 |
| US Dollar | 2,500,000 | 13,152,250 | - | - |
| -Mortgage | | | | |
| Euro | - | - | 5,000,000 | 22,577,500 |
| B. Total amount of CPM's given on behalf of the fully consolidated companies [1] | | | | |
| -Commitments | | | | |
| TRY | 3,092,505 | 3,092,505 | 3,092,505 | 3,092,505 |
| US Dollar | 2,500,000 | 13,152,250 | 2,500,000 | 9,429,750 |
| Euro | - | - | - | - |
| Russian Ruble [2] | - | - | 860,000,000 | 55,960,200 |
| 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 | | | | |
| TRY | - | - | - | - |
| US Dollar | - | - | - | - |
| Euro | - | - | - | - |
| Other | - | - | - | - |
| iii) Total amount of CPM's given on behalf of third parties which are not in scope of C | - | - | - | - |
| **Total** | | **32,413,435** | | **133,292,241** |

(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.

(2) As explained in Note 32, colleterals and mortgages are related with discontinued operations. As of 31 December 2018 discharge of guarantees and commitments are realized due to the repayment of the related loan during July 2018.

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

## NOTE 18 - COMMITMENTS (Continued)

### CPM's given by the Group

As given in the table below, there are no CPM's given to third parties.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 31 December 2018, the Group has unused publication of advertisements commitment amounting to TRY 5,703,480 (31 December 2017: TRY 5,794,651) within these barter contracts. The Group has TRY 2,747,675 amounted receivables as of 31 December 2018 (31 December 2017: TRY 2,247,533) which were invoiced and recognized to financial statements but not yet goods or services were received.

## NOTE 19 - PROVISION FOR EMPLOYEE BENEFITS

### Short-term provisions for employment termination benefits

### Provision for unused vacation

Movements of provisions for unused vacation rights during the periods ended 31 December 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| **1 January** | **13,381,264** | **13,686,035** |
| Additions during the period | 2,127,678 | 4,016,150 |
| Payments related to provisions | (1,204,583) | (4,501,501) |
| Sale of subsidiary (Note 32) | (389,042) | - |
| Currency translation differences | 249,543 | 180,580 |
| **31 December** | **14,164,860** | **13,381,264** |

### Long-term provisions for employment termination benefits

### Provison for employment termination benefits

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Provision for employment termination benefits | 45,317,176 | 46,184,398 |
| **Total** | **45,317,176** | **46,184,398** |

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

## NOTE 19 - PROVISION FOR EMPLOYEE BENEFITS (Continued)

### Long-term provisions for employment termination benefits (Continued)

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 maximum amount payable equals to one month of salary is TRY 5,434.42 as of 31 December 2018 (31 December 2017: TRY 4,732.48) for each year of service. In employee termination benefits provision calculation Group has taken into consideration the ceiling amount TRY 6,017.60 which is effective from 1 January 2019 (31 December 2017: TRY 5,001.76 effective from 1 January 2018).

On the other hand the 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 probability of the employees of the Group.

TAS 19 Employee Benefits, requires companies to compute their liabilities by developing actuarial assumptions within defined benefit plans. According to the report prepared by Actuarial firm in order to calculate total liability, the assumptions below are used:

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 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement probability of the employees.

Discount rate is applied as 16.00% [(1)] (31 December 2017: 11.50%), inflation rate applied as 11.30% [(2)] (31 December 2017: 7.00%) and rate of increase in wages applied as 11.30% (31 December 2017: 7.00%) in the calculation.

(1) The discount rate used in the calculation of severance payment is determined as 16.00% which is 10 years long term government bond's compound interest rate.
(2) The maximum range of inflation rate which is declared in 2018 report of Central Bank of Turkey has been used in retirement payment provision 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.

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

## NOTE 19 - PROVISION FOR EMPLOYEE BENEFITS (Continued)

### Long-term provisions for employment termination benefits (Continued)

The movements in provision for employment termination benefits during the periods ended at 31 December 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| **1 January** | **46,184,398** | **45,199,424** |
| Actuarial gain / (loss) | 3,174,955 | 1,291,830 |
| Service cost during the period | 3,024,927 | 3,136,855 |
| Interest cost during the period | 3,945,677 | 3,907,758 |
| Payments and reversal of provisions during the period | (10,414,323) | (7,351,469) |
| Decrease related to sale of subsidiary (Note 32) | (598,458) | - |
| **31 December** | **45,317,176** | **46,184,398** |

## NOTE 20 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses at 31 December 2018 and 2017 are as follows:

### Short-term prepaid expenses

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Short term prepaid expenses [1] | 4,291,302 | 4,083,170 |
| **Total** | **4,291,302** | **4,083,170** |

[1] Prepaid expenses mostly consist of the prepaid rents and insurance expenses.

### Short-term deferred revenue

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Contract liabilities [1] | 10,205,032 | 27,538,259 |
| Government incentives | 255,291 | 373,919 |
| **Total** | **10,460,323** | **27,912,178** |

[1] The contractual obligations consist of sales of services, order advances received and sales return provision.

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

## NOTE 20 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

### Long-term deferred revenue

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Contract liabilities [1] | 901,525 | 1,292,312 |
| **Total** | **901,525** | **1,292,312** |

[1] The contractual obligations consist of the sale of service and the order advances received.

The movement of contract liabilities during the period is as follows:

| | 2018 |
|---|---|
| **1 January** | **28,830,571** |
| Increase in cash, except for the amount accounted as revenue | 4,859,388 |
| The revenue, includedin the opening balance of contract liabilities | (5,285,536) |
| Sale of subsidiary | (18,257,459) |
| Currency Translation Difference | 959,593 |
| **31 December** | **11,106,557** |

## NOTE 21 - OTHER ASSETS AND LIABILITIES

### Other Current Assets

Other current assets at 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Prepaid taxes and funds | 14,527,229 | 305,815 |
| Advances given to personnel | 830,537 | 2,109,177 |
| Value added tax ("VAT") receivables | 243,527 | - |
| Other | 292,696 | 613,132 |
| **Total** | **15,893,989** | **3,028,124** |

### Other Non-Current Assets

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Advances given to personnel | 317,705 | - |
| **Total** | **317,705** | **-** |

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

## NOTE 21 - OTHER ASSETS AND LIABILITIES (Continued)

### Other short-term liabilities

Other short-term liabilities at 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Other miscellaneous liabilities | 35,166,801 | 231,219 |
| **Total** | **35,166,801** | **231,219** |

(1) As of 31 December 2018, TRY 33,442,566 of other short-term liabilities consists of prepayments made based on revocable factoring transactions. TRY 10,340,743 of the related balance has been paid as finance expense (Note 30).

## 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 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Registered share capital | 800,000,000 | 800,000,000 |
| Paid-in share capital | 592,000,000 | 552,000,000 |

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

Doğan Şirketler Grubu Holding A.Ş., which has 552,000,000 units of shares registered by Central Securities Depository of Turkey, representing 77.67% of the issued capital of Hürriyet, has transferred to Demirören Medya. On May 16, 2018 the share transfer was completed with the extraordinary meeting held on 6 June 2018. As a result of this transaction, Demirören Media became the main shareholder of the Company. The ultimate shareholder of the Company is the Demirören Family.

In addition, in accordance with the decision of the Board of Directors dated November 19, 2018, the issued capital of the Company is TRY 552,000,000 divided into 552,000,000 shares, each having a nominal value of TRY 1,00 in the registered capital ceiling of TRY 800,000,000 to be increased by TRY 40,000,000 (7.24%) to TRY 592,000,000 and the issuance certificate for the capital increase was decided by the Capital Markets Board dated 13 December 2018 and numbered 63/1446 approved. On 21 December 2018, the capital increase transaction was completed and registered on 15 January 2019 by the Istanbul Trade Registry Office.

| Shareholders | 31 December 2018 | Share (%) | 31 December 2017 | Share (%) |
|---|---|---|---|---|
| Demirören Medya | 468,732,788 | 79.18 | - | - |
| Doğan Holding | - | - | 428,616,468 | 77.65 |
| Other shareholders (BİAŞ ve other shareholders) | 123,267,212 | 20.82 | 123,383,532 | 22.35 |
| **Issued share capital** | **592,000,000** | **100.00** | **552,000,000** | **100.00** |
| Adjustment to share capital | 77,198,813 | | 77,198,813 | |
| **Total** | **669,198,813** | **100.00** | **629,198,813** | **100.00** |

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

## NOTE 22 - EQUITY (Continued)

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 20.81% of the shares are in circulaton in accordance with CSD as of 31 December 2018 (31 December 2017: 22.34%) (Note 1). Shares in circulation rate is 20.81% 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.

**Premiums / (discounts) on shares**

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

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Premium / (discounts) on shares | 76,944 | 76,944 |
| **Total** | **76,944** | **76,944** |

### Restricted reserves

Restricted reserves are reserved from the prior period profit due to legal or contractual obligations or for certain purposes other than the profit distribution (for example, to obtain the tax advantage of gain on sale of associates). Restricted reserves are in the scope of solo legal records in accordance with Turkish Commercial Code and Tax Procedure Law.

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" (except for inflation differences) in accordance with TAS.

In accordance with TAS, The Company's restricted reserves amounting to TRY 101,083,330 as of 31 December 2018 (31 December 2017: TRY 191,532,907) consist of legal reserves and gain on sale of real estate and affiliates and R&D incentive grant.

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Gain on sale of real estate (1) | 56,728,014 | 149,296,831 |
| General legal reserves (2) | 43,516,081 | 41,552,086 |
| Gain on sale of subsidiary | 683,990 | 683,990 |
| R&D incentive grant (4) | 155,245 | - |
| **Total (3)** | **101,083,330** | **191,532,907** |

(1) With the decision taken by the Group management, the real estate profit with the amount of TRY 86,647,154 occurred in statutory records from the gain of warehouse sale in Trabzon, sale of lands located in Gaziemir, Izmir and Esenyurt, Istanbul in 2014, gain from sale of investment property in Ankara Cinnah in 2016 and gain of land sale in Muğla Milas and Bağcılar, Istanbul in 2017, amounting to TRY 56,728,014 of total amount that benefits from the exemption referred to in Article 5-1/e of the Corporate Tax Law will not be involved in allocation of profits for periods 1 January 2014 - 31 December 2014, 1 January 2016 - 31 December 2016 and 1 January 2017- 31 December 2017 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.

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

## NOTE 22 - EQUITY (Continued)

### Restricted reserves (Continued)

(2) The Group has classified the amount of TRY 1,963,995 from the profits of the period 2017 as General Legal Reserve.

(3) In 2018, net outflow from the restricted reserves is TRY 90,449,577. This outflow consists of real estate sale profits,amounting to TRY 126,234,986, transferred to the extraordinary reserve from restricted reserves separated from the profit due to the expiration of the period. In addition to this outflow, the Group has allocated general legal reserves amounting to TRY 1,963,995 from the profit of the year 2017 and transferred the sale profit amounting to TRY 33,666,169 exempted from the sale of real estates sold in 2017 and R&D incentive grant amounting to TRY 155,245 to the restricted reserve for the period.

(4) In the scope of R & D incentives under the Law No. 5746, it consists of grant support received to a special fund account which is not subject to profit distribution in legal records.

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

Other comprehensive income/(expenses) occurred from the gain or 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:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Gain/(loss) from revaluation of property | 212,241,738 | 187,778,810 |
| Remeasurement gain (loss) in defined benefit plans | (21,093,944) | (18,617,479) |
| **Total** | **191,147,794** | **169,161,331** |

***Gain/(Loss) from revaluation of property***

The Group management has started the revaluation method for the land and buildings that are classified into property,plant and equipment and investment properties.The revaluation fund presents the difference between the net book value on a cost basis after the deduction of deferred tax effect and the fair value of building and land.

Real estates recognised as property,plant and equipment in prior periods, can be transferred to investment property due to change in use.The Group has reclassified some of its properties as investment property and has chosen to account such investment properties at fair value.For that reason, valuation reports were taken as of 31 December 2017 and the effects of revaluation was accounted under revaluation fund.

The increase of TRY 212,241,738 in the fair value assessment for financial period of 31 December 2018 for consolidated financial statement has accounted under a shareholders' securities value increase fund under equity after its tax effect (31 December 2017: TRY 187,778,810).

***Remeasurment gain/ (loss) in defined benefit plans***

The employee termination benefit provision is calculated according to the value of the benefits that the Group is liable for with today's monetary value. The Group has accounted all the actuarial loss and gains regarding employee terminations under the other comprehensive income statement as other income and other expense. The value for reassessed estimation differences accounted under equity is TRY 21,093,944 (31 December 2017: TRY 18,617,479).

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

## NOTE 22 - EQUITY (Continued)

### Restricted reserves (Continued)

***Accumulated other comprehensive income and (expenses) that will be reclassified in profit and loss***

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Currency translation differences | 80,374,527 | 72,041,619 |
| Gain (loss) from cash flow on hedging | - | (856,705) |
| **Total** | **80,374,527** | **71,184,914** |

***Gain / (loss) from cash flow hedges***

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 statetement.

### 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 TAS Standards.

Capital adjustment differences can only be included to capital.

### Dividend distribution

The Group takes dividend distribution decision in General Assembly 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".The principles of dividend distribution is determined by Dividend Distribution Policy.

**NOTE 22 - EQUITY (Continued)**

**Dividend distribution (Continued)**

On the other hand,

a) In first adoption of 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 first adoption of inflation adjustments, 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 337,148,639 (31 December 2017: TRY 207,263,912).

The principles of presentation prepared in accordance with 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 1 January 2017 - 31 December 2017; “Net Loss for the Period” amounted to TRY 264,505,378 when “Deferred Tax Revenue” and “Tax Charge for the Period”, “Net Loss from Discountinued Operations” and “Non-controlling interests other than Parent Company” are taken into consideration together; When “Accumulated Deficit”, amounting to TRY 452,953,867 calculated in accordance with the CMB profit share guide announced in the Weekly Bulletin dated 27 January 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, are taken into account, shareholders should be informed that no profit can be distributed as a result of taxation. In the financial records of the accounting period of 1 January 2017 - 31 December 2017, which is held according to Tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance, there is a “Period Profit” amounting to TRY 41,309,117; “Net Profit for the Period” was calculated as TRY 39,279,905 after the “Tax Expense for the Period” amounting to TRY 2,029,212 was paid from this amount; from this point. As a result of the “General Legal Reserves” amounting to TRY 1,963,985 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. The remaining amount of TRY 33,666,169 has been decided to transferred to special fund without subject to profit distribution and the “Net Profit for the Period” amounting to TRY 3,649,741 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 31 December 2018 and 2017 are as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Advertising revenue | 227,320,909 | 282,878,863 |
| Circulation and publishing sales | 165,849,776 | 176,300,579 |
| Other | 28,892,584 | 26,461,290 |
| **Net sales** | **422,063,269** | **485,640,732** |
| Cost of sales (-) | (305,867,872) | (304,348,045) |
| **Gross profit (loss)** | **116,195,397** | **181,292,687** |

| | Printing Media 1 January- 31 December 2018 | Digital Media 1 January- 31 December 2018 | Printing Media 1 January- 31 December 2017 | Digital Media 1 January- 31 December 2017 |
|---|---|---|---|---|
| Domestic | 297,006,392 | 67,686,668 | 369,452,375 | 69,363,504 |
| Foreign | 45,868,814 | 11,501,395 | 36,809,848 | 10,015,005 |
| **Total sales** | **342,875,206** | **79,188,063** | **406,262,223** | **79,378,509** |
| **Performance Obligations** | | | | |
| Circulation sales | 121,576,078 | - | 129,325,584 | - |
| Subcontracted printing sales | 44,273,698 | - | 46,974,995 | - |
| Advertising sales | 159,634,241 | 67,686,668 | 213,515,360 | 69,363,504 |
| Other sales | 17,391,189 | 11,501,395 | 16,446,284 | 10,015,005 |
| | **342,875,206** | **79,188,063** | **406,262,223** | **79,378,509** |
| **Fulfillment of the Performance Obligations** | | | | |
| In time | 183,240,965 | 11,501,395 | 192,746,863 | 10,015,005 |
| At a specific moment in time | 159,634,241 | 67,686,668 | 213,515,360 | 69,363,504 |
| | **342,875,206** | **79,188,063** | **406,262,223** | **79,378,509** |

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

## NOTE 23 - SALES AND COST OF SALES (Continued)

***Cost of Sales***

The details of cost of sales for the periods ended 31 December 2018 and 2017 are as follows:

| | **1 January - 31 December 2018** | **1 January - 31 December 2017** |
|---|---|---|
| Raw material | (134,741,330) | (126,262,405) |
| *Paper* | *(91,389,168)* | *(79,498,496)* |
| *Printing and ink* | *(32,160,826)* | *(32,709,802)* |
| *Other* | *(11,191,336)* | *(14,054,107)* |
| Personnel expenses | (107,218,222) | (110,936,056) |
| Depreciation Expenses (Note 14,15) | (14,859,068) | (18,332,312) |
| Agency expenses | (9,551,426) | (9,321,214) |
| Distribution, storage and travel expenses | (6,319,951) | (6,604,119) |
| Fuel, electricity, water and office expenses | (4,583,490) | (4,771,477) |
| Outsourced services | (3,200,529) | (3,441,808) |
| Communication expenses | (3,157,677) | (3,087,196) |
| Maintenance and repair expenses | (2,991,373) | (3,519,564) |
| Rent expenses | (2,479,566) | (2,360,099) |
| Packaging expenses | (2,324,367) | (1,659,645) |
| Other | (14,440,873) | (14,052,150) |
| **Total** | **(305,867,872)** | **(304,348,045)** |

## NOTE 24 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES

**a) General administrative expenses:**

| | **1 January - 31 December 2018** | **1 January - 31 December 2017** |
|---|---|---|
| Personnel expenses | (30,240,918) | (29,403,505) |
| Consultancy expenses | (10,900,385) | (11,617,938) |
| Rent expenses | (10,168,384) | (8,057,144) |
| Maintenance and repair expenses | (5,687,951) | (4,413,428) |
| Fuel, electricity, water and office expenses | (4,848,967) | (4,845,357) |
| Depreciation and amortization charges (Note 14,15) | (4,363,603) | (5,478,101) |
| Transportation, storage and travel expenses | (3,263,251) | (2,155,888) |
| Outsourced services | (2,244,894) | (2,700,858) |
| Tax expenses | (2,015,951) | (2,426,946) |
| Other | (4,364,504) | (5,710,546) |
| **Total** | **(78,098,808)** | **(76,809,711)** |

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

## NOTE 24 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES (Continued)

### b) Marketing expenses:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Personnel expenses | (28,117,857) | (24,272,604) |
| Transportation, storage and travel expenses | (21,525,526) | (25,575,252) |
| Advertisement expenses | (16,456,709) | (14,246,343) |
| Promotion expenses | (5,447,780) | (9,939,232) |
| Sponsorship and other marketing expenses | (4,774,929) | (4,824,304) |
| Consultancy expenses | (3,512,224) | (3,350,322) |
| Outsourced services | (2,878,037) | (2,481,352) |
| Depreciation and amortization charges (Note 14,15) | (300,197) | (189,871) |
| **Total** | **(83,013,259)** | **(84,879,280)** |

## NOTE 25 - EXPENSES BY NATURE

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Payroll expenses | (165,576,997) | (164,612,165) |
| Depreciation and amortization charges | (19,522,868) | (24,000,281) |
| **Total** | **(185,099,865)** | **(188,612,446)** |

## NOTE 26 - OTHER OPERATING INCOME

The details of other operating income for the periods ended at 31 December 2018 and 2017 are as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Foreign exchange gains | 28,134,055 | 4,349,153 |
| Finance income due from term sales | 9,217,744 | 8,816,748 |
| Income due from doubtful trade receivables (Note 8) | 5,950,512 | 8,605,337 |
| Interest income on bank deposits | 1,842,697 | 2,123,357 |
| Unrealized finance expense due from term purchases | 1,767,830 | 2,728,320 |
| Reversal of provisions (Note 17) | 1,153,464 | 3,620,604 |
| Other | 1,346,420 | 1,748,314 |
| **Total** | **49,412,722** | **31,991,833** |

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

## NOTE 27 - OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended at 31 December 2018 and 2017 are as follows:

| | **1 January - 31 December 2018** | **1 January - 31 December 2017** |
|---|---|---|
| Provision expense for doubtful receivables (Note 8) | (15,975,521) | (23,016,830) |
| Foreign exchange loses | (15,065,595) | (1,822,261) |
| Fines and compensation expense | (2,409,858) | (1,065,133) |
| Provision for lawsuits (Note 17) | (2,099,682) | (3,561,157) |
| Unrealized finance income due from term sales | (547,161) | (6,117,963) |
| Aids and donations | (279,953) | (849,574) |
| Other | (4,309,351) | (6,600,300) |
| **Total** | **(40,687,121)** | **(43,033,218)** |

## NOTE 28 - INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the periods ended at 31 December 2018 and 2017 are as follows:

| | **1 January - 31 December 2018** | **1 January - 31 December 2017** |
|---|---|---|
| Gain on sale of subsidiary (Note 32) | 294,939,894 | - |
| Foreign exchange and other gains [(1)] | 52,316,415 | 94,381 |
| Gain on change in fair value of investment properties (Note 13) | 17,120,957 | 28,455,722 |
| Interest income from investing activities [(2)] | 14,266,866 | - |
| Gain on sale of financial investment (Note 32) | 5,898,243 | - |
| Rent income (Note 13) | 4,328,078 | 3,776,057 |
| Gain on sale of tangible assets and investment properties | 1,617,830 | 6,590,178 |
| Dividend income from financial investments (Note 34) | 1,200 | 311,910 |
| **Total** | **390,489,483** | **39,228,248** |

(1) TRY 52,293,649 (Note 34) of the related balance is due to the valuation of the receivables of the Group from Demirören Media (31 December 2017: None).

(2) It includes the interest income stemming from the receivable from Demirören Media (Note 34).

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

## NOTE 29 - EXPENSES FROM INVESTING ACTIVITIES

The details of expenses from investing activities for the periods ended at 31 December 2018 and 2017 are as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Expenses related to investment properties | (3,446,505) | (2,510,191) |
| Provision for impairment of investment properties (Note 13) | (1,304,499) | (8,327,844) |
| Provision for impairment of tangible assets (Note 14) | (824,683) | (5,772,808) |
| Loss on the sale of tangible asset and investement properties | (454,103) | (8,319,016) |
| Other | (410) | (2,023) |
| **Total** | **(6,030,200)** | **(24,931,882)** |

## NOTE 30 - FINANCIAL EXPENSES

The details of financial expenses for the periods ended at 31 December 2018 and 2017 are as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Interest expense on bank loans | (17,725,053) | (40,689,151) |
| Foreign exchange income/(losses), net | (3,944,806) | 378,253 |
| Loan comission, bank costs and factoring expenses | (423,816) | (529,193) |
| Income / (expenses) of held for trading derivative instruments, net | - | 133,749 |
| Other (1) | (10,997,159) | (823,960) |
| **Total** | **(33,090,834)** | **(41,530,302)** |

(1) As explained in Note 21, TRY 10,340,743 of related balance consists of financing payment due to prepayments received by Group based on recovable factoring transactions.

## NOTE 31 - INCOME TAXES

Assets related to current period tax

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Corporate and income tax payable | 20,703,195 | 2,378,344 |
| Less: Prepaid taxes | (20,175,903) | (605,313) |
| **Current income tax liabilities** | **527,292** | **1,773,031** |

Turkish tax legislation does not permit a parent company and its subsidiaries and associates 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:

## NOTE 31 - INCOME TAXES (Continued)

Turkey:

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Certain Tax Acts and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22% (2017: 20%). Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards. 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.

Corporations are required to calculate advance corporation tax quarterly at the rate of 22% 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.

**NOTE 31 - INCOME TAXES (Continued)**

Turkey (Continued):

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.

**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 like 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 %50 of gains derived from sale of real property which have 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 not 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.

Russian Federation :

The corporate tax rate effective in Russian Federation is 20% (2017: 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.

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.

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

## NOTE 31 - INCOME TAXES (Continued)

Russian Federation (Continued) :

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% (2017: 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 to reduce taxable profits. 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.

The tax rates at 31 December 2018, 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 |
| Netherland | 25 |

**Deferred Tax**

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported for Financial Reporting Standards announced by Public Oversight Authority and financial statements prepared in accordance with the tax legislation. These differences usually stem from the income and expense to be accounted in different period because of the difference between Financial Reporting Standards announced by Public Oversight Authority and Tax legislation.

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)

### Deferred Tax (Continued)

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Deferred tax liabilities | (19,381,541) | (16,553,127) |
| Deferred tax assets | 1,966,834 | 1,800,832 |
| **Deferred tax liabilities, net** | **(17,414,707)** | **(14,752,295)** |

The temporary differences and deferred tax assets/(liabilities) using the enacted tax rates as of 31 December 2018 and 31 December 2017 are as follows:

| | Total temporary differences | | Deferred tax assets / (liabilities) | |
|---|---|---|---|---|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Provision for employee termination benefits and unused vacation rights | 58,663,450 | 58,757,923 | 12,905,959 | 12,926,744 |
| Difference between tax base and carrying value of trade receivables | 35,240,250 | 29,589,490 | 7,752,855 | 6,688,240 |
| Deferred income | 3,429,868 | 2,769,496 | 754,569 | 609,287 |
| Difference between tax bases and carrying value of property, plant and equipment and intangibles | (216,666,897) | (177,345,966) | (29,092,972) | (24,104,213) |
| Investment properties fair value differences | (136,003,536) | (110,794,286) | (11,967,870) | (10,759,684) |
| Other, net | 10,676,298 | 471,032 | 2,232,752 | (112,669) |
| **Toplam** | **(244,660,567)** | **(196,552,311)** | **(17,414,707)** | **(14,752,295)** |

As of 31 December 2018, carry forward tax losses for which deferred tax asset was not recognized amounted to TRY 348,616,132 (31 December 2017: TRY 295,693,466).

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

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| 2018 | - | 5,972,388 |
| 2019 | 512,814 | 2,215,343 |
| 2020 | - | 512,814 |
| 2021 | 658,104 | - |
| 2022 | 2,371,057 | 717,027 |
| 2023 | 2,468,566 | - |
| Indefinite (*) | 342,605,591 | 286,275,894 |
| **Total** | **348,616,132** | **295,693,466** |

(*) 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 cancelled.

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

## NOTE 31 - INCOME TAXES (Continued)

### Deferred Tax (Continued)

The movements of net deferred tax liabilities for the periods ended 31 December 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| **1 January** | **(14,752,295)** | **(48,512,356)** |
| The opening effect of TFRS 9 | 819,961 | - |
| **Reported** | **(13,932,334)** | **(48,512,356)** |
| Deferred tax income in consolidated statement of income | 568,864 | 2,628,704 |
| Accounted in equity | (2,962,999) | (17,682,612) |
| Currency translation differences | (1,219,484) | (5,124,132) |
| Tax effect of sale of subsidiary (Note 32) | 131,246 | (191,567) |
| Tax effect of discontinued operations (Note 32) | - | 54,129,668 |
| **31 December** | **(17,414,707)** | **(14,752,295)** |

The analysis of the tax expense/(income) for the periods ended at 31 December 2018 and 2017 are as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Current tax income/(expense) | (20,703,195) | (2,378,344) |
| Deferred tax income/(expense) | 568,864 | 2,628,704 |
| **Total** | **(20,134,331)** | **250,360** |

The reconciliation of the current period tax expense in the consolidated statement of profit or loss for the periods ended at 31 December 2018 and 2017 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:

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

## NOTE 31 - INCOME TAXES (Continued)

**<u>Deferred Tax (Continued)</u>**

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Profit/(loss) before taxes and non-controlling interests [1] | 288,511,746 | (326,089,166) |
| Current period tax calculated at the effective tax rates of countries | (63,472,584) | 65,217,833 |
| Expenses not deductible for tax purposes | (905,621) | (1,664,964) |
| Effect of adjustments and carryforward tax losses that are not subject to deferred tax | (12,573,464) | (9,661,936) |
| Effects of discontinued operations and sale of subsidiary | 131,246 | (53,938,101) |
| Exemptions [2] | 54,182,359 | 7,468,794 |
| The effect of the change in tax rate | - | (7,286,933) |
| Other | 2,503,733 | 115,667 |
| **Tax income/(expense)** | **(20,134,331)** | **250,360** |

(1) Comprised from total of tax losses of continuing and discontinued operations.
(2) Comprised from the exemptions used during to the sale of Group's subsidiary, Glokal.

## NOTE 32 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCOUNTINUED OPERATIONS

### a) Discontinuing the digital operation in Russia and EE

The Board of Directors of Pronto Media Holding which is located in Russia as the indirect subsidiary of Trader Media East Ltd. that owned by 97.29% by the Group, has decided to discountinue the digital operatings in its territory on 22 November 2017 due to the operational performance below the desired level. In accordance with the decision, digital operations under Pronto Media Holding are classified as "Discontinued Operations". The impairment losses due to discontinued operations are recognized under "Discontinued Operations" in the statement of profit/loss.

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Sales | 3,380,900 | 15,996,908 |
| Cost of sales (-) | (1,996,882) | (10,761,891) |
| General administrative and marketing expense | (4,626,721) | (28,192,484) |
| Other operating income (expense), net | (2,128,638) | (974,255) |
| Finance expense, net | (13,596,455) | (3,374,570) |
| Expenses from investing activities, net [1] | (4,528,588) | (279,183,044) |
| **Loss before tax from discontinued operations for the period** | **(23,496,384)** | **(306,489,336)** |
| Deferred tax income | - | 54,129,668 |
| **Loss from the discontinued operation for the period** | **(23,496,384)** | **(252,359,668)** |

**NOTE 32 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCOUNTINUED OPERATIONS (Continued)**

**a) Discontinuing the digital operation in Russia and EE (Continued)**

(1) There is a provison for impairment of related discontinued operation amounting to TRY 4,458,033 (31 December 2017: TRY 279,096,574) in the consolidated financial statement for the period ended 31 December 2018.

The Group may derecognise its operations abroad in the form of sales, liquidation, repayment of capital or partial or complete abandonment of the entity. A reduction in the carrying amount of an overseas entity will not result in a partial elimination because of its own loss or impairment recognized by the investor. Therefore, any gain or loss on exchange rate differences recognized in other comprehensive income is not reclassified to profit or loss when the impairment loss is recognized.

The Group has monetary liabilities and receivables arising from foreign operations that are not part of the net investment in the foreign operations during the current period. Exchange differences arising from these transactions are recognized in equity under currency translation differences in the Consolidated Financial Statements and will be reflected to profit or loss during sale or wholly liquidation of the net investment.

***b) Assets classified as held for sale***

*Sale of subsidiary*

Doğan Holding has decided to start necessary actions at the meeting as of 6 April 2018 and numbered 2018/14 in order to transfer Hürriyet's share which consists of 10,274,043 unit, covering 92% of paid-in capital, at Glokal to the Doğan Holding or its direct or indirect subsidiaries and has given the management necessary authority.

As of 31 March 2018, the assets of Glokal have been classified in the assets as held for sale whereas its liabilities have been categorized into the liabilities directly associated with assets classified as held for sale. Additionally, the results of Glokal have been classified as "Discontinued Operations". With the same decision, Doruk Faktoring, financial investment of the Group, has been transferred to assets classified as held for sale.

On 14 May 2018, the Group sold Glokal and its subsidiaries to Glocal Invest BV for USD 76,251,213 (TRY 330,000,000). The details of the assets subject to sale are given in the below:

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

## NOTE 32 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCOUNTINUED OPERATIONS (Continued)

***b) Assets classified as held for sale (Continued)***

*Sale of subsidiary (Continued)*

| | **14 May 2018** |
|---|---|
| Cash and cash equivalents | 21,584,738 |
| Trade receivables | 31,725,222 |
| Other receivables | 141,610 |
| Contract assets | 529,040 |
| Inventories | 99,541 |
| Prepaid expense | 1,391,334 |
| Other current assets | 1,872,639 |
| Tangible assets | 633,271 |
| Intangible assets | 3,354,586 |
| Deferred tax assets | 653,313 |
| **Assets classified as held for sale** | **61,985,294** |

| | **14 May 2018** |
|---|---|
| Trade payables | 12,489,491 |
| Employee benefit payables | 1,950,053 |
| Other payables | 522,042 |
| Deferred income | 10,578,027 |
| Short term provisions | 389,042 |
| Other short term liabilities | 293,415 |
| Long-term provisions for employment benefits | 598,458 |
| **Liabilities directly associated with assets classfied as held for sale** | **26,820,528** |
| **Net assets subject to sale** | **35,164,766** |

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

**NOTE 32 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCOUNTINUED OPERATIONS (Continued)**

**b) Assets classified as held for sale (Continued)**

*Sale of subsidiary (Continued)*

| | 1 January - 14 May 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Sales | 21,979,204 | 52,600,538 |
| Cost of sales (-) | (3,010,770) | (7,734,322) |
| General administrative and marketing expenses | (17,843,063) | (43,479,743) |
| Other operating income (expense) from main operations, net | 918,436 | (458,747) |
| Finanial expenses, net | (565,466) | (838,336) |
| Income (expense) from investing activities, net | 3,629 | 663,130 |
| **Profit before tax from discontinued operations for the period** | **1,481,970** | **752,520** |
| Deferred tax income | 131,246 | (191,567) |
| **Profit from discontinued operations for the period** | **1,613,216** | **560,953** |

| | 14 May 2018 |
|---|---|
| Sales amount | 330,000,000 |
| Net book value | (35,164,766) |
| Non-controlling interest | 104,660 |
| **Gain on sale of subsidiary (Note 28)** | **294,939,894** |

*Sale of financial investment*

Doğan Holding has decided to start necessary actions at the meeting as of 6 April 2018 and numbered 2018/14 in order to transfer Hürriyet's share which consists of 2,044,076 unit, covering 5.11% of paid-in capital at Doruk Factoring to the Doğan Holding or a subsidiary of Doğan Holding and give necessary authority to the management within that context.

In the consolidated financial statements prepared as of 31 March 2018, Doruk Factoring has been transferred to assets classified as held for sale. On 10 May 2018, the Group sold all of its shares in Doruk Factoring to Doğan Holding amounting to USD 1,620,888 (TRY 6,928,140).

| | 10 May 2018 |
|---|---|
| Sales amount | 6,928,140 |
| Net book value | (1,029,897) |
| **Gain on sale of financial invetment (Note 28)** | **5,898,243** |

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

## NOTE 33 - EARNING PER SHARE

Loss per share as of 31 December 2018 and 2017 is as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| **Net loss for attributable to equity holders of parent company** | **269,368,228** | **(264,505,378)** |
| Number of ordinary shares in issue (with nominal value of TRY 1 each) | 555,333,333 | 552,000,000 |
| **Loss from continuing operations attributable to equity holders of parent company** | **0.4851** | **(0.4792)** |

## NOTE 34 - RELATED PARTY DISCLOSURES

### i) Balances of related parties:

### a) Short term trade receivables from related parties:

| **Trade receivables from related parties** | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Demirören İnternet Yayıncılığı ve Yatırım A.Ş. ("Demirören İnternet") (1) | 29,788,304 | 20,978,395 |
| Demirören Gazetecilik A.Ş. ("Demirören Gazetecilik") (2) | 13,137,527 | 9,535,962 |
| Milliyet Gazetecilik ve Yayıncılık A.Ş. ("Milliyet Gazetecilik")(5) | 5,403,867 | - |
| Demirören TV Holding A.Ş. ("Demirören TV Holding") (4) | 4,522,327 | 721,729 |
| Demirören Media (3) | 3,725,870 | 1,926,402 |
| Demirören Dağıtım,Satış ve Pazarlama A.Ş. ("Demirören Dağıtım") | 1,820,822 | 3,204,446 |
| Other | 849,611 | 202,128 |
| Doğan Holding Companies (Other) | - | 1,419,526 |
| | **59,248,328** | **37,988,588** |

(1) The balance is arising from sales of digital advertising to Demirören İnternet through websites. The Company's trade registry name "Doğan İnternet Yayıncılığı ve Yatırım A.Ş." has been changed as "Demirören İnternet Yayıncılığı ve Yatırım A.Ş." due to the change in parent company during 2018.

(2) Receivable arising from printing newspapers of Demirören Gazetecilik in the Group's printing houses. The Company's trade registry name "Doğan Gazetecilik A.Ş." has been changed as "Demirören Gazetecilik A.Ş." due to the change in parent company during 2018.

(3) The balance arising from printing of newspaper of Demirören Media in Hurriyet Frankfurt Facility and advertisement given.

(4) The balance arising from expenses invoiced to Hürriyet Gazetecilik ve Matbaacılık A.Ş. which reflects Demirören TV Holding because Hürriyet shares the same building with Demirören TV Holding. The Company's trade registry name "Doğan TV Holding A.Ş." has been changed as "Demirören TV Holding A.Ş." due to the change in parent company during 2018.

(5) The balance arising from the reflection of the expense related to common area usage to Milliyet.

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

## NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

### i) Balances of related parties: (Continued)

### b) Short term payables to related parties:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| **Trade payables to related parties** | | |
| Demirören Media [1] | 11,885,698 | 16,896,193 |
| Demirören Haber Ajansı A.Ş. ("DHA") [2] | 2,611,011 | 536,500 |
| Demirören TV Digital Platform İşletmeciliği A.Ş. ("Demirören TV Digital") | 392,632 | 798,776 |
| Eko TV Televizyon ve Radyo Yayıncılık A.Ş. ("Eko TV") | 247,981 | 532,436 |
| Other | 283,635 | 486,275 |
| Doğan Holding Companies (Other) | - | 3,324,853 |
| | **15,420,957** | **22,575,033** |

(1) The amounts paid by Demirören Media in return for the printing of Demirören Media newspapers at the facilities of Hürriyet Frankfurt Germany.

(2) The balance consists of the Group's news service purchases. The Company's trade registry name "Doğan Haber Ajansı A.Ş." has been changed as "Demirören Haber Ajansı A.Ş" due to the change in parent company during 2018.

### c) Other receivables from related parties:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| **Other short term receivables from related parties** | | |
| Demirören Medya [1] | 117,323,015 | - |
| | **117,323,015** | **-** |

(1) Consist of receivables that the Group will receive from its parent company related to the sale of its subsidiaries. The Company has assigned these receivables to its main shareholder Demirören Medya with regard to the sales contract between Doğan Holding and Demirören Media. Notes receivables from Demirören Media are taken for the collection of related receivables, as the late interest rate is charged, the amount does not discounted.

### ii) Significant transactions with related parties:

Transactions in related parties for the periods ended as of 31 December 2018 and 2017 are as follows:

### a) Significant service and product sales to related parties:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Demirören Dağıtım [1] | 106,126,181 | 114,501,766 |
| Demirören İnternet Yayıncılığı [2] | 35,426,322 | 39,316,287 |
| Demirören Gazetecilik [3] | 30,719,082 | 29,594,362 |
| Milliyet Gazetecilik Yayıncılık A.Ş. | 1,275,110 | - |
| Doğan Holding Companies | 880,629 | 2,870,812 |
| Other | 5,230,920 | 4,704,978 |
| | **179,658,244** | **190,988,205** |

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

## NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

### ii) Significant transactions with related parties (Continued):

### a) Significant service and product sales to related parties (Continued):

(1) The Group sells of daily newspapers to Demirören Dağıtım.
(2) The sales of internet advertisements of the Group are carried out through Demirören İnternet.
(3) The newspapers owned by Demirören Gazetecilik are printed in the Group's printing facilities.

### b) Significant service and product purchases from related parties:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Demirören Dağıtım (1) | 24,101,279 | 27,481,193 |
| DHA (2) | 6,713,524 | 7,017,441 |
| Demirören Gazetecilik (3) | 4,773,600 | 3,780,322 |
| Demirören İnternet Yayıncılığı (4) | 3,797,945 | 3,361,042 |
| Demirören TV Digital | 1,266,708 | 1,545,311 |
| Total Oil Türkiye A.Ş. ("Total") | 722,323 | - |
| Doğan Holding Companies | 22,766,036 | 103,746,549 |
| Other | 1,750,409 | 1,388,794 |
| | **65,891,824** | **148,320,652** |

(1) The Group purchases newspaper distribution service.
(2) The Group purchases agency services.
(3) The balance is arising from rent, and security expenses related with building, which is used as Group headquarter.
(4) The Group purchases internet advertising and infrastructure service.

### c) Other income from related parties:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Demirören Medya (1) | 14,266,866 | - |
| Other | 1,327,910 | 2,621,512 |
| | **15,594,776** | **2,621,512** |

(1) The balance includes late interest charge income stemming from the receivable of Demirören Media (Note 28).

As of 31 December 2018, amounting to TRY 1,327,910 of other income which totally amounts to TRY 15,594,776 consists of rent income which Hürriyet received from the Group companies (1 January - 31 December 2017: TRY 2,621,512).

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

## NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

### ii) Significant transactions with related parties (Continued):

### c) Other income from related parties (Continued):

| **Dividends income** | **1 January - 31 December 2018** | **1 January - 31 December 2017** |
|---|---|---|
| Coats İplik A.Ş. | 1,200 | 56,400 |
| Doruk Faktoring | - | 255,510 |
| | **1,200** | **311,910** |

| **Financial income** | **1 January - 31 December 2018** | **1 January - 31 December 2017** |
|---|---|---|
| Demirören Medya [(1)] | 52,293,649 | - |
| | **52,293,649** | **-** |

[(1)] The balance consists of the foreign currency income calculated based on receivable, from Demirören Medya. The related balance accounted under the income from investing activities (Note 28).

| **Financial expense** | **1 January - 31 December 2018** | **1 January - 31 December 2017** |
|---|---|---|
| Demirören Gazetecilik | 311,721 | - |
| Doğan Holding Companies | 60,858 | 520,826 |
| Other | 18,863 | - |
| | **391,442** | **520,826** |

### iii) Key Management Personnel:

| | **1 January - 31 December 2018** | **1 January - 31 December 2017** |
|---|---|---|
| Salaries and other short term benefits | 12,494,912 | 11,442,218 |
| Post-employment benefits | 2,142,096 | 286,466 |
| | **14,637,008** | **11,728,684** |

The Company determined the key management personnel as Board of Directors and Executive Committee. Benefits provided to key management personnel consisted of wage, premium, health insurance, transportation and post-employment benefits.

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

## NOTE 35 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

### 35.1 Financial Risk Management

### (i) Interest rate risk

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

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| **Financial instruments with fixed interest rate** | | |
| Bank deposits (Note 4) | 10,711,355 | 59,423,284 |
| Financial liabilities (Note 7) | 27,383,928 | 262,168,778 |

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 31 December 2018 and 31 December 2017, the Group does not have borrowings at floating rates.

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

## NOTE 35 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Contiued)

### 35.1 Financial Risk Management (Continued)

### (ii) Liquidity Risk

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

| **31 December 2018** | **Carrying value** | **Total contractual cash outflow** | **Less than 3 months** | **3 - 12 months** | **1 - 5 years** | **More than 5 years** |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Short and long term liabilities (Note 7) | 27,383,928 | 35,625,690 | 129,625 | 22,015,573 | 13,480,492 | - |
| Trade payables | | | | | | |
| *-Related party (Note 34)* | 15,420,957 | 16,002,416 | 15,994,073 | 8,343 | - | - |
| *-Other (Note 8)* | 50,890,149 | 51,460,595 | 51,448,706 | 11,889 | - | - |
| Other payables | | | | | | |
| *-Other (Note 9)* | 4,656,574 | 5,124,089 | 5,096,726 | 27,363 | - | - |
| Payables within employee benefits | | | | | | |
| *-Due to personnel (Note 10)* | 715,049 | 715,049 | 715,049 | - | - | - |

| **31 December 2017** | **Carrying value** | **Total contractual cash outflow** | **Less than 3 months** | **3 - 12 months** | **1 - 5 years** | **More than 5 years** |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Short and long term liabilities (Note 7) | 262,168,778 | 305,068,882 | 45,647,767 | 96,912,068 | 162,509,047 | - |
| Trade payables | | | | | | |
| *-Related party (Note 34)* | 22,575,033 | 22,575,033 | 5,556,992 | 17,018,041 | - | - |
| *-Other (Note 8)* | 50,362,747 | 50,997,100 | 50,284,237 | 712,863 | - | - |
| Other payables | | | | | | |
| *-Other (Note 9)* | 10,388,050 | 10,388,050 | 9,128,136 | 1,259,914 | - | - |
| Payables within employee benefits | | | | | | |
| *-Due to personnel (Note 10)* | 809,879 | 809,879 | 809,879 | - | - | - |

## NOTE 35 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### 35.1 Financial Risk Management (Continued)

#### (ii) Liquidity Risk (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 31 December 2018, the Group has long-term bank borrowings amounting to TRY 11,733,333 (31 December 2017: TRY 150,478,785) (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.

<u>Aging analysis for trade receivables:</u>

As of 31 December 2018 there are past due trade receivables amounting to TRY 90,611,000 which are not considered as doubtful receivables (31 December 2017: TRY 111,490,580). 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 31 December 2018, the amount of mortgage and indemnity received is TRY 27,324,311 for the related receivables (31 December 2017: TRY 16,366,029).

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

## NOTE 35 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Contiued)

### 35.1 Financial Risk Management (Continued)

### (iii) Credit Risk (Continued)

As of 31 December 2018 and 2017, aging analysis for trade receivables that are past due but not impaired are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | **Related party** | **Other** | **Related party** | **Other receivables** |
| 0-1 month | 6,888,813 | 13,720,268 | 1,155,770 | 32,911,074 |
| 1-3 month | 18,368,942 | 11,468,426 | 2,446,103 | 23,205,296 |
| 3-6 month | 3,354,013 | 13,512,393 | 928,730 | 25,057,890 |
| 6-12 month | 2,981,357 | 9,722,155 | 221,448 | 13,879,753 |
| 1-2 years | 248,814 | 10,345,819 | 226,450 | 11,458,066 |
| | **31,841,939** | **58,769,061** | **4,978,501** | **106,512,079** |

As of 31 December 2018 and 2017, aging analysis for trade receivables that are past due and impaired is as follows:

| *Impaired* | **31 December 2018** | **31 December 2017** |
|---|---|---|
| Past due 0 - 3 months | - | - |
| Past due 3 - 6 months | - | - |
| Past due 6 months and over | 72,137,632 | 64,405,568 |
| **Less: Provision for impairment (Note 8)** | **72,137,632** | **64,405,568** |

There is no balance of related party receivables that are past due and impaired as of 31 December 2018 (31 December 2017: None). There is no trade receivable which is not over due and impaired as of 31 December 2018 (31 December 2017: None).

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

## NOTE 35 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Contiued)

### 35.1 Financial Risk Management (Continued)

### (iii) Credit Risk (Continued)

The Group's credit risk of financial instruments as of 31 December 2018 is as follows:

| | **Trade receivables** | | **Other receivables** | | **Bank** | **Other** |
|---|---|---|---|---|---|---|
| **31 December 2018** | **Related party** | **Other** | **Related party** | **Other** | **deposits** | **assets** |
| **Maximum credit risk exposure as of balance sheet date** | **59,248,328** | **103,180,193** | **117,323,015** | **9,689,985** | **54,984,165** | **72,133** |
| ***- The part of maximum credit risk under guarantee with collateral*** | - | ***27,324,311*** | - | - | - | - |
| A. Net book value of financial assets that are not past due/impaired | 27,406,389 | 44,411,132 | 117,323,015 | 9,689,985 | 54,984,165 | 72,133 |
| *- The part under guarantee with collateral* | - | *3,901,684* | - | - | - | - |
| 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 | 31,841,939 | 58,769,061 | - | - | - | - |
| *- The part under guarantee with collateral* | - | *23,422,627* | - | - | - | - |
| D. Net book value of impaired asset | | | | | | |
| - Past due (gross carrying amount) | - | 72,137,632 | - | - | - | - |
| - Impairment (-) | - | (72,137,632) | - | - | - | - |
| - 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 35 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Contiued)

### 35.1 Financial Risk Management (Continued)

### (iii) Credit Risk (Continued)

The Group’s credit risk of financial instruments as of 31 December 2017 is as follows:

| | Trade receivables | | Other receivables | | Bank | Other |
|---|---|---|---|---|---|---|
| **31 December 2017** | **Related party** | **Other** | **Related party** | **Other** | **deposits** | **assets** |
| **Maximum credit risk exposure as of balance sheet date** | **37,988,588** | **184,369,460** | **-** | **5,274,370** | **63,286,139** | **68,713** |
| ***- The part of maximum credit risk under guarantee with collateral*** | **-** | ***16,366,029*** | **-** | **-** | **-** | **-** |
| A. Net book value of financial assets that are not past due/impaired | 33,010,087 | 77,857,381 | - | 5,274,370 | 63,286,139 | 68,713 |
| *- The part under guarantee with collateral* | - | - | - | - | - | - |
| 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 | 4,978,501 | 106,512,079 | - | - | - | - |
| *- The part under guarantee with collateral* | - | *16,366,029* | - | - | - | - |
| D. Net book value of impaired asset | | | | | | |
| - Past due (gross carrying amount) | - | 64,405,568 | - | - | - | - |
| - Impairment (-) | - | (64,405,568) | - | - | - | - |
| - 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 35 - 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 31 December 2018 and 31 December 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Assets | 120,613,880 | 11,859,060 |
| Liabilities | (4,592,615) | (7,094,326) |
| **Net foreign currency position** | **116,021,265** | **4,764,734** |

Following exchange rates have been used in the translation of foreign currency denominated balance sheet items as of 31 December 2018: 5.2609 TRY= 1 US Dollar and 6.028 TRY=1 Euro (31 December 2017: 3.7719 TRY= 1 US Dollar and 4.5155 TRY=1 Euro).

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

## NOTE 35 -NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### (iv) Foreign currency risk (Continued)

The table summarizes the foreign currency position risk as of 31 December 2018 and 31 December 2017. The carrying amount of foreign currency denominated assets and liabilities of the Group are as follows:

| **31 December 2018** | **TRY Equivalent** | **USD** | **Euro** | **Other** |
|---|---|---|---|---|
| 1. Trade receivables | 2,530,224 | 150,344 | 288,533 | - |
| 2a. Monetary Financial Assets (Cash, Banks included) | 118,082,503 | 22,398,672 | 14,960 | 155,153 |
| 2b. Non-Monetary Financial Assets | - | - | - | - |
| 3. Other | 1,153 | 219 | - | - |
| **4. Current Assets (1+2+3)** | **120,613,880** | **22,549,235** | **303,493** | **155,153** |
| 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)** | **120,613,880** | **22,549,235** | **303,493** | **155,153** |
| 10. Trade Payables | 4,592,615 | 334,746 | 469,076 | 3,959 |
| 11. Financial Liabilities | - | - | - | - |
| 12a. Other Monetary Financial Liabilities | - | - | - | - |
| 12b. Other Non-Monetary Financial Liabilities | - | - | - | - |
| **13. Current Liabilities (10+11+12)** | **4,592,615** | **334,746** | **469,076** | **3,959** |
| 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)** | **4,592,615** | **334,746** | **469,076** | **3,959** |
| **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)** | **116,021,265** | **22,214,489** | **(165,583)** | **151,194** |
| **21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)** | **116,020,112** | **22,214,270** | **(165,583)** | **151,194** |
| **22. Fair value of foreign currency hedged financial assets** | **-** | **-** | **-** | **-** |

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

## NOTE 35 -NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### (iv) Foreign currency risk (Continued)

| **31 December 2017** | **TRY Equivalent** | **USD** | **Euro** | **Other** |
|---|---|---|---|---|
| 1. Trade receivables | 3,759,431 | 281,223 | 577,141 | 92,607 |
| 2a. Monetary Financial Assets | - | - | - | - |
| (Cash, Banks included) | 7,961,316 | 1,918,349 | 39,149 | 548,718 |
| 2b. Non-Monetary Financial Assets | - | - | - | - |
| 3. Other | 138,313 | 8,845 | - | 104,951 |
| **4. Current Assets (1+2+3)** | **11,859,060** | **2,208,417** | **616,290** | **746,276** |
| 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)** | **11,859,060** | **2,208,417** | **616,290** | **746,276** |
| 10. Trade Payables | 1,518,360 | 87,924 | 183,897 | 356,335 |
| 11. Financial Liabilities | 4,618,399 | - | - | 4,618,399 |
| 12a. Other Monetary Financial Liabilities | 957,567 | 96,259 | 11,020 | 544,728 |
| 12b. Other Non-Monetary Financial Liabilities | - | - | - | - |
| **13. Current Liabilities (10+11+12)** | **7,094,326** | **184,183** | **194,917** | **5,519,462** |
| 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)** | **7,094,326** | **184,183** | **194,917** | **5,519,462** |
| **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)** | **4,764,734** | **2,024,235** | **421,373** | **(4,773,186)** |
| **21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)** | **4,626,421** | **2,015,389** | **421,373** | **(4,878,137)** |
| **22. Fair value of foreign currency hedged financial assets** | **-** | **-** | **-** | **-** |

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

## NOTE 35 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### (iv) Foreign currency risk (Continued)

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

| **31 December 2018** | **Profit/(Loss)** | |
|---|---|---|
| | **Foreign currency appreciation** | **Foreign currency depreciation** |
| **If the US dollar had changed by 20% against the TRY** | | |
| USD net (liabilities)/assets | 23,373,411 | (23,373,411) |
| Hedging amount of USD | - | - |
| **USD net effect on (loss)/income** | **23,373,411** | **(23,373,411)** |
| **If the EUR had changed by 20% against the TRY** | | |
| Euro net (liabilities)/assets | (199,627) | 199,627 |
| Hedging amount of Euro | - | - |
| **Euro net effect on (loss)/income** | **(199,627)** | **199,627** |
| **If other foreign currency had changed by 20% against the TRY** | | |
| Other foreign currency net (liabilities)/assets | 30,239 | (30,239) |
| Hedging amount of other foreign currency | - | - |
| **Other foreign currency net effect on (loss)/income** | **30,239** | **(30,239)** |

| **31 December 2017** | **Profit/(Loss)** | |
|---|---|---|
| | **Foreign currency appreciation** | **Foreign currency depreciation** |
| **If the US dollar had changed by 20% against the TRY** | | |
| USD net (liabilities)/assets | 1,527,042 | (1,527,042) |
| Hedging amount of USD | - | - |
| **USD net effect on (loss)/income** | **1,527,042** | **(1,527,042)** |
| **If the EUR had changed by 20% against the TRY** | | |
| Euro net (liabilities)/assets | 380,542 | (380,542) |
| Hedging amount of Euro | - | - |
| **Euro net effect on (loss)/income** | **380,542** | **(380,542)** |
| **If other foreign currency had changed by 20% against the TRY** | | |
| Other foreign currency net (liabilities)/assets | (954,638) | 954,638 |
| Hedging amount of other foreign currency | - | - |
| **Other foreign currency net effect on (loss)/income** | **(954,638)** | **954,638** |

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

## NOTE 35 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### 35.2 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 31 December 2018 and 2017 are as follows:

| | **31 December 2018** | **31 December 2017** |
|---|---|---|
| Total liability [(1)] | 27,383,928 | 262,168,778 |
| Less: Cash and cash equivalents (Note 4) | (56,867,896) | (65,946,767) |
| Net liability | (29,483,968) | 196,222,011 |
| Equity | 640,163,559 | 303,106,910 |
| Net liability and Equity | 610,679,591 | 499,328,921 |
| **Net liability / Total equity ratio** | **-5%** | **39%** |

(1) It is calculated total of long-term and short-term liabilities.

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

## NOTE 36 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

| **31 December 2018**<br>**Financial assets** | Assets at amortized cost | Financial liabilities at amortized cost | Financial assets at fair value through profit or loss | Carrying Value | Note |
|---|---|---|---|---|---|
| Cash and cash equivalents | 56,867,896 | - | - | 56,867,896 | 4 |
| Trade receivables from non-related parties | 103,180,193 | - | - | 103,180,193 | 8 |
| Trade receivables from related parties | 59,248,328 | - | - | 59,248,328 | 34 |
| Other receivables from non-related parties | 9,689,985 | - | - | 9,689,985 | 9 |
| Other receivables from related parties | 117,323,015 | - | - | 117,323,015 | 34 |
| Financial investments | 72,133 | - | 313,923 | 386,056 | 6 |
| **Financial liabilities** | | | | | |
| Financial borrowings | - | 27,383,928 | - | 27,383,928 | 7 |
| Trade payables to non-related parties | - | 50,890,149 | - | 50,890,149 | 8 |
| Trade payables to related parties | - | 15,420,957 | - | 15,420,957 | 34 |
| Employee benefit payables | - | 715,049 | - | 715,049 | 10 |
| Other payables to non-related parties | - | 4,656,574 | - | 4,656,574 | 9 |
| Other short-term liabilities | - | 35,166,801 | - | 35,166,801 | 21 |

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

## NOTE 36 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (Continued)

| **31 December 2017**<br>**Financial assets** | Assets at amortized cost | Financial liabilities at amortized cost | Financial assets at fair value through profit or loss | Carrying Value | Note |
|---|---|---|---|---|---|
| Cash and cash equivalents | 65,946,767 | - | - | 65,946,767 | 4 |
| Trade receivables | | | | | |
| from non-related parties | 184,369,460 | - | - | 184,369,460 | 8 |
| Trade receivables from related parties | 37,988,588 | - | - | 37,988,588 | 34 |
| Other receivables | | | | | |
| from non-related parties | 5,274,370 | - | - | 5,274,370 | 9 |
| Financial investments | 68,713 | - | 1,343,821 | 1,412,534 | 6 |
| **Financial liabilities** | | | | | |
| Financial borrowings | - | 262,168,778 | - | 262,168,778 | 7 |
| Trade payables | | | | | |
| to non-related parties | - | 50,362,747 | - | 50,362,747 | 8 |
| Trade payables to related parties | - | 22,575,033 | - | 22,575,033 | 34 |
| Employee benefit payables | - | 809,879 | - | 809,879 | 10 |
| Other payables | | | | | |
| to non-related parties | - | 10,388,050 | - | 10,388,050 | 9 |
| Other short-term liabilities | - | 231,219 | - | 231,219 | 21 |
| Derivative instrument | - | - | 1,098,340 | 1,098,340 | 5 |

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

## NOTE 36 - 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 37 - INTERESTS IN OTHER ENTITIES

Summary of the financial information of continued operations 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.

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Current Assets | 3,578,901 | 5,173,746 |
| Non Current Assets | 2,464,868 | 9,053,856 |
| Current Liabilities | 86,316,991 | 33,609,032 |
| Non Current Liabilities | 2,174,498 | 30,598,479 |
| Total Equity | (82,447,720) | (49,979,909) |
| | **1 January - 31 December 2018** | **1 January - 31 December 2017** |
| Revenue | 11,501,395 | 10,015,006 |
| Cost of sales | (7,417,220) | (6,494,484) |
| **Gross profit (loss)** | **4,084,175** | **3,520,522** |
| **Net profit (loss) for the period** | **(7,122,112)** | **(4,385,850)** |

## NOTE 38 - EVENTS AFTER THE REPORTING PERIOD

***Approval of Financial Statements***

The consolidated financial statements for the period ended 31 December 2018 were approved by the Board of Directors on 4 March 2019.