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2016 ANNUAL REPORT



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READ, LOOK, EXPLORE,  
DISCOVER, LIVE, GROW, LEAD!

SETTING TURKEY'S AGENDAS FOR 68 YEARS  
AND ADDING SUPERIOR COMPETENCIES  
IN DIGITAL MEDIA TO ITS UNRIVALLED  
STRENGTHS IN PRINT, HÜRRİYET BRINGS  
ALL OF ITS CONTENT TOGETHER UNDER  
A SINGLE ROOF THAT IT CALLS "HÜRRİYET  
WORLD".

DELIVERING CONTENT WHENEVER,  
WHEREVER, AND HOWEVER IT MAY BE  
WANTED AND INTERACTING CONSTANTLY  
WITH ITS READERS AND FOLLOWERS,  
HÜRRİYET WORLD IS ALSO RICH AND  
DIVERSIFIED ENOUGH TO SATISFY EVERY  
NEED OF EVERY ADVERTISER NO MATTER  
WHAT THEIR PROFILE.

# PRINCIPLED

HAVING BECOME  
SYNONYMOUS WITH  
IMPARTIAL, OBJECTIVE,  
AND HONEST  
NEWS REPORTING  
BY ADHERING TO  
THE FUNDAMENTAL  
PRINCIPLES OF  
JOURNALISM FOR 68  
YEARS, HÜRRİYET HAS  
MAINTAINED ITS STATURE  
AS “THE FLAGSHIP OF  
THE TURKISH PRESS  
INDUSTRY” AT ALL TIMES  
AND UNDER EVERY  
CONDITION.





■  
SETTING TURKEY'S  
AGENDAS FOR 68  
YEARS HÜRRİYET IS  
THE MOST DEEPLY-  
ROOTED AND  
POWERFUL VOICE  
IN THE TURKISH  
NEWSPAPER  
INDUSTRY.

THE MOST POWERFUL VOICE IN THE  
TURKISH NEWSPAPER INDUSTRY

Setting Turkey's agendas for 68 years as the most deeply-rooted and powerful voice in the Turkish newspaper industry, Hürriyet reaches 1.4 million readers every day thanks to its:

- Experience and reliability
- Commitment to universal journalistic principles
- Sustainable news-reporting quality.

Having consistently demonstrated its ability to deliver genuine return performance to its advertisers year after year, Hürriyet is the undisputed leader of newspaper advertising in Turkey.

COMPREHENSIVE CUSTOMIZABLE  
CONTENT IN BOTH PRINTED AND  
DIGITAL MEDIA

With its powerful media-industry vision and extensive knowledge and experience, Hürriyet's skill in exploiting developments in digital publishing technologies make it the fastest-growing and most demonstrably effective player in digital media. Having added superior competencies in web and mobile media to its long-unrivalled strengths in print, Hürriyet has combined all of its news, celebrity, sport, and lifestyle content under a single roof that it calls "Hürriyet World".



PRINT  
MEDIA

With Hürriyet World,

- new ways of generating news and other content made possible by advances in technology are deployed effectively in conjunction with social media,
- content of every kind can be focused instantly 24 hours a day seven days a week according to personal preferences as a result of the proper and effective processing of big data, and
- the satisfaction of both advertisers' and readers needs and expectations leads to an excellent customer experience.

#### OUTSTANDING READER & ADVERTISER COMMUNICATION THROUGH DIGITAL CLASSIFIEDS

Reflecting the strong growth it has registered in content-provision in digital classifieds as well, Hürriyet World serves as an outstanding communication channel between readers and advertisers providing information about countless real estate, human resource, automotive, service, and opportunity offerings. Because they are delivered through a variety of digital channels, the digital classifieds of Hürriyet World, the most effective platform in Turkey that brings advertisers and readers together, achieve high levels of productivity for all concerned.

# 7x24

WITH HÜRRIYET  
WORLD,  
CONTENT OF  
EVERY KIND CAN  
BE FOCUSED  
INSTANTLY 24 HOURS  
A DAY SEVEN DAYS A  
WEEK ACCORDING  
TO PERSONAL  
PREFERENCES.



#### DIGITAL CLASSIFIEDS



#### DIGITAL MEDIA



# WEB- MOBILE





■

**WHAT WITH HAVING  
TO DEAL NOT ONLY  
WITH GLOBAL  
MACROECONOMIC  
PRESSURES IN 2016  
BUT ALSO WITH  
AN ATROCIOUS  
ATTEMPTED COUP  
WHICH WAS  
OVERCOME BY ITS  
COMMITMENT TO  
DEMOCRACY, TURKEY  
HAD A DIFFICULT  
YEAR INDEED BOTH  
POLITICALLY AND  
ECONOMICALLY.**

Valued shareholders, business partners, and employees:

**2016 failed to live up to global prosperity expectations.**

Besides failing to satisfy expectations with respect to global economic growth and trade volumes, 2016 was also a year characterized by a number of surprising breakpoints—most tellingly the victory of the “Brexit” vote in the UK European Union membership referendum and the outcome of the US presidential elections.

Although developing countries’ economies appeared to be on the mend in 2016, uncertainties as to the direction of monetary policy not only fueled financial market volatility but

also impacted unfavorably on both the pricing of developing countries’ financial assets and the calculation of their risk premiums. The currencies of virtually every country in the latter group suffered as a result and in the wake of the US elections and the Fed’s decision to raise interest rates, they fared even worse.

Moderate though it may have been, growth in the EU managed to outpace the US’s performance albeit to a small degree. While this might seem a surprise, the dangers which the vicious circle of deflation and weak demand poses for attempts to reflate economies should not be overlooked.

In the face of persistently weak global growth, developed countries’ central banks ramped up their monetary expansion (“quantitative easing”) programs and ventured even further into the realm of low (in some cases even negative) interest rates. Despite all of this however, neither growth nor inflation targets could be met and this failure strengthens expectations that there will be even more QE accompanied by low interest rates in 2017 as well.

As for 2017, the most serious uncertainties will be experienced in the euro area where, due to its being an election year in many countries, market volatility is likely to get quite high. Two ballots that will certainly shape the political and economic landscape of the continent are France’s presidential election and general elections in Germany.

A host of factors such as the impact of increases in oil and commodity prices on inflation in general and on the current account deficits of energy-importing countries, the course of policy in the US and weaknesses in the Chinese economy may also be seen as signs that 2017 is going to be a difficult year.





### **Turkey passed a critical test.**

Growth in the Turkish economy remained on course albeit with some loss of momentum. In the first two quarters of the year, growth was driven by domestic demand but stumbled in the third. With political developments in July putting a brake on growth in the third quarter, the only thing that held the contraction in the economy in check was an acceleration in public-sector expenditures.

Government efforts to overcome market sluggishness by encouraging consumer spending appear to have worked. As a result of a modest recovery in private-sector consumption and a partial balancing of weak private-sector demand with public-sector spending, it is now thought that positive growth resumed in the last quarter of the year.

What with having to deal not only with global macroeconomic pressures in 2016 but also with an atrocious attempted coup which was overcome by its commitment to democracy, Turkey had a difficult year indeed both politically and economically. Actively caught up in problematic processes that are unfolding in neighboring countries, Turkey finds itself forced to combat terrorism both at home and abroad.

At this point there are two issues that I especially want to emphasize. The first is that, as a media concern which was itself physically taken over during the attempted military coup, Hürriyet unambiguously demonstrated its independence and commitment to democracy. The other is that the true value and importance of a free press and of real journalism eloquently made themselves felt both in during the coup and its aftermath and in the midst of the year's many terrorist incidents.

It is during periods of turmoil such as these that people are the most in need of the truth. As a responsible and steadfast member of the media industry, Hürriyet last year once again distinguished itself as an unfaltering adherent to the fundamental principles of journalism and an impartial, objective, and indisputably honest reporter of news.

### **The rise of digital media continues.**

Turning now to the advertising industry, which is an important source of Hürriyet World's revenues, total investment in advertising in Turkey last year was worth TL 7 billion, a figure that corresponds to a year-on rise of 9%. Digital media, which accounted for 26% of such investment in 2016, continued to gain importance while the contraction in the newsprint advertising market also continued apace.

Powered by its vision of the future and its investments in technology, Hürriyet World's rise in digital media continues to attract attention. For Hürriyet as a whole, 2016 was a breakthrough year in terms of its investments in technology, products, and content.

The technological infrastructure of our Hurriyet.com.tr website was completely overhauled. Although it was difficult and demanded much in the way of effort and knowhow, we successfully completed the process of integrating and migrating all of our products as Hürriyet progresses towards becoming a digital universe.

**POWERED BY ITS  
VISION OF THE  
FUTURE AND ITS  
INVESTMENTS IN  
TECHNOLOGY,  
HÜRRİYET WORLD'S  
RISE IN DIGITAL  
MEDIA CONTINUES  
TO ATTRACT  
ATTENTION.**



■

**WE DEVOTE EVERY  
POSSIBLE EFFORT  
TO PROJECTS THAT  
WILL HELP WOMEN  
PLAY THE ROLE  
AND TO ACHIEVE  
THE STATURE THEY  
DESERVE IN SOCIETY.**

Last year we worked on optimizing the search engines of Hürriyet and its associated websites. Together with an increase in organic traffic we also registered all-time highs in website visitor numbers.

In keeping with our ambition to make all the content richness of our newsprint supplements—and more—accessible to our internet users, we undertook digital content and product projects in some of our verticals. We continue to work on such projects for all of our verticals.

A large part of Hürriyet's server architecture was moved into the cloud during 2016. All of our mobile apps were reviewed, redesigned, and improved using the company's own, in-house resources. A success similar to that in our mobile apps was also achieved in our mobile websites. Our Big Data project was completed in 2016 and with the launching of our new advertising server infrastructure it has become possible to instantaneously display individually-personalized ads.

In 2016 we not only registered an 11% rate of year-on growth in our digital publishing revenues but also significantly increased our profitability in this business line. Three of our verticals in particular—Bigpara, Mahmure, Aile—played an especially important role in this growth.

There was significant revenue growth in digital classifieds, especially in income from our Hürriyet Emlak real estate website Hurriyetemlak.com, which racked up an average of six million single viewers a month last year.

Among our printed publications, Hürriyet has achieved a readership of 1.4 million. Not only is Hürriyet Turkey's biggest-selling newspaper, its standing as the publication most preferred by advertisers continues to make it the leader of the Turkish newspaper advertising market.

During 2016 we conducted a review of all of our Hürriyet World costs and initiated a program whose aim is to reduce them. The underlying goal which we have identified in this program is one of focusing on cost-reduction by sharing the resources used in our printed and digital operations. We successfully maintained our EBITDA margin in 2016 despite it being a year in which we carried out substantial investments in technology. The conversion of all of our Russian operations to digital and a restructuring of our loans in that country on more favorable terms will have an even stronger impact on our financial results in the period ahead.

**We are using the strength of our social impact to contribute to the community.**

As a signatory to the United Nations Global Compact, Hürriyet made an even greater effort in 2016 to contribute to the life of society by increasing public awareness of the compact's tenets. In a country where violence towards women continues to be a social problem, we devote every possible effort to projects that will help women play the role and to achieve the stature they deserve in society. Our efforts in this direction last year are highlighted below.

- Our long-term social responsibility project "End Domestic Violence!" completed its twelfth year in operation.
- Our "Business World Against Domestic Violence" project continued, as did our involvement in the United Nations Global Compact Women's Empowerment Principles Platform.
- A "One Voice Against Violence" project was launched as part of Hürriyet's "End Domestic Violence!" campaign.
- "Violence Is A Crime: Ask For Help", another new component of the "End Domestic Violence!" campaign, was launched last year as a joint project together with the Association of All Pharmacists Cooperatives.

**Hürriyet: Always one step ahead...**

Hürriyet's impartiality, leading position, and trailblazing editorial stance have made it a giant of Turkey's journalism industry. For 68 years, Hürriyet and its employees have been striving methodically to rightfully earn, maintain, and build upon this profoundly important reputation.

As the digital landscape's representative of Hürriyet World's strong and deep-rooted traditions in news reporting, Hurriyet.com.tr will take its success to even newer and higher levels. In the period ahead we will further entrench our leadership in digital through our verticals and content-provision competencies while employing our technological knowhow in order to make Hürriyet World even more outstanding.

Guided by our sense of social responsibility and deep-rooted journalistic traditions and supported by our innovativeness and vision, we will continue our efforts to always be one step ahead of everyone else. And with that in mind, I take this opportunity to thank all of our stakeholders for accompanying us while being generous with their contributions and support.

**Vuslat Doğan Sabancı**

Chairperson of the Board of Directors

**GUIDED BY OUR  
SENSE OF SOCIAL  
RESPONSIBILITY  
AND DEEP-ROOTED  
JOURNALISTIC  
TRADITIONS AND  
SUPPORTED BY OUR  
INNOVATIVENESS  
AND VISION, WE  
WILL CONTINUE OUR  
EFFORTS TO ALWAYS  
BE ONE STEP AHEAD  
OF EVERYONE ELSE.**



■

**FOR HÜRRIYET  
WORLD 2016 WAS  
ALSO A SUCCESSFUL  
YEAR IN WHICH  
TARGETS WERE MET  
AND ITS STATURE AS  
A COMPANY WORTH  
INVESTING IN WAS  
FURTHER BURNISHED  
BY ITS DEEP-  
ROOTED BRAND  
VALUE AND BY ITS  
ROBUST FINANCIAL  
STRUCTURE.**

Valued members of the Hürriyet family,  
Dear shareholders,

While 2016 will go down in Turkey's history as a year in which the most extraordinary events took place, it was also a year in which Hürriyet World most clearly demonstrated its approach to impartial, trustworthy, and branded news-reporting and publication.

In a world of rampant "infollution" and "fake news", Hürriyet's impeccable and unflinching commitment to democracy show just how strong our institutional DNA truly is.

For Hürriyet World 2016 was also a successful year in which targets were met and its stature as a company worth investing in was further burnished by its deep-rooted brand value and by

its robust financial structure. Likewise by increasing investors' interest in the media industry, we also made important progress towards our goal of becoming a front-rank investment alternative.

Hürriyet World's priorities are defined along three main axes:

- Maintain our profitability
- Grow our digital revenues
- Base our growth on business that creates new value.

In 2016 we made notable progress along all three fronts:

- We continued to distinguish ourselves by virtue of the profitability we achieved by attracting strong advertisers in printed media.
- Thanks to our content-development capabilities we achieved very strong growth and vertical integration while also simultaneously maintaining profitable growth in digital media.
- We registered significant and steady growth in digital classifieds, of which Hurriyetemlak.com is the Turkish real estate market leader.

#### **Hürriyet increased its share of newspaper advertising.**

Hürriyet's share of newsstand newspaper sales increased from 13.8% in 2015 to 14.6% in 2016 while its market share of daily newspaper sales grew by 1.3 percentage points to 9%.

Despite an 8% contraction in the print media overall market for newsprint advertising, Hürriyet increased its own share of all such advertising to 34% last year. The market segments giving the most support to newspaper ads once again were social, resident, tourism, and retailing.

#### **Increasing the pace of our investment in technology in 2016:**

- As part of our mobile transformation we renewed all of our mobile apps. Such apps are now carrying about 20% of our traffic.



- A huge (something like 70%) share of our server architecture has been moved into the cloud.
- The new advertising server infrastructure of our big data project has made it possible to instantaneously display individually-personalized ads.
- We registered rapid growth in our investments in digital content. By providing greater depth of content targeting specific areas of interest and segments, we increased our visibility in the travel, sport, and Hürriyet TV vertical segments. We will continue to pursue increasingly more accelerated growth in vertical markets in the period ahead.
- We revamped our digital publishing and IT teams with the addition of newly-recruited internet world professionals.

Thanks to our investments in technology, products, and content in 2016, we saw increased interest in our Hurriyet.com.tr and other digital platforms. Hürriyet World emerged as the established leader of digital publishing last year. Our uncompromising approach to principled and impartial journalism also played a major role in this success.

Hürriyet World, whose ability to boost traffic in digital publishing is undisputed, achieved growth rates of 115% and 55% respectively in average monthly pageviews and visitor numbers, thereby ranking first in the two metrics that are the benchmarks of success.

In its digital classifieds, Hürriyet World saw a 29% increase in average monthly visits and reached about 6 million people, a performance that corresponds to a 9% year-on rise in the number of unique visitors.

### **Hürriyet Emlak registered especially strong revenue growth in digital classifieds.**

Making tremendous progress as a result of our investments in both technology and content in 2016, Hürriyet Emlak is becoming a star performer in terms of its revenue-generation and added-value creation potential. In the period ahead Hürriyet Emlak will continue to undertake projects that will produce even more value for both realtors and users while further fortifying its position in the sector through aggressive marketing and branding projects in digital, TV, and outdoor media.

### **We further increased the effectiveness of our cost controls.**

In late 2016 we launched a strategic cost-cutting “Fit For Growth” program at Hürriyet, the aims of which are to reduce and manage costs and, when necessary, to make changes in business styles and processes without impairing business quality. Under this program we have already begun to make significant progress towards making more effective and economical use of resources.

An important aspect of this initiative that has a direct impact on our operations is our increased effectiveness in the use of printed media resources on the internet, which is a particularly crucial issue in the transformation of media companies.

By providing video and more images for Hurriyet.com.tr, we are actually engaging in an effort to create a content-making factory and to increase video production.

### **Hürriyet World will remain on the ascent...**

We want to turn Hürriyet World into one of Turkey’s international brands in 2017. We believe that Hürriyet is the Turkish media brand whose technological infrastructure

and publishing clout are sufficient to accomplish this.

As the strongest voice in Turkey’s press industry by virtue of its impartial and principled journalism, Hürriyet will continue to lead for many more years to come while also steadily adding to its stature as the sector’s most important brand because of its ability to reach and understand its readers and respond to current demands not only through existing platforms such as web, mobile, and tablet but also any and all manner of new ones that may in future emerge.

With dozens of existing platforms capable of producing content specifically appealing to different age groups and areas of interest, Hürriyet World will never let up in its efforts to be the first choice of readers as well as advertisers or to continue to create value for all of its stakeholders.

As a company whose approach to corporate governance is well above Turkish standards in terms of teamwork, business processes, decision-making mechanisms, and risk management effectiveness, we will remain steadfast in our efforts to pave the way for better and more secure future by:

- Ensuring our sustainable profitability
- Increasing our effectiveness in digital
- Consolidating our leadership in news reporting.

As we take our brand forward into the future, I take this opportunity therefore to thank all of our shareholders, business partners, employees, readers, and followers for constantly standing by and supporting us.

**Çağlar Göğüş**  
CEO

■

**OUR CAPACITY  
TO PROVIDE OUR  
READERS WITH A  
MEANINGFULLY  
BROAD DIVERSITY  
OF OPINION IS  
AN IMPORTANT  
COMPLEMENT TO  
OUR INFLUENTIAL  
NEWS-REPORTING.**

Valued members of the Hürriyet family.

Dear shareholders,

Each year when I compose my message for the annual report I regularly begin with an assessment that focuses on the standing of our newspaper in the publishing industry. This always provides me with an opportunity to say that Hürriyet once again maintained and further strengthened its leadership of the sector and it is the source of the utmost pleasure for me to be able to say the same thing yet again as we review 2016. Yes, our newspaper did protect its brand strength last year; it did expand the domains of its leadership; it did maintain its stature as Turkey's most influential and trusted newspaper.

There is one thing that every survey of Turkey's publishing industry agrees on: that Hürriyet owes its brand strength to a constellation of traits. The first of these traits is that our newspaper is a "deeply-rooted and institutionalized" member of the press. Hürriyet began publishing in 1948; last year we celebrated the paper's 68<sup>th</sup> anniversary. In 2018, less than two years hence, we will be celebrating the paper's 70<sup>th</sup> anniversary. No matter how you look at it, this has to be an expression of deep-rootedness and of institutionalization. Hürriyet is indeed one of the most deeply-rooted institutions not just of Turkey's press but of its republic.

But just having deep roots is not enough all by itself. Our second important trait is that we are "strong". Our leadership of the market in terms of circulation and the access which that affords are important elements of Hürriyet's strength. Being an influential newspaper is likewise an important component of Hürriyet's strength but we also derive our strength from a sound financial structure that underpins our company's ability to be an independently-minded publishing house that has invariably distinguished itself as the leading name in the press industry.

It would be misleading to judge Hürriyet solely on the basis of these qualities however. No matter how old an institution may be, it cannot fail to lose ground in the course of time if it should ever fall into a static orbit. One very important quality of ours is that we are also open to change and are able to renew ourselves even while maintaining continuity. We must acknowledge the role that this attribute plays in Hürriyet's ability to defend its leadership. Indeed when we take a look at the history of the Turkish press, we see that Hürriyet was the one that introduced the majority of its "firsts".

When assessing the strength of our newspaper's reach of course, its performance is only one of the criteria by which it should be judged of course.





A point that we must underscore here is the need to factor in not just a publication's numerical reach but also both the educational level and the socioeconomic status of its readership as well. When we look at these numbers, Hürriyet once again confronts us as the newspaper which is the most frequently and regularly read by a broad segment of the Turkish public whose members are characterized by high levels of consumption, whose lives are socially active, who are at ease with technology, and who keep a close watch on current events.

What all of this means that Hürriyet has an absolute advantage in what's known as the "AB" socioeconomic group. Hürriyet has more readers in this group than any other newspaper in Turkey. Unquestionably it is also an important reason why advertisers turn to Hürriyet.

Before beginning our review of Hürriyet's performance in 2016 we need to recall that it took place amidst political and social events that posed the utmost difficulties for our country. We are talking about a year in which an attempted military coup set its sights on Turkey's democracy and in which that attempt led to an earthquake whose aftershocks have been most severe. Times such as these are the times when journalism becomes more important than ever and it was during this period that Hürriyet once again demonstrated its uniqueness as a reporter of the news. The "No Permission for a Coup" headline that emblazoned the front page of the 16 July 2016 issue of Hürriyet that appeared on newsstands the morning after the attempted coup is probably the one in which we can take the greatest pride last year. Likewise the fact that our newspaper's headquarters themselves were raided by the plotters the night before will go down as an event that henceforth

will be recalled as a milestone in Hürriyet's history and identity.

When talking about a newspaper's strength, it is not enough just to consider everything in terms of numbers and statistics. There is something which I've emphasized ever since my first day as editor in chief and which I want to repeat here now. Newspapers' strengths cannot be measured solely by means of numerical, quantitative methods. The sources of a newspaper's strength must also be sought in the qualitative domain, in the special relationship which the publication enters into with the community that it speaks to. Hürriyet's greatest strength perhaps is that it has established such a special relationship with the Turkish public and has always been able to keep that relationship alive.

Taking everything into account, Hürriyet is the first newspaper which comes to people's minds in Turkey, which everyone refers to, and which repeatedly demonstrates its ability to set agendas. Furthermore our capacity to provide our readers with a meaningfully broad diversity of opinion is also an important complement to our influential news-reporting.

Through our "Kelebek", "Hürriyet Pazar", "Hürriyet Cumartesi", "Keyif", "Seyahat", and "İnsan Kaynakları" weekday and weekend supplements, Hürriyet also touches its readers' lives by providing them a colorful and diverse array of offerings in every conceivable area from travel and human resources to culture and art. In this respect, Hürriyet not only helps set the national agenda but also becomes an integral part of the country's social life by highlighting each and every one of its colors.

My final point is concerned with our company's digital identity. We must recognize that Hürriyet's strength is

no longer confined to the traditional format of the printed newspaper. A very important component of our strength manifests itself in the digital transformation that our newspaper is undergoing. The Hurriyet.com.tr address is one of not just Turkey's but of Europe's most frequently-accessed news websites today. With an average of 3.5 million unique visitors and nearly 40.5 million pageviews on weekdays, our website's attractive strength is an impressive international performance no matter how you look at it. Hürriyet's digital platform gives it the ability to influence a huge segment of society. According to figures published by Gemius, a leader in the field of objective internet measurement and consultancy, Hürriyet reached 30% of the approximately 30 million internet users who were active in Turkey in 2016 and it was also the front-ranking news portal on web, mobile, and tablet platforms.

To sum up then, what we are talking about when we refer to "Hürriyet World" is not just a printed newspaper in the traditional sense but also a multi-level, multi-channel communication platform that possesses a strong digital presence as well.

The closing paragraph in my message in each year's annual report usually ends with a statement expressing my confidence in the future. It likewise gives me pleasure to abide by that tradition once again as well. Yes, as Hürriyet we do continue to look to the future confident of our ability to maintain, expand, and build upon our superior position in each and every medium.

**Sedat Ergin**  
Editor in Chief



■

**OUR GOAL IS TO INCREASE THE SHARE THAT DIGITAL CONTRIBUTES TO OUR EBITDA BY GROWING OUR DIGITAL REVENUES WHILE ALSO STAVING OFF EROSION IN OUR PRINTED MEDIA EARNINGS.**

Valued business partners,

For Hürriyet World, 2016 was a year in which revenues began to increase in digital products and services while the pace of the decline in printed media revenues began to slacken.

Total revenues amounted to TL 535 million in 2016. This is indicative of an overall 5% decline in revenues last year and parallels the drop in Trader Middle East's revenues. Indeed when TME is excluded from the calculation, we see that the actual contraction was only on the order of 0.6% and when the income-reducing effect of the transfer of our Doğan News Agency stake to Doğan Holding is factored in, we actually end up with a net 1% rise in revenues. When TME is excluded we showed a 16%

reduction in our earnings before interest, taxes, depreciation, and amortization. Even this is largely attributable to paper that was made costlier by exchange rate movements.

With the overall advertising market growing by 10% in 2016, revenues from digital ads increased by 16% while income from newspaper ads was down by 8%. Although Hürriyet's printed media revenues slipped by 2% year-on, the drop in its newspaper advertising earnings was just 0.5% and its market share was 2.4 percentage points higher.

Hürriyet World's digital publishing revenues registered an 11% rise in 2016. When the effect of the suspension of Radikal's operations is excluded however, the increase works out to 20%.

**Our primary goal is to increase our digital revenues.**

Our goal is to increase the share that digital contributes to our EBITDA by growing our digital revenues while also staving off erosion in our printed media earnings.

Our strategy in digital essentially is to concentrate on investments in advertising and branding. In digital classifieds, our primary focus is Hurriyetemlak.com, Turkey's biggest real estate website, where various measures were taken last year in order to grow revenues by redesigning the website and creating a new ecosystem through the development of products in collaboration with realtors.

In the period ahead our goal will be to achieve strong growth in all of our digital classified ad revenue streams while continuing to advance our Hürriyet Emlak growth performance. The improvements that were made on the product side last year will continue in 2017 and we intend to permanentize growth through brand investments in offline as well as online media.



While continuing to undertake investments in digital publishing content enrichment, we also achieved significant success through the personalized, multichannel advertising formats made possible by investments undertaken in IT and databasing in order to strengthen growth. The high rates of growth that are being achieved in digital revenues, which is our ultimate goal, are the first indications of the benefits of such investment.

As of end-2016, digital publishing and digital classifieds contributed 11% and 8% shares respectively of our revenues. Both figures were a percentage point higher than what they were the year before.

#### Getting ready for growth...

Under the "Fit For Growth" program that we launched before beginning to work on our 2017 budget, we focused particularly on a search for new business models that would make print publishing more profitable and would optimize our fixed costs.

The following is a summary of the cost-control and cost-management actions that we initiated in 2016 and will continue in 2017:

- The biggest contributors to our costs in printed media publishing take the form of outlays for distribution and paper. Our paper costs are especially problematic because they are directly linked to movements in exchange rates. We therefore are reviewing and reassessing our paper procurement options in an effort to lower these costs without sacrificing quality.
- Recognizing that falling circulation numbers mean that fixed costs reduce profitability per product and increasingly squeeze profit margins, last year we made a small increase in the price of the weekday editions of Hürriyet and also in the Ankara, İstanbul, and İzmir weekend editions as well.

- The existence of two large but separate distribution networks without the circulation numbers to justify them burdens newspapers with substantial costs. An ideal solution would be to benefit from the strong synergies that would be created by having a single distribution network.

- Ongoing effort are being made to optimize printing our costs. However given that in terms of technology, equipment pool, and human resources, Doğan Printing Center is not only Turkey's leading printing house but also has very few peers of its stature even in Europe as well, we are naturally continuing to undertake investments in it.

- Operations in our two biggest business lines (printed media and digital publishing) are currently being managed separately. We are exploring structures in which they can share the resources they use. This will certainly generate significant cost benefits.

- All of our procurement processes are being reviewed. At a time when currency rates are on the rise, particular attention is being given to such options as fixed-exchange-rate contracts in purchases paid for with foreign currencies, having recourse to local suppliers, etc.

- As a result of bartering in our dealings with construction industry firms (which are one of the biggest sources of our advertising revenues), we have built up a portfolio of real estate properties that need to be converted to cash. Significant progress has already been made in this direction and it is contributing to our cashflow.

- We are reviewing our collection and payment processes in an effort to bring collection and payment terms into better alignment with each other in all of our contracts.

- We are putting together a receivables monitoring system that will keep our receivables under the closest possible watch. We already have in place a receivable age reporting system that makes certain that receivables are converted to cash as soon as they fall due.

#### In our international operations...

Our operations in Germany remained on course last year while the transformation of our TME operations in Russia into a digital firm has significantly reduced the pressure which that company was imposing on our balance sheet and profit & loss statement. The loans which were taken out to finance our Russian operations have been restructured at lower interest rates with longer terms. This has also contributed to improvements in our cashflow.

#### We will continue to increase shareholder value...

Bringing 68 years of journalistic prowess and tradition into line with the needs and expectations of today's world and offering a richness and diversity capable of satisfying every need of every advertiser no matter what their profile, Hürriyet World will continue to increase shareholder value through stronger revenue flows and profitability as it fast-tracks the ascent in digital publishing and digital classifieds on which it has embarked.

Sincerely yours,

**Özgür TOKGÖZ ALTUN**  
CFO



**Vuslat DOĞAN SABANCI**  
**Chairperson**

A graduate of Bilkent University's Department of Economics, Vuslat Doğan Sabancı went on to attend Columbia University in New York for her graduate studies in International Media and Communications. Ms. Doğan Sabancı currently chairs the Board of Directors at Hürriyet, and has held this post since 26 May 2010. During her tenure as CEO between 2004 and 2010, Ms. Doğan Sabancı transformed Hürriyet from a leading paper in Turkey into an international powerhouse through her acquisition of Trader Media East (TME) in 2007 in a move that represented the largest ever foreign acquisition executed by a Turkish company. TME is an online and printed media advertising company operating in Russia, Ukraine, Belarus, Kazakhstan, Hungary, Croatia, Bosnia & Herzegovina and Serbia. Among TME's most important brands are Iz Ruk Ruki, one of the most well-known media brands in Russia, and Irr.ru, that country's leading online classifieds provider. Ms. Doğan Sabancı ensured Hürriyet's position as a major player within Turkey's emerging new media industry by investing in digital publishing and services. These prudent investments resulted in the launch of Hurriyet.com.tr as one of the highest trafficked websites across Europe. Hürriyet currently offers classified advertising services through its affiliated family of sites including Hurriyetemlak.com, Hurriyetoto.com, Yenibiris.com, in addition to Yakala.co (deal finder). Ms. Doğan Sabancı has also evolved into a strong voice for human rights and especially issues

related to gender equality in Turkey, by investing in such topics through Hürriyet. A law was enacted on domestic violence following an eight-year effort on her part through the "No! To Domestic Violence" campaign that she had initiated. Ms. Doğan Sabancı also established the "Rightful Women Platform" to gather all NGOs formed around issues concerning women under the same roof, and function as a pressure lobby to ensure more women could be voted into Parliament, prior to the General Elections in 2011. As a result of this effort, the number of female MPs rose to 78 after the 2011 elections, up from 48. In addition, Ms. Doğan Sabancı carries on with a multitude of activities in the name of giving women their rightful place both within society in general and within the economy in particular. A microloan project for women is one of such social responsibility projects. Ms. Doğan Sabancı joined Hürriyet in 1996 as Vice President in charge of Advertising, before her promotion to the post of Marketing Group President three years later. Her responsibilities at Hürriyet included marketing, sales, human resources and information technologies (IT). Before joining Hürriyet, Ms. Doğan Sabancı worked in the editorial department of The New York Times for a year, and later at The Wall Street Journal, where she was instrumental in the formation of the Asian Business World News Channel and the paper's Latin America edition. Born in 1971, Vuslat Doğan Sabancı is married with two children. Ms. Doğan Sabancı speaks English. Ms. Doğan Sabancı is a lifetime honorary member of the International Press Institute (IPI), where she served an



eight-year term as a Board Member.

**Soner GEDİK**  
**Vice Chairperson**

Having successfully held various managerial positions at Doğan Group for nearly 30 years since 1987, Soner Gedik was born in 1958 in Eskişehir. He received his degree in economics and public finance from Ankara University's Faculty of Political Sciences in 1981. In 1985, he qualified for the Ministry of Finance Tax Auditor title, finishing first in his class. Mr. Gedik transferred to the private sector in 1987 and joined Hürriyet Holding A.Ş. as the Head of Audit Group. He served as a Member and Vice Chairperson of the Board of Directors of Hürriyet Gazetecilik ve Matbaacılık A.Ş. between 1989 and 1998. Mr. Gedik played an important role in the public offering of Doğan Yayın Holding in 1998, and assumed the positions of Chief Financial Officer (CFO) and Vice President. He has undertaken major responsibilities in relation to public offerings, acquisitions, foreign partnerships, incorporation of new companies and similar corporate finance and strategy matters at Doğan Media Group. Soner Gedik is married and has four children.



**Çağlar GÖĞÜŞ**  
**Executive Board Member**

Having earned his degree in business administration from Bilkent University in 1995, Çağlar Göğüş then moved on to receive his MBA from the University of Florida. Mr. Göğüş started his professional life in 1995 as an assistant at Coopers & Lybrand Turkey and then worked for a short term at Arthur Andersen as a Senior Analyst. Having worked as a Senior Consultant at A.T. Kearney between 1998 and 2000, he joined Peppers & Rogers Group in 2002, where he was a partner for nine years. Mr. Göğüş assumed responsibility for the EMEA region at Peppers & Rogers from 2010, and successfully led the expansion of international operations of Peppers & Rogers Group in the EMEA region with the title of Managing Director until 2014. As a founding partner of Analytics Center and Smartcon EMEA, he offered training and advisory services and organized strategic events on big data, advanced analytics, disruptive technologies and relevant business models. Having joined Hürriyet in 2015 as a member of the Board of Directors, Mr. Göğüş has taken over the position of CEO in February 2016.



**Ahmet ÖZER**  
Board Member

Ahmet Özer received his undergraduate degree in Economics from Boğaziçi University. After taking on project development roles in several companies for two years, he joined Doğan Group in 1996. Having assumed the position of Strategy and Business Development Manager at Doğan Holding until 2005, Mr. Özer joined Hürriyet as Business Development and Investor Relations Coordinator in 2005, where he was appointed as Head of Strategy and Business Development Group in 2007. In 2009, Mr. Özer was appointed as Head of Hürriyet Internet Group as member of the Executive Board in 2009. A major contributor to the acquisition process of TME, the foreign subsidiary of Hürriyet, he was named the CEO of TME in July 2010, a position he held at the head office in Moscow until 2014. Having served as Chief Executive Officer (CEO) of Hürriyet World from June 2014 until February 2016, Mr. Özer is working as the General Manager of Acemar, a company engaged in global trading of steel and metal products since December 2016, in tandem with which he continues to hold a seat as a member of Hürriyet's Board of Directors. Ahmet Özer is married and has two children.



**Ahmet DALMAN**  
Board Member

Ahmet Dalman was born in 1964 and graduated from Boğaziçi University, Department of Electrical-Electronics Engineering in 1986. Starting his career as an Information Technologies specialist in the media sector, Mr. Dalman carried on his activities as partner and executive of a company producing technological solutions for media and different sectors and made remarkable contributions to the digitalizing and technology application process of many media companies. In 1994, Dalman joined Hürriyet as Information Systems Manager and served as Technology Director at e-kolay.net Internet Service Provider Company of Doğan Group between 1999 and 2000. He assumed duties as; Hürriyet Newspaper Information Systems Coordinator in 2001, Hürriyet Newspaper Executive Board Member in 2008, the Head of Hürriyet Internet and Information Technologies Group in 2010, and Hürriyet Executive Board Vice Chairperson between May 2012 and May 2014. Dalman still continues to serve as a Member of the Board of Directors. Dalman is married with two children, and he speaks English.



**Ahmet TOKSOY**  
Board Member

Born in 1959 in İstanbul, Ahmet Toksoy graduated summa cum laude from the Department of Finance, Faculty of Business Administration at İstanbul University in 1981. In 1987, as the top student of his class, he was appointed as an Auditor at the Ministry of Finance, in which position he functioned from 1984 until 1989, when he joined Hürriyet Holding A.Ş. as a member of the Audit Committee. He worked as Assistant Finance Manager at Hürriyet Newspaper from 1990 to 1991 and as its Finance Manager from 1991 to 1995. He then worked as a Certified Public Accountant for three years at Aktif Denetim Yeminli Mali Müşavirlik. In 1998, Mr. Toksoy returned to Hürriyet Newspaper where he served as the Financial Affairs Group President for 11 years until early 2010 when he was appointed President of Audit and Risk Management at Doğan Holding. Mr. Toksoy has been serving as the CFO and member of the Executive Committee of Doğan Şirketler Grubu Holding A.Ş. since September 2011. He also serves as a Board of Directors member of Doğan TV Holding A.Ş. and Hürriyet Gazetecilik ve Matbaacılık A.Ş. Mr. Toksoy is married and has one child.





**Kai DIEKMANN**  
Board Member

Born in 1964 in Ravensburg, Germany, Kai Diekmann grew up in the city of Bielefeld. After graduating from high school, he voluntarily served in the army for two years. He was a trainee with Axel Springer AG in 1985, and worked in Hamburg, Bonn and New York as part of this post. In 1987, he became Parliamentary Correspondent for Bild and Bild am SONNTAG in Bonn, and Executive Reporter for Bunte Magazine in 1989. Two years later, he became Deputy Editor of B.Z. published in Berlin and then moved to Hamburg as Deputy Editor and Head of the Politics Department of Bild, in which position he remained for five years. After a brief travel throughout Central America, he became Editor in Chief of WELT am SONNTAG in 1998. In January 2001, he was named Editor in Chief of Bild and publisher of both BILD and BILD am SONNTAG, a position he still holds. In 2008, he was appointed Editorial Director of the BILD-group, and was named publisher of B.Z. in November 2013. On assignment from Axel Springer AG, Mr. Diekmann spent ten months as Editor in Chief of BILD in the Silicon Valley, US, to study digital projects and business models. Mr. Diekmann serves as a member of the Board of Directors of Hürriyet Newspaper since 2004 and of Times Ltd. since 2011.



**Béatrice de CLERMONT  
TONNERRE**  
Independent Board Member

Béatrice de Clermont Tonnerre has been serving as Director of Southern Europe for Joint Project Solutions since May 2013. Tonnerre lives in Paris and has served in various projects, from Pay TV and publishing to sports franchises, from sports franchises to book publishing, digital media and purchasing on internet. She is also well experienced in organic growth and launch of new products.

Ms. Tonnerre started her career as radio correspondent at Radio France Internationale Latin America and Europe 1 and joined Lagardere in 1995 as an analyst in the technology division of the Strategy Department. In 1998 she promoted as director of the Media Department and was appointed as the Head of Interactive Televisions Group of Canal Satellite in 2001, followed by her appointment as Co-Head for Programming in 2003.

Béatrice de Clermont Tonnerre graduated from the Institut d'Etudes Politiques de Paris, Department of Politics and obtained her MBA degree from École Supérieure des Sciences Economiques et Commerciales. In addition, she serves as a Board Member at LACIE, a technology company quoted on the French Stock Exchange.



**Gündüz KÖSEMEN**  
Independent Board Member

Gündüz Kösemen graduated from Robert College in 1958. Having served as the General Coordinator of Egemak A.Ş., a Koç Holding company, between 1967 and 1971, Mr. Kösemen worked as Commercial Affairs Director in Otoyl Sanayii A.Ş., owned by the same Group, between 1971 and 1973. He was the General Manager and a Board Member in Opar A.Ş., a company of Koç Holding A.Ş., from 1973 to 1997. He also held several seats as a Board member at Kıraca Holding A.Ş. from 1998 to 2015. Mr. Kösemen is married and has a son.





## **Çağlar Göğüş** **CEO**

Having earned his degree in business administration from Bilkent University in 1995, Çağlar Göğüş then moved on to receive his MBA from the University of Florida. Mr. Göğüş started his professional life in 1995 as an assistant at Coopers & Lybrand Turkey and then worked for a short term at Arthur Andersen as a Senior Analyst. Having worked as a Senior Consultant at A.T. Kearney between 1998 and 2000, he joined Peppers & Rogers Group in 2002, where he was a partner for nine years. Mr. Göğüş assumed responsibility for the EMEA region at Peppers & Rogers from 2010, and successfully led the expansion of international operations of Peppers & Rogers Group in the EMEA region with the title of Managing Director until 2014. As a founding partner of Analytics Center and Smartcon EMEA, he offered training and advisory services and organized strategic events on big data, advanced analytics, disruptive technologies and relevant business models. Having joined Hürriyet in 2015 as a member of the Board of Directors, Mr. Göğüş has taken over the position of CEO in February 2016.

## **Sedat ERGİN** **Editor in Chief,** **Executive Committee Member**

Sedat Ergin was born in 1957 in Istanbul, and completed his high school education at Robert College. Upon obtaining his BA degree from Ankara University's Political Science Faculty's International Relations Department, he started his journalism career in 1975 at the Turkish News Agency's (THA) Foreign News Service. Between 1976 and 1978 he functioned as diplomacy, Prime Ministry, and Parliamentary correspondent in THA's Ankara office. Following this position, he worked as diplomacy correspondent at Cumhuriyet Newspaper's Ankara office between 1979 and 1987. Sedat Ergin then joined Hürriyet in 1987 as Washington correspondent. After working in this position for a period of over six years, he was appointed as Ankara representative of Hürriyet Newspaper on 1 March 1993. Besides serving in this position for 12 years, Sedat Ergin continued to work as a columnist and regularly participated as a commentator on the Ankara Kulisi (Backstage of Ankara) TV program which aired on CNN Türk. He then started to work as Editor in Chief of Milliyet Newspaper on 17 March 2005, and rejoined Hürriyet in October 2009 as a columnist. After five years, he was appointed as Editor in Chief of Hürriyet Newspaper on 25 August 2014. Sedat Ergin was awarded the Sedat Simavi journalism award twice, first in 1997 for his article series titled Fırtına Dosyası (Storm File), in which he dealt with the fall of the government formed by the coalition of Welfare Party (Refah) and True Path Party (Doğru Yol). The second time he won was in 2003 for his article series entitled Bizden Saklananlar (Issues Hidden from Us) dealing with the process that led to the March 1<sup>st</sup> Memorandum crisis. He has also received the Journalists' Association of Turkey Journalism Award three times, and was given the Association's Press Freedom Award in 2010. Ergin was also the recipient of the 2016 freedom of speech award by Deutsche Welle, Germany's public international broadcaster. He is married and speaks English fluently.

**Özgür TOKGÖZ ALTUN**  
**Finance Director**  
**Executive Committee Member**

Özgür Tokgöz Altun was born in 1975 and completed her high school education at TED Ankara College. After getting her bachelor's degree in business administration from the Middle East Technical University in 1997, she started her professional career in the audit sector and worked as a senior auditor at KPMG between 1997 and 2000. She joined Turkcell İletişim Hizmetleri A.Ş. in 2000, where she held various managerial positions in the areas of reporting, accounting and internal audit. She last served as Finance and Group Control Director at that company, in which role she was responsible for reporting, budgeting, financial planning and business control processes of Turkcell Türkiye and group companies. Between 2010 and 2012, she also held a member's seat on the boards of directors of Global Bilgi Çağrı Merkezi and Superonline İletişim. In 2012, she was appointed as the Finance Director responsible for commercial units at Vodafone, in which position Özgür Tokgöz Altun led financial business partnership structuring, development of decision-support processes of commercial units and a number of other major projects. Ms. Altun joined the Hürriyet Family on 18 August 2016 as Finance Director and Executive Committee Member. She is married and has two children.

**Tuba KÖSEOĞLU OKÇU**  
**Human Resources Director**  
**Executive Committee Member**

Born in 1971 in Istanbul, Tuba Köseoğlu Okçu graduated from Notre Dame de Sion French High School and then from Boğaziçi University, Department of Translation and Interpreting in 1994. She began her professional career as a Simultaneous Conference Interpreter in 1994, served on the Translation Council and lectured at Boğaziçi University. After joining Doğuş Group, from 1997 to 2008, she served as Performance Consultant in the Training Department at Garanti Bank, as Senior Executive Development Manager at Humanitas Doğuş HR Management, as Head of the Human Resources Department at Doğuş Holding and Human Resources Coordinator at Doğuş Automotive, respectively. Ms. Köseoğlu Okçu has been working as Director of Hürriyet's Human Resources Department and as Member of Hürriyet's Executive Board since 15 March 2012. Previously, she had worked for Eastpharma Deva Holding as Human Resources Director and Organizational Development between 2008 and 2012.

**Zeynep TANDOĞAN**  
**Advertisement Director**  
**Executive Committee Member**

Zeynep Tandoğan was born in 1977, and is a graduate of the Statistics Department of Mimar Sinan University. She began her professional career in 1998, and has 15 years of experience in sales and marketing, as well as in communications management. She worked for Initiative Media between 1998 and 2002, and assumed the positions of Customer Services Manager, Director of Strategic Media Planning, and Director of Strategic Planning, in that order. She also functioned as Deputy Director of Evyap Marketing Services until 2004, a period in which she was responsible for all media communication and sponsorship activities in Turkey, Russia, Ukraine, Poland, Romania, Bulgaria, and other CIS countries. She worked as Media Director at Universal McCann between 2004 and 2008, and as Director-General of Digital Media and Director-General of Sales at STROER between 2008 and 2014. She joined the Hürriyet family on 3 March 2014 as Advertising Director and Executive Committee Member.

**Özlem KUTLUAY**  
**Sales and Strategic Planning Director**  
**Executive Committee Member**

Özlem Kutluay was born in 1971, and after finishing studies at İzmir Science High School, she completed her BA degree in Electrical and Electronic Engineering on a full scholarship at Bilkent University. Ms. Kutluay began her professional career as Project Engineer at Aselsan A.Ş. in 1994, and joined Software AG as Director of Sales in 1997. Between 2000 and 2003 Kutluay worked at Sybase Turkey as Manager for Business Development and Sales and returned to Aselsan A.Ş. as Project Manager in 2003, successfully holding on this position until 2005. Between 2005 and 2009 she took on the role of Director of CRM Projects and Campaign Management at Akbank, and afterwards joined Digiturk taking on responsibility for all CRM processes including data management, customer and loyalty programs, complaint management, customer relations, segmentation, and campaigns management. In 2009, she started work as Director of Banking Services, Planning, and CRM at ING Bank. Ms. Kutluay joined the Hürriyet Family on 7 January 2013. She is married and has one child.

**Umut GÖKBAYRAK**  
**CTO**  
**Executive Committee Member**

Umut Gökbayrak received his bachelor's degree in Computer Science from Ege University and his master's degree in business administration from Yeditepe University. He is currently pursuing undergraduate studies in philosophy at İstanbul University. He started his professional life in 1997 as a System Administrator at Unimedya company and set up his own software company in 1999, where he was a Founding Partner until 2001. After working as a Software Engineer at Gelecek A.Ş., Gilan and Yapı Kredi companies between 2001 and 2006, he joined Turkcell where he held a managerial position until 2011. Having headed 8digits.com, his own company, between 2011 and 2014, he sold his company after securing external investments, and returned to professional life. In tandem, he had also worked as the developer and supporter of some open-source software programs that have received worldwide success between 1999 and 2008. From 2014, he served as CTO at Aslanoba Group, where he was involved in the development of a number of digital projects from scratch, managed product and technology teams, and worked in the pre- and post-investment processes of various technology companies at Aslanoba Capital. Also interested in music in addition to his professional business life, Gökbayrak is married and has one child.

A person's hand is visible on the right side of the frame, holding a white tablet. The tablet screen displays a colorful map or interface. The background is a lush green park with trees and sunlight filtering through the leaves. In the foreground, a picnic blanket is spread on the grass, with a pair of sunglasses and a book resting on it.

HAVING INTRODUCED A  
HOST OF FIRSTS FROM  
AN APPLE WATCH APP  
TO NATIVE ADVERTISING,  
HÜRRİYET WORLD'S  
CLOUD-BASED BIG-DATA  
INFRASTRUCTURE GIVES IT  
THE ABILITY TO QUICKLY  
PRESENT USERS WITH  
PRECISELY-TARGETED  
ADVERTISEMENTS.

# TRAILBLAZ





ER

■  
**HÜRRİYET  
CONTINUED TO  
DEFEND PEOPLE'S  
RIGHT TO RECEIVE  
TRUTHFUL NEWS  
THROUGH ITS FAIR  
AND IMPARTIAL  
REPORTING.**

### **STRONGEST BRAND**

DEFENDING ITS STATURE AS THE LEADER OF THE TURKISH PRESS INDUSTRY, TURKEY'S STRONGEST BRAND IN DIGITAL CONTENT PUBLISHING ALSO CONTINUED TO BE ONE OF THE LEADING NAMES IN DIGITAL CLASSIFIEDS AS WELL.

### **INCREASING ACCESS**

SUPPLYING USERS WITH AN ARRAY OF OFFERINGS IN THE AREAS OF REAL ESTATE, HUMAN RESOURCES, AUTOMOTIVES, SERVICES, AND OPPORTUNITIES, THE DIGITAL CLASSIFIEDS GROUP SUCCEEDED IN FURTHER EXPANDING THE SCOPE OF ITS AUDIENCE REACH.

45 million

IN 2016 HURRIYET.COM.TR ROSE TO FIRST PLACE ON THE BASIS OF REAL USERS OF THE DIGITAL PLATFORMS ON WHICH IT HAS A PRESENCE AS MEASURED BY THE NUMBER OF THEIR AVERAGE MONTHLY USERS.

1.4 million

THE NUMBER OF READERS THAT HÜRRİYET REACHES EVERY DAY.

## BIG DATA

THANKS TO A NEW ADVERTISING SERVER ADDED TO ITS BIG DATA PROJECT HÜRRİYET NOW HAS THE ABILITY TO INSTANTANEOUSLY TARGET INDIVIDUALLY-PERSONALIZED ADDS FOR ITS USERS.

## MOBILE TRANSFORMATION

ALL MOBILE APPLICATIONS WERE REDESIGNED AND DEVELOPED USING THE COMPANY'S OWN IN-HOUSE RESOURCES.

ONGOING DIGITAL CONTENT PUBLISHING EFFORTS CONTINUE TO BE MADE IN ORDER TO DIVERSIFY AND PROLIFERATE TARGETED ADVERTISING PRODUCTS FOR ADVERTISERS.



70%

A HUGE (SOMETHING LIKE 70%) SHARE OF OUR SERVER ARCHITECTURE HAS BEEN MOVED INTO THE CLOUD.

18

THE NUMBER OF PRODUCTS PRINTED DAILY AT DOĞAN PRINTING CENTER REACHED 18 IN 2016.

2016



■  
**HÜRRIYET HAS  
MAINTAINED ITS  
STATURE AS “THE  
FLAGSHIP OF THE  
TURKISH PRESS  
INDUSTRY” AT ALL  
TIMES AND UNDER  
EVERY CONDITION.**

## **PUBLISHING NEWSPAPERS**

### **The flagship of the Turkish press industry**

A popularly-held view of Hürriyet in the public mind is that it is “the flagship of the Turkish press industry”.

Having become synonymous with impartial, objective, and honest news reporting by adhering to the fundamental principles of journalism for 68 years, Hürriyet has maintained its stature as “the flagship of the Turkish press industry” at all times and under every condition. This attribute is an expression the entrenched public recognition of Hürriyet as the “leading newspaper” that it has earned throughout its publishing life. The most important reason why Hürriyet commands its leading position is the absolute superiority that it has achieved in news-reporting.

The journalistic influence which Hürriyet has exercised by reporting major news stories in many important events that have preoccupied the national agenda in the course of its history has also contributed significantly to the reputation that the newspaper enjoys.

Nowadays so-called “fake news” has become a particularly dangerous threat as a result of the widespread popularity and use of social media. Aware of its responsibilities as a media giant and adhering to an approach that embraces society as a whole, Hürriyet acts with the utmost sensitivity and honesty when exercising its power to shape and create public opinion.

## **DIGITAL PUBLISHING**

Hürriyet is the most powerful name in digital content publishing in Turkey today.

In the conduct of its digital content publishing activities, a constant effort is made in order to continuously diversify and proliferate targeted advertising products for advertisers.

### **During 2016, major steps were taken in the direction of incorporating digital world innovations into Hürriyet's products.**

As the digital landscape's representative of Hürriyet World's strong and deep-rooted traditions in news reporting, Hurriyet.com.tr distinguishes itself by virtue of its outstanding ability to effectively use digital media and to create content. The number of users that the website reached in 2016 once again confirmed its standing as Turkey's leader in internet journalism. With an average of 3.5 million unique visitors and nearly 40.5 million pageviews on weekdays, Hurriyet.com.tr's attractive power is an impressive international performance no matter how one looks at it. Hürriyet's digital platform gives it the ability to influence a huge segment of society. According to figures published by Gemius, a leader in the field of objective internet measurement and consultancy, Hürriyet reached 30% of the approximately 30 million internet users who were active in Turkey in 2016 and it was also the front-ranking news portal on web, mobile, and tablet platforms.

The development of Hurriyet.com.tr's mobile app and the renovation of its interface also helped boost the number of the website's regular users. Through

the more active use of such features as mailing and push notification, the website has taken the lead in making truthful information and news a part of every aspect of readers' lives.

From the beginning of 2016, attention was given to projects aimed at developing digital content and products in a variety of verticals in order to deliver the richness of Hürriyet World's printed offerings—and more—to users in the online environment on the one hand and to become the leader in non-news offerings as a content portal that appeals to every segment of the market on the other. As part of the product and content projects were planned and developed for each vertical, new additions were made to Bigpara, Mahmure, and Aile, each one of which is a leading name in its particular field of interest. Investments were also made to further develop existing products with particular attention being given to Hürriyet World's travel, Hürriyet TV, and sports verticals.

As a result of these efforts, there was not only an 11% rate of year-on growth in digital publishing revenues according to Google Analytics figures but also a significant increase in this business line's profitability.

**The Hürriyet Content Management System (CMS), which is playing a leading role in advancing digital newspapers as an effective medium in today's world, was overhauled during 2016.**

Developed in-house, Hürriyet CMS allows all content published at Hurriyet.com.tr to be presented in such a way as to enhance the user experience by providing multimedia support in

the form of videos, animations, and sound tracks that maximize information delivery effectiveness without also exhausting the user. As a result of an change made in 2016, it is now possible for all information to be channeled through the CMS system.

Hürriyet CMS not only gives readers access to the best-quality, the richest content, and the most visually-supported news as Hürriyet continues to move in the direction of digital publishing but is also playing a leading role in advancing digital newspapers as an effective delivery channel in today's world.

#### **2016 was a mobile conversion year.**

While the most significant development on the mobile front in 2015 was the introduction of Apple Watch, Turkey's first encounter with wearable technology, at Hurriyet.com.tr, one of the most important focal points at Hürriyet World in 2016 was the launch of a number of mobile apps that had been completely redesigned and developed.

Beside supplying value-adding content to followers, these new apps also resulted in notable increases in both traffic and user numbers. The user experience was also enhanced through the use of interfaces whose features incorporate new trends in technology.

# 11%

## **GROWTH IN DIGITAL PUBLISHING REVENUES IN 2016 (\*)**

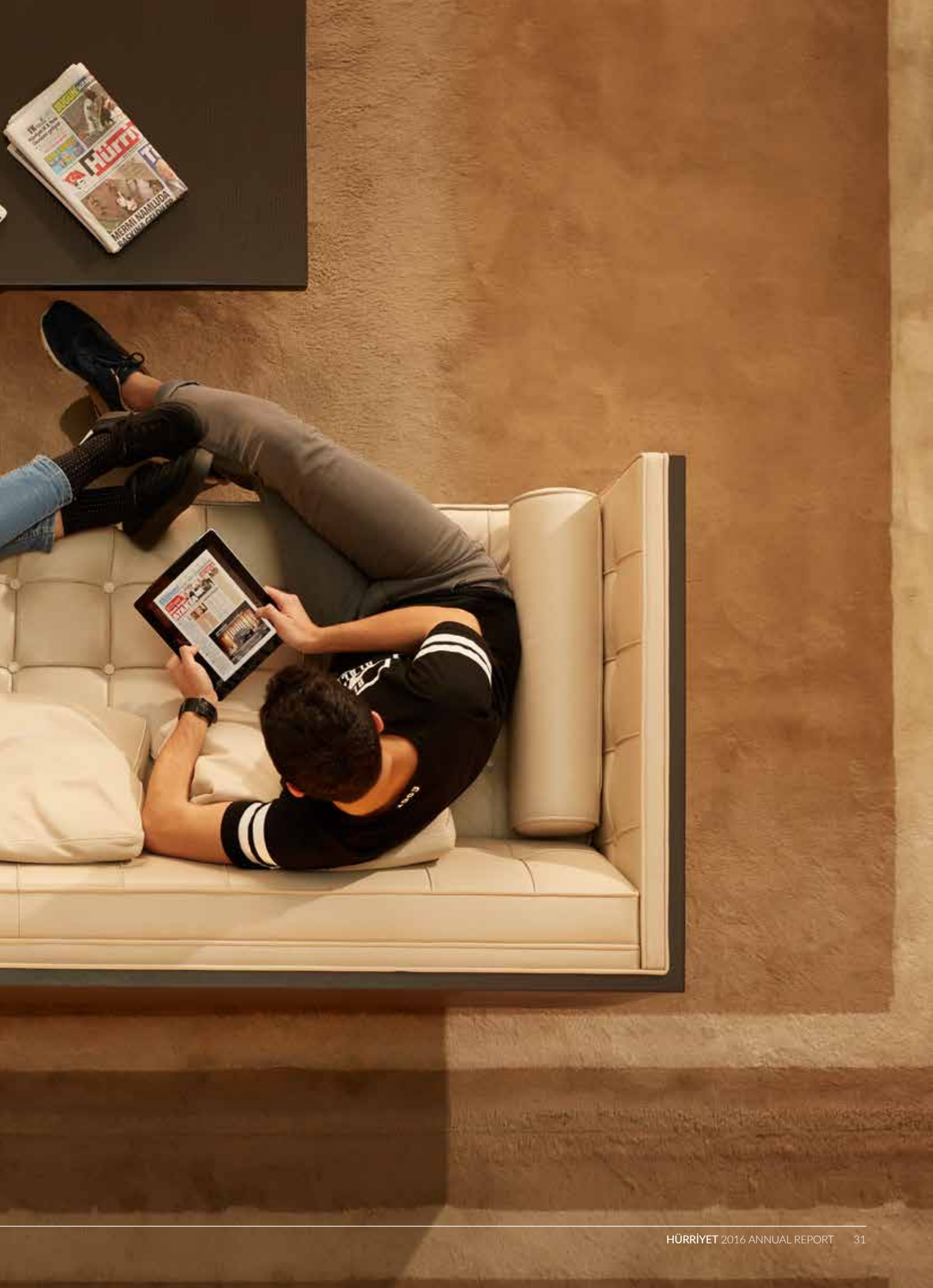


(\*) Excluding Radikal



THANKS TO INVESTMENTS  
IN TECHNOLOGY,  
MOBILE CONVERSION,  
AND COMPREHENSIVE  
CONTENT PRODUCTION  
CAPABILITIES, HÜRRİYET  
WORLD ACHIEVES ALL-  
TIME HIGH LEVELS OF  
DIGITAL PUBLISHING  
PERFORMANCE IN TERMS  
OF VISIT AND PAGE-VIEW  
NUMBERS.

# EFFECTIVE





2.4 million

**YENIBIRIS.COM:**  
**AVERAGE UNIQUE**  
**VISITORS A MONTH**

6 million

**HURRIYETEMLAK.**  
**COM:**  
**AVERAGE UNIQUE**  
**VISITORS A MONTH**

166K

**YAKALA.CO:**  
**NEW MEMBERS**  
**JOINED IN 2016**

## DIGITAL CLASSIFIEDS

### The leader in digital classified ads

Providing an extensive lineup of user-appealing real estate, human resource, automotive, service, and opportunity want ads, the Hürriyet Digital Classifieds Group's offerings are supplied under the dynamically-developing "Hurriyetemlak.com", "Yenibiris.com", "Hurriyetoto", and "Yakala.co" brands. As Hürriyet World's representative in classified advertising and one of the leading names in that business line, the Hürriyet Digital Classifieds Group keeps a close watch on advances in technology and incorporating them into both web-based and mobile apps.

Hürriyet World digital classifieds are a source of strong organic growth and profitability by virtue of the huge numbers of ads, advertisers, and visitors that they attract.

Hürriyet Digital Classifieds benefits:

- Because of the successful user experience which they make possible by focusing on superior customer satisfaction, Hürriyet Digital Classifieds not only attract and engage users but also keep them coming back for more.
- Hürriyet Digital Classifieds support the growth of a solid and loyal user base not only by increasing website traffic through effective marketing but also by making target audiences aware of their unique features as a product offering.
- An effective sales organization and attractive pricing mean that Hürriyet Digital Classifieds not only provide competitive advantages but also promote customer loyalty.

Originally launched in 2006 as Hürriyet's online real estate platform, Hurriyetemlak.com is the premier real estate industry portal in Turkey today. With its huge portfolio of ads, current news, and innovative projects and products that make it Turkey's only one-stop address, Hurriyetemlak.com has its finger on the pulse of the country's real estate industry. In 2016 Hurriyetemlak.com had an average of 6 million unique visitors a month according to Google Analytics figures.

Making tremendous progress in both technology and content and registering strong growth in 2016, Hurriyetemlak.com will further strengthen its position in the sector in 2017 through aggressive marketing and branding projects in digital, TV, and outdoor media that will generate even more value for both realtors and users. Thanks to its skilled management team, strong sales network, and advanced-technology solutions, Hürriyet Emlak is on course towards its goal of becoming Turkey's leading source of real estate advertising in the near future.

Founded in 2000, Yenibiris.com is Hürriyet World's online human resources platform. In 2016 Yenibiris.com had an average of 2.4 million unique visitors a month according to Google Analytics figures.

Hürriyet World's "opportunity / discount / coupon" website, Yakala.co is in the group-purchasing category of e-commerce. Besides providing individual users with opportunities to pursue their social lives more economically, Yakala.co also gives the domestic and international firms with which it works opportunities to increase both their visibility and their earnings through online advertising and direct sales.

Keeping a close watch on international trends in digital platforms, Yakala.co immediately incorporates developments and improvements in technology that help keep online shopping safe, fast, and convenient.

In 2016 Yakala.co attracted 166,000 new members (users) while also registering growth rates of more than 10% and 20% in turnover and income respectively.



## ADVERTISING

**Hürriyet World: Offering advertisers and readers unlimited opportunities on a unique platform that is also Turkey's most influential.**

Results-focused in the conduct of its operations, Hürriyet World distinguishes itself by virtue of its ability to come up with individually-crafted solutions that specifically address the needs of advertisers, the majority of whom are also Hürriyet readers. For this reason, Hürriyet World successfully defends its reputation as the most effective platform in Turkey for bringing advertisers and readers together. Decades of proven return-on-investment performance make Hürriyet World the unchallenged market leader in newspaper advertising, especially among advertisers.

In the dictionary sense of “an agent that negotiates between parties seeking mutual agreement”, Hürriyet World is Turkey's most important “mediator” and also its most effective medium in the sense of “a channel through which mediation takes place”. Keeping a close watch on changes in technology, Hürriyet World is quick to adapt and implement them by incorporating them into its operations as fast as possible while breaking news and new content is integrated seamlessly into social media and through the insightful and effective processing of big data, all content can be generated on the basis of individualized preferences. What all of this means is that both readers' and advertisers' expectations can be simultaneously satisfied through an all-round excellent customer experience.

Hürriyet is also the only brand in Turkey with the ability to support the entire business world ranging from the most local enterprises at one end to the most global internationals at the other. Not only can Hürriyet World regionalize advertising according to the exact needs of firms at the local, national, or global scale, it also has the ability to give them access to Turkish audiences wherever and whenever they want through its national and international publications

and its digital platforms. Fully equipped with every means that allow it to directly contact only the targeted audience within its extensive database, Hürriyet World puts all of these resources to work in the most effective way possible to serve the needs of its advertisers.

Nor is Hürriyet World constrained by its existing portfolio. Thanks to its ability to come up with new ideas, seek out and create alternative resources, and keep a close watch on worldwide trends, Hürriyet World is the only major media company in Turkey that offers high-return new opportunities for advertisers and advertising agencies. Powered by Hürriyet's access to both printed and digital media, such opportunities also become the most preferred vehicles for investments in advertising.

### Superior reach

According to figures published by Kantar (12-3<sup>rd</sup> Cumulated 1 December 2015 - 30 November 2016), a media-tracking firm, Hürriyet attracts 1.4 readers among a total of 7.8 million readers/day.

Hürriyet is not only read by 23% of those (447 thousand) people) in the highest (A B) demographics but also by one out of every four people in Turkey with a bachelor's or higher university degree (507 thousand). This superior reach ranks the paper first among all Turkish dailies in the demographics that are the most targeted by advertisers.

Known as “Turkey's landing page”, Hurriyet.com.tr succeeded in increasing its user base by 60% to 60 million last year according to Google Analytics reports. During the same twelve-month period, the number of pageviews increased by 115% and reached 1.9 billion, boosting the website to first place among all digital platforms in its category as measured by number of real users in 2016. When user traffic is considered in terms of digital access, the user profile consists preponderantly of males and females 18 years of age or older whose socioeconomic status is high, who are university graduates, and who like to shop online.

**HÜRRİYET WORLD  
SUCCESSFULLY  
DEFENDS ITS  
REPUTATION AS THE  
MOST EFFECTIVE  
PLATFORM IN TURKEY  
FOR BRINGING  
ADVERTISERS AND  
READERS TOGETHER.**



# 115%

**INCREASE IN  
THE NUMBER OF  
PAGEVIEWS IN 2016**

THE HÜRRİYET  
PRODUCT PACKAGE  
EXPRESSED IN THE  
“HÜRRİYET WORLD”  
CONCEPT IS RICH  
AND VARIED ENOUGH  
TO SATISFY ALL  
OF THE NEEDS OF  
ADVERTISERS OF  
EVERY PROFILE.

1.7 million

NUMBER OF READERS  
THE KELEBEK  
SUPPLEMENT  
REACHES EVERY DAY

1.5 million

AVERAGE NUMBER  
OF READERS  
THE WEEKEND  
SUPPLEMENTS REACH

The Hürriyet product package expressed in the “Hürriyet World” concept is rich and varied enough to satisfy all of the needs of advertisers of every profile. Hürriyet World is capable of addressing all advertisers’ sales, publicity, and/or image campaign requirements in every category by means of both printed and digital products, all of which are highly accessible and are premier representatives in their respective classes.

Kelebek, the daily supplement of Hürriyet, provides unique access to the areas of interest of 1.7 million people on weekdays while the two weekend supplements, Hürriyet Cumartesi and Hürriyet Pazar, do the same for 1.3 million people on Saturday and Sunday respectively.

Providing content ranging from cinema to music and from fashion to sport, the paper’s weekend supplements are the ones that are read the most in Turkey. Hürriyet Seyahat, which is published on Sunday, is Turkey’s most-read travel supplement and offers advertisers wishing to promote travel-related products and services with opportunities to address their specific needs. First introduced to the Turkish press industry thirteen years ago, Hürriyet Seyahat has continued to expand steadily ever since and is today the most preferred travel

supplement in the sector. Keeping pace with advances in technology, Hürriyet Seyahat will continue to strengthen its presence in digital publishing as well while providing an even broader range of advantages to advertisers wanting to reach more customers.

#### Innovative marketing approaches

Hürriyet World adheres to innovative marketing approaches that diversify products and make existing ones more usable by strengthening its technological resources and means. These approaches fall into either of two main categories: one is “content marketing”, which currently dominates the global arena, while the other focuses on making more effective use of technology and data.

#### Content marketing

What underlies marketing solutions that bring individuals together and are generally produced by the individuals themselves is an adherence to innovative approaches which reach the individual through different channels, are more liquid, and can be associated with a brand. At the forefront of such approaches is a focus on local needs. In order to establish stronger relationships with local governments so as to better meet the needs of local governments and brands that supply service at the local level and to satisfy





expectations in publicizing regional initiatives and developments, in 2016 we began conducting “#hurriyetilekesfet” (“#DiscoverWithHurriyet”) Twitter campaigns as well both “Economic” and “Real Estate” summits that were sponsored by local agencies and firms. Panel discussions and other events were held in which both Hürriyet World journalists and writers with experience in such matters and supporting firms and agencies took part. Such activities will also be carried out without letup in 2017 as Hürriyet World continues its efforts to be the most powerful channel providing opportunities for publicity in the local, national, and international arenas and to be the sole address where solutions to such issues may be sought.

Brands&Stories, a content-marketing studio which was set up in 2015, successfully produced outstanding examples of “native advertising” in 2016. The studio also continued to undertake projects based on content partnerships entered into with many leading brands. In other words, both advertisers and brands continued to benefit from the content and distribution strengths of Hürriyet World’s publications.

Through “influence management”, which is one of Hürriyet World’s marketing approaches, consumers were bonded to brands by means of projects in which individuals play a more participatory role and are provided with direct-experience opportunities. Boomads, a blogger network which is owned by Hürriyet World and in which the support of its bloggers is recruited in line with brands’ needs, successfully served as a reference for consumers. The network played an active and influential role in the development of advertising models that provide opportunities for experiential interactions between brands and potential consumers.

Successful projects also continued to be carried out in the area of video content during 2016. Particularly effective were projects undertaken in collaboration with major brands in order to provide end-to-end solutions which entail scripting, casting, directing, publishing, distributing,

and reporting. Thanks to the end-to-end service made possible by Hürriyet, some brands found opportunities to work with local creative talent rather than simply adapting their international content to the Turkish market and to interact with consumers directly through video content for the very first time.

Content deemed to be particularly critical from the standpoint of content marketing was further strengthened in 2016 by having it designed by separate units. Beginning in 2017, content involving such things as travel and sport will be supplied through specific channels so as to enable brands to interact directly with consumers.

Besides newspaper and digital advertising, Hürriyet World also plays host to a number of premier events that can serve as a platform for advertisers as well. Foremost among these are the Altın Kelebek (“Golden Butterfly”) award ceremonies in which Turkey’s TV and music industry “Oscars” are handed out and which have been glitteringly stellar events for forty-three years. In recent years these ceremonies have evolved into a tremendously important platform for brands to promote themselves on. So much so in fact that the ceremonies have been attracting giant multinationals as sponsors and can generate huge market attention for brands. Another prestigious event is the Sign of the City Awards (SOTCA) program, the third round of which attracted even greater participation last year. As an event which marks the most outstanding achievements in the real estate industry, SOTCA has become a platform that brands want to appear on not only because it is supported by the government but also because it gives then direct access to the industry’s leading names who attend it.

Hürriyet World also develops alternative points of view for sector/industry-specific requirements. In keeping with its avowed “Win-Win” principle, Hürriyet World enters into partnerships with advertiser, agency, and industry representatives. Through activities and seminars that are organized at

**BESIDES NEWSPAPER AND DIGITAL ADVERTISING, HÜRRİYET WORLD ALSO PLAYS HOST TO A NUMBER OF PREMIER EVENTS THAT CAN SERVE AS A PLATFORM FOR ADVERTISERS AS WELL.**

native

**BRANDS&STORIES:  
LEADER IN “NATIVE  
ADVERTISING”**

■

AS THE OWNER OF  
NUMEROUS STRONG  
PUBLICATIONS,  
HÜRRİYET  
WORLD HAS  
ALSO DEVELOPED  
A VARIETY OF  
MARKETING AND  
COMMUNICATION  
MODELS/  
APPROACHES WHICH  
IT MAKES AVAILABLE  
FOR BRANDS TO USE  
IN BOTH DOMESTIC  
AND INTERNATIONAL  
CONTEXTS.

## data

PRESENTING VISITORS  
THE CONTENT  
THAT THEY ARE  
MORE LIKELY TO  
BE INTERESTED  
IN THANKS TO  
THE NEW DATA  
INFRASTRUCTURE

international fairs on behalf of Turkey's tourism, retailing, and automotives industries, sponsorships are sold and alternative sources of revenue are created. Relationships are also developed with industry-specific umbrella organizations (associations, federations, unions, etc) through which high-return industry-wide (rather than just company-specific) projects may be carried out.

### Technology and data use

2016 was a year in which there was intensive investment in digital advertising technologies. Changes that were carried out in Hürriyet's ad-server in April made it possible to optimize, monitor, and report the placement of digital ads more effectively and precisely. In the wake of this change there was also an increase in revenues from programmatic sales (the automated sale/purchase of ads), which are becoming an increasingly more important channel in digital advertising. Another consequence of changes in digital advertising technologies is to be seen in the digital advertising formats which are being made available to advertising brands: ad models that are more innovatively and intelligently conceived are now being used.

As a result of data infrastructure that was installed in 2015, it became possible to suggest the display of segmented advertising in 2016. By making it possible for digital ads to be shown not to every website visitor but just to those in the particular groups

(market segments) that the advertiser wants them to be shown to, this display model allows for the more effective and productive management of communication investments. Thanks to this new data infrastructure, websites' visitors can be provided with content that they are more likely to be interested in, which in turn means that the content can be shown to them for longer periods of time. A huge range of digital ad products means that Hürriyet World can appeal to every age group and market segment.

As the owner of numerous strong publications, Hürriyet World has also developed a variety of marketing and communication models/approaches which it makes available for brands to use in both domestic and international contexts. Foremost among the most salient changes that took place in 2016 were those that involved working together with brands in order to overcome conventional printed or digital media perceptions and instead to develop projects that are more sincere, more innovative, and more attention-grabbing because they speak directly to the consumer. 2017 for its part will be a year in which even greater use will be made of these changes and in which the goal will be to ensure that products appear across a mix of media as an indispensable element of every campaign.



## BRAND MANAGEMENT & COMMUNICATION

### A dynamic brand that makes its presence felt in every channel

The Hürriyet brand has been a strong and leading publisher in the newspaper industry for 68 years and in the digital world with Hurriyet.com.tr for 19 years. Interpreting sectoral developments and needs and keeping a close watch on technology, Hürriyet is a sectorally-recognized leader by virtue of its ability to make its presence felt dynamically and innovatively on many different platforms. Hürriyet has also established itself as a strong player in the digital world: a player who anticipates social changes and employs technology to spearhead and support them as well as a player with the means to provide access to content whenever, wherever, and however it may be wanted.

In its ongoing efforts to be a constantly innovative and leading brand, Hürriyet employs its deep-rooted experience and vision to further develop the world it has created in order to diversify its content delivery channels, to supply audience-specific targeted products, and to keep its eye on trends.

In addition to its proven clout in news reporting, Hürriyet also touches its readers' lives with enjoyable content and supplements. Weekend supplements provide guidance for readers who are busy all week long and who want to make the best use of their weekends.

Hürriyet Kelebek, one of Hürriyet's most popular supplements, was renovated last year to be an "effortless relaxation tool" that readers can turn to and enjoy in line with their needs. Having undergone a process of change informed by the watchword of being a source of colorful content appealing to every segment, Hürriyet Kelebek reappeared before readers with the message "Hürriyet Kelebek is with you every day with the positive energy that you need!"

Kelebek 2, a supplement that serves as a source of practical information that can be quickly and easily adapted to everyday life so as to make the busy lives of its target audience easier, made its first appearance in February last year. Published every weekday, Kelebek 2 distinguishes itself as a source of useful information on a host of issues ranging from recipes to hobbies and from beauty to health lifestyle tips. By strengthening its communication especially with women, Kelebek 2 helped boost Hürriyet's circulation figures. Kelebek 2 communication activities, which began with the relaunch of Hürriyet Kelebek, took the form of about a two-month TV campaign that focused on the supplement's current content during each week.

A series of improvements were made in the weekday and weekend editions of Hürriyet's economics pages with the aims firstly of taking a look at issues that occupy Turkey's rapidly-changing agenda through the lens of Hürriyet's economic expertise and secondly of conveying them to readers in a straightforward language shorn of technical and complicated terminology so that ordinary people can understand them. Articles bylined with different experts and dealing with different subjects capable of appealing to readers interested in economics appeared in the newspaper's economics pages every day. Examples such as Sefer Levent's "Citizens' Economics", Noyan Doğan's "Social Security", and a "Start-Up" corner for new-generation entrepreneurs as well as Ertuğrul Özkök's "Company Secrets" and Vahap Munyar's "The Nub Of It", which appeared in Sunday editions of the paper, kept readers informed about economic issues every day of the week. These changes in content and writers were also publicized continuously through digital media.

Turkey's biggest sorties in digital journalism in 2016 were made all year long at Hurriyet.com.tr and on Hürriyet's other digital platforms. Hürriyet was the first to introduce many examples of new-generation news-reporting and digital innovation which had never been seen in Turkey before.

**IN ADDITION TO ITS PROVEN CLOUT IN NEWS REPORTING, HÜRRİYET ALSO TOUCHES ITS READERS' LIVES WITH ENJOYABLE CONTENT AND SUPPLEMENTS.**









HÜRRİYET EMPLOYS ITS DEEP-ROOTED EXPERIENCE COMBINED WITH BOTH ITS VISION AND ITS DYNAMISM TO FURTHER ENHANCE THE DIGITAL WORLD IT CREATES. DIVERSIFYING ITS CONTENT DISTRIBUTION CHANNELS, WITH AUDIENCE-SPECIFIC TARGETED PRODUCT AND CONTENT OFFERINGS, AND AT THE LEADING EDGE OF TRENDS, HÜRRİYET FOCUSES ON BEING AN INNOVATIVE AND TRAILBLAZING BRAND.

# DYNAMIC



■

**IN 2016 HÜRRİYET  
BECAME THE  
FIRST AND ONLY  
NEWSPAPER  
PUBLISHER IN  
TURKEY TO EMPLOY  
A FACEBOOK ONLINE  
BOT TO MAKE IT  
EASIER FOR READERS  
TO ACCESS NEWS.**

"Soru Hürriyeti" ("Freedom To Ask"), a Facebook live video-streaming page bringing Hürriyet readers and writers together was a project that attracted tremendous attention from countless social media users as well as advertisers. Combining the digital possibilities of new media with journalism, "Soru Hürriyeti" was Facebook's first regularly-scheduled live video-streaming program not just in Turkey but in the world. Since the launch of the program on May 2<sup>nd</sup> of last year, popular Hürriyet writers ranging from Ertuğrul Özkök to Gülse Bırsel and from Ayşe Arman to İlber Ortaylı have interacted with readers in more than sixty livecasts. Watched by more than 3 million viewers in 2016, the program was a stellar success that attracted more than 30 thousand questions and comments from readers while the livecasts generated more than 200 thousand interactions in the form of shares and sent emojis. "Soru Hürriyeti" received the "2016 Gamechangers" award from Digital Age, a digital business and culture magazine.

Another exclusive format used for the first time in Turkey was #Hurriyet360, which introduced a brand-new way to experience content through virtual reality. Hürriyet 360 made its debut in the reporting of the spillover of the violence in Syria when rockets hit Kilis. The 360-degree cameras used by correspondents on the scene gave Hürriyet readers an intimate view of events that opened a new page in digital investigative journalism in Turkey.

Another content format that attracted the attention not just of readers but also of advertisers was #NeYapmalı ("WhatToDo"), a mini-guide to which Hürriyet writers contributed suggestions about the things that readers can do over the weekend.

In 2016 Hürriyet became the first and only newspaper publisher in Turkey to employ a Facebook online bot to make it easier for readers to access news.

In line with comments and suggestions received from users in the course of one-on-one interactions during 2016, a new Hürriyet mobile app was launched with improvements that had been designed to respond to users' wishes and demands. This new app not only made the news-reading experience more practical but also provided users with the ability to personalize it according to their particular likes. The app even allows users to read columnists' articles in areas where internet connectivity is lacking. Because of its many user-friendly features, Hürriyet Mobile was included by Mobile Marketing Association professionals in their "Most Remarkable Apps" list. The app also resulted in significant increases in both the number of pages viewed and the amount of time spent on each page. Under a communications plan put together in line with our strategy of making interested target groups immediately aware of innovations, many different media such as airport signboards, magazines, outdoor (metro, ferry, bus superback), banners, mailing, and social media were used to publicize the new mobile app's relaunch.



## HÜRRİYET EVENTS

### Innovative and exciting events

Combining its deep-rooted and vast experience with sector and competitor dynamics, Hürriyet also organizes many different and exciting events.

During 2016 Hürriyet continued to adhere to an integrated communication approach in the conduct of its event organization and management activities, in line with which it also cooperated with many major national and international brands in the realization of different projects.

Among the most prominent of 2016's events mention should be made of:

- "2016 Pantene Altın Kelebek" ("2016 Pantene Golden Butterfly"), the organization and management of whose idea development, creative interactivity design, communication plan, and launch phases Hürriyet was completely responsible for;
- "Sign of the City Awards", in which the real estate industry's best projects are recognized;
- "Cityscape Turkey", a panel discussion bringing Turkish construction firms and international investors in the wake of "Cityscape Dubai";
- "Kırmızı" ("Red"), an awards program recognizing the press industry's best ads and examples of digital campaign creativity;
- "Emlağın EN'leri" ("The BESTs of Real Estate"), an awards ceremony

recognizing real estate offices for their efforts as go-betweens in the first step of creating the most enjoyable homes and offices in Turkey;

### Other events in 2016

- Another six in the series of "Developing Regions Summits" that Hürriyet initiated to encourage real estate industry best practices and to provide support towards resolving the problems that the industry faces were held in 2016. Six summits were conducted during 2016: The 2016 Developing Regions Summits were held under the headings of "Yeni İstanbul", "Kartal, Kağıthane - Seyrantepe/Maslak", "Ankara", "Bursa", and "Basın Ekspres".
- A series of "Discover with Hürriyet" events have been introduced to promote tourism and to familiarize people with the history, cultural properties, cuisines, and people of travel destinations. These events, which were organized last year in the provinces of Aydın, Mersin, Gaziantep, and Hatay, were attended by Hürriyet writers and managers and by representatives of tourism agencies, local municipalities, and the Association of Turkish Travel Agencies.
- Hürriyet continued to host industry-specific gatherings attended by representatives of different sectors such as tourism, automobiles, retailing, etc.
- "Son Satıcı Ödül Töreni" ("End-Sellers Awards Ceremony") was held to recognize Yaysat dealers' many years of efforts on behalf of Hürriyet.

Sedat Ergin, Editor in Chief of Hürriyet, Fatma Şahin, Mayor of the Gaziantep Metropolitan City, and Başaran Ulusoy, Chairman of the Association of Turkish Travel Agencies, "Discover with Hürriyet" events, 30 November 2016.



■  
COMBINING ITS  
DEEP-ROOTED AND  
VAST EXPERIENCE  
WITH SECTOR  
AND COMPETITOR  
DYNAMICS, HÜRRİYET  
ALSO ORGANIZES  
MANY DIFFERENT  
AND EXCITING  
EVENTS.

#### TRADITIONAL HÜRRİYET AWARDS AND RECOGNITIONS

**ALTIN KELEBEK:** Altın Kelebek ("Golden Butterfly") is the name of a series of awards that are handed out to the most successful names in the worlds of TV and music. Introduced 43 years ago, the annual Altın Kelebek award ceremony is regarded as the most prestigious and influential event in its class. The object of widespread attention and confidence both among industry professionals and the public at large, the 2016 round of the Pantene Altın Kelebek awards was name-sponsored by Pantene, a hair care products brand.

#### KIRMIZI BEST PRESS ADVERTISING AWARDS:

Introduced in 2003 and regularly conducted every year since, Hürriyet's Kırmızı ("Red") annual awards are handed out to recognize and reward success on the part of advertisers, agencies, and individuals involved in the advertising industry and also to encourage creativity in press advertising. The Kırmızı Awards competition is unique in Turkey because its honors were originally handed out only for newspaper and magazine ads. In 2010 Kırmızı Awards introduced yet another first in Turkey with the launch of its "Kırmızı Region" series of awards for which only agencies located outside Istanbul



13<sup>th</sup> Kırmızı Best Press Advertising Awards ceremony, 26 May 2016.



Pantene Altın Kelebek Awards ceremony that was name-sponsored by Pantene, 13 November 2016.



may compete. This series' aim is to discover and reward excellence in local advertising in towns and cities all over Turkey. The thirteenth round of the Kırmızı Awards in 2016 included the recently-added "Kırmızı Digital" division. The year's awards were handed out to the winners in a total of 83 categories in the three main divisions.

#### **SIGN OF THE CITY AWARDS:**

Originally introduced to mark success in the construction and real estate industries, both of which have tremendous growth and job-creation potential for the Turkish economy while likewise being a strong magnet for inward international investment, the Sign of the City series of awards ceremony is an event that the whole real estate industry looks forward to. In its third year, the awards were handed out to winners in 22 categories during a gathering that attracted strong interest and was heavily attended.

**IN ITS THIRD YEAR, THE SIGN OF THE CITY AWARDS THAT IS HELD TO MARK SUCCESS IN THE CONSTRUCTION AND REAL ESTATE INDUSTRIES, ATTRACTED STRONG INTEREST AND WAS HEAVILY ATTENDED.**



Mehmet Özhasseki, Minister of Environment and Urban Planning, "Sign of the City Awards" ceremony, 9 November 2016.

Aydın Doğan, Honorary Chairperson of Doğan Holding, "Sign of the City Awards" ceremony, 9 November 2016.



## CORPORATE SOCIAL RESPONSIBILITY

In line with sustainability attitudes which are informed by a deep-rooted corporate culture and its values, Hürriyet World leads or takes part in a variety of social responsibility projects, some of which are highlighted below.

### “End Domestic Violence!” campaign

In a country where violence towards women continues to be a social problem and four out of every ten women become victims, Hürriyet's long-term social responsibility project “End Domestic Violence!” completed its twelfth year in operation in 2016.

Hürriyet originally launched this campaign in order to create public awareness of domestic violence as a social problem. Having achieved that initial mission, the campaign continued to contribute significantly towards increasing social awareness of this issue in its twelfth year of life.

Management of the campaign's emergency hotline, which was launched in 2007 as a one-year pilot project but which has been kept in operation for 8 years owing to the dimensions of the problem, was turned over to the Federation of Women's Associations of Turkey in 2015. Hürriyet continued to support the hotline in 2016.

Provided with service and communication support by Hürriyet, during 2016 the hotline received 2,277 calls, talked with 1,206 victims

of domestic violence, and handled 12 emergency situations.

The End Domestic Violence! campaign also has a Facebook page, the number of whose followers reached 75,124 last year and which was accessed 55,695 times.

The number of the campaign's Twitter page followers increased by 10% as compared with 2015 and reached 11,600.

An analysis of End Domestic Violence! campaign subscribers' social media accounts shows that 63% of them are female and 37% are male.

### Awareness and communication activities

During 2016 the End Domestic Violence! campaign continued to engage in a variety of activities such as making presentations at conferences, promoting awareness on social media, and providing communication support to NGOs whose mission is to combat violence against women.

Hürriyet continued to collaborate with the Business Against Domestic Violence Project and to involve itself in the United Nations Global Compact's Women's Empowerment Principles Platform.

In 2016 a “One Voice Against Violence” project was launched under the auspices of the End Domestic Violence! campaign. Old x-ray films which had been taken at hospitals and provided examples of the physical trauma suffered by women who were the victims of violence were





- At the 28<sup>th</sup> round of the series of Crystal Apple awards it received first prize in the “Direct Marketing” category and gold, silver and bronze prizes in the “Media” category.
- At Mediacat Felis it received the “Felis” award in the “Digital Standard and Multidimensional Posting”, “Media Ambient Media Usage: Small Scale”, and “Media Corporate Social Responsibility” categories as well as the “Achievement” award in the “PR - Corporate Social Responsibility” category.
- The record was a short-listed candidate in the Cannes Lions Advertising Awards.

24 November 24 Dreams

The 24 November 24 Dreams project is also being supported by [ihtiyacharitasi.org](http://ihtiyacharitasi.org), a website that matches up people

Global Compact is an innovative corporate social responsibility approach which advocates universal principles that should underlie a common development culture for a constantly and intensively competitive business world. Global Compact seeks to achieve a sustainable and inclusive global economy through cooperation among private-sector and social stakeholder actors both in Turkey and at the international level. As one of the signatories to the Global Compact, Hürriyet published a detailed report in 2016 concerning its policies and actions touching on issues pertaining to human rights, environment, labor, and anti-corruption.

75K

THE NUMBER OF  
THE FOLLOWERS  
OF THE END  
DOMESTIC VIOLENCE!  
CAMPAIGN'S  
FACEBOOK PAGE



■  
A “HÜRRİYET API”  
PROJECT THAT  
WAS INITIATED IN  
ORDER TO SERVE  
AS A BRIDGE  
BETWEEN SOFTWARE  
DEVELOPERS AND  
HÜRRİYET WORLD,  
HAS TURNED INTO  
A TECHNOLOGY  
ORGANIZATION THAT  
PRODUCES OPEN-  
SOURCE CODE.

agile

ADOPTING THE  
AGILE SOFTWARE  
DEVELOPMENT  
METHODOLOGY  
FOR ALL SOFTWARE  
DEVELOPMENT  
PROCESSES

## TECHNOLOGY MANAGEMENT

In line with its strategy of constantly enhancing its leadership, success, and revenues both in printed media and on the web and in the digital world, Hürriyet continued to expand and accelerate its product and technology team activities during 2016.

In line with this:

- Concentrating on the user experience in all Hürriyet World digital products, designs were improved and, where necessary, apps were completely rewritten.
- In keeping with the dynamics of a world that is evolving steadily towards mobile, Hürriyet World increased its digital presence in mobile with new products that positioned it way ahead of its competitors.
- Various events were staged in order to create and foster a Hürriyet World ecosystem of software developers. A “Hürriyet API” project that was initiated in order to serve as a bridge between software developers and Hürriyet World, has turned into a technology organization that produces open-source code. So far dozens of ecosystem project proposals have been received and assessed.
- In line with Hürriyet World’s goal of reaching out to readers not just with news but also at every point in their lives, new products were developed and released in the Travel, Video, Sport, and Writers verticals.

- The ad-server infrastructure in all websites was replaced with DoubleClick for Publishers, which is the most widely-used in the world and which is comparatively more modern than its predecessor. This major changeover has made it possible to achieve significant growth in revenues through instantaneous individual-based advertisement optimization.
- The Agile Software Development methodology was adopted for all software development processes. Use was made of both the Scrum and Kanban process-management systems.

As a result of organizational changes that were introduced last year, both Product Management and Growth (Digital Marketing) teams have also been made a part of Hürriyet’s technology management organization. This has had substantial benefits especially in the issues of swiftly translating ideas and demands into designs, converting designs into products, and generating traffic by means of those products.

Work was carried out as needed to optimize Hürriyet’s and its associated websites’ search engines. Together with an increase in organic traffic all-time highs in website visitor numbers were also registered.

**All mobile apps were renewed in the ongoing mobile conversion process.**

During 2016 priority was given to fostering a mobile app development culture and associated skills within the company itself. All existing mobile apps were redesigned and developed in-house using the company's own resources. As a result of these efforts, tremendous progress was made both in user numbers and in the amounts of time that users spent within apps. This also had a beneficial impact on revenues as well. As a result of improvements in the iPhone and Android mobile apps, there was a ninefold increase in the mobile app component of total traffic while the number of unique users trebled.

A success similar to that in mobile apps was also achieved in mobile websites. The original version of the Hürriyet mobile website was redesigned, recoded, and relaunched in the first quarter of 2016. The new mobile website's traffic doubled as a result.

**The server architecture was relocated into the cloud.**

A huge (something like 70%) share of Hürriyet World's server architecture was relocated into the cloud during 2016. Based on the principle of making full-capacity use of servers located in many parts of the world in a distributed architecture array rather

than maintaining a huge amount of idle capacity in hundreds of servers located in a single data center, cloud architecture makes it possible to achieve serious optimization in server hosting and hardware costs. Hürriyet World's server relocation also represents one of the most important changeovers to a cloud-based architecture ever undertaken in Turkey.

**The Big Data Project makes it possible is to personalize all ads.**

The Hürriyet World Big Data Project that was initiated in 2015 was brought to completion in the early months of 2016. Thanks to the new ad-server architecture introduced by the project, Hürriyet now has the ability to instantaneously target its users with individually-personalized adds.

Exploiting the advantages of cloud architecture, Hürriyet World's entire big data infrastructure was moved into the cloud as well. Thanks to the "Platform as a service" (PaaS) technologies provided in cloud computing services, significant improvements in annual operating costs of up to 90% have been achieved. Substantial improvements were also to be seen in ad conversion rates thanks to a new data infrastructure which can keep track of 145 million interactions a day and which can target all users with no more than a twenty-minute delay.

**ninefold**

**INCREASE IN  
THE MOBILE APP  
COMPONENT OF  
TOTAL TRAFFIC**



## extensive

### DPC: THE HUB OF THE MOST EXTENSIVE PRINTING PLANT NETWORK IN TURKEY

#### PRINTING AND DISTRIBUTION DOĞAN PRINTING CENTER

Active in newspapers, printing, advertising, want-ads, and internet publishing, Hürriyet has seven printing plants in İstanbul, Ankara, İzmir, Adana, Antalya, Trabzon, and Frankfurt.

Doğan Printing Center (DPC) facilities, which print all of the newspapers published by the Hürriyet Group, are located in the cities of İstanbul, Ankara, İzmir, Adana, Antalya, and Trabzon in Turkey. The group's international printing operations are conducted in Frankfurt by Hürriyet's German subsidiary Hürriyet Zweigniederlassung GmbH. In the years between 1997 and 2013 Hürriyet Gazetecilik ve Matbaacılık A.Ş. undertook investments whose total value amounted to about USD 484.2 million, well more than half (USD 296.7 million) of which consisted of investments in the company's DPC plants.

DPC plants print not only Hürriyet and Hürriyet Daily News and their supplements but also, under

contract, other group and non-group newspapers and their supplements on a daily, weekly, and monthly basis.

DPC is the hub of the most extensive printing plant network in Turkey. It enjoys significant competitive advantages in terms of a well-trained workforce, installed machinery, and technical infrastructure. Superior features such as an ability to get products onto the market on time, to print breaking news, and to achieve huge savings in transportation costs, DPC are what underlie DPC's progress towards its goal of becoming Turkey's most widely-used printing center.

#### DPC İstanbul

With about 18,000 m<sup>2</sup> of indoor space and 15,000 m<sup>2</sup> of storage area, DPC İstanbul is Turkey's biggest newspaper printing plant. In terms of installed machinery and production capacity, DPC İstanbul is one of the three biggest newspaper printing plants in Europe. An advanced building automation system provides full control over all mechanical and electrical systems and is supported by 11,000 KVA of electricity-generation capacity and 10,000 KVA of installed transformer capacity. DPC İstanbul used 116 tons of paper #NeYapmalı ("WhatToDo"), in 2016 while contributing a 45% share of Hürriyet's total printing output. Dryers added to DPC İstanbul's two Man Colorman rotary presses in 2012 allowed them to print on both coated paper and newsprint. These improvements not only keep ink from bleeding when printing on newsprint but also increased the quality of the finished product. As was also the case everywhere else, the width of İstanbul editions was reduced by 3 cms, producing a newspaper that is easier to hold and to read. The reduction in plate dimensions the same year also led to significant economies.



### DPC Ankara

DPC Ankara is Hürriyet's second-biggest printing plant. Occupying about 58,000 m<sup>2</sup> of land on the highway to Ankara Esenboğa Airport, the DPC Ankara plant has about 16,000 m<sup>2</sup> of indoor space. A steel-construction building, the plant is equipped with 120 Goss Universal presses and boasts one of the longest continuous print-production lines in the world.

The DPC Ankara plant can print up to 180 thousand newspapers an hour on four-level equipment designed to simultaneously print four different newspapers. The plant has three automatic insertion machines that were installed in 2007. Supported by 4,500 KVA of electricity-generation capacity and 4,500 KVA of installed transformer capacity, DPC Ankara used 41 tons of paper a day on average in 2016. The plant contributes a 16.2% share of Hürriyet's total printing output. Thanks to two UV dryers that were added in 2012, the plant can accommodate eight-page (4 double-fold page) dry-print jobs on coated paper.

### DPC İzmir

In January 2007 Hürriyet's DPC İzmir plant moved into new premises located 20 kms from downtown İzmir and 2 kms from the city's İzmir Adnan Menderes Airport. Occupying about 35,000 m<sup>2</sup> of grounds with 12,000 m<sup>2</sup> of greenspace, the plant has 16,000 m<sup>2</sup> of indoor space. Total installed electrical capacity is 5 MVA. There are two 2,500 KVA transformers and two 2,500 KVA power generators. The plant is equipped with 120 Goss Universal presses and boasts

one of the longest continuous print-production lines in the world. The DPC İzmir plant prints on equipment designed to simultaneously print four different newspapers on four levels. DPC İzmir used 50 tons of paper a day on average in 2016. The plant contributes a 19.6% share of Hürriyet's total printing output. Thanks to a UV dryer system that was installed in 2012, the plant can simultaneously print the front pages of two newspapers with UV-dried non-bleeding ink.

### DPC Antalya

Hürriyet's DPC Antalya plant occupies about 11,000 m<sup>2</sup> of grounds and has 4,900 m<sup>2</sup> of indoor space. A 3,600 KVA generator is supported by a 2,500 KVA transformer. Equipped with a Tensor T1400 press (40 pages/32 color) and two Goss Community presses (40 pages/28 color and 32 pages/24 color), the DPC Antalya plant has the ability to simultaneously print three different newspapers on a three-level system whose total production capacity is 105 thousand newspapers an hour. Four-page runs of UV-dried printing can be accommodated on two of the plant's machines. DPC Antalya used 14.5 tons of paper on a day on average in 2016. The plant contributes a 5.62% share of Hürriyet's total printing output. Having satisfactorily fulfilled regulatory requirements in 2011, the Hürriyet DPC Antalya plant was awarded a five-year "environmental permit" by the Antalya Provincial Directorate of Environment and Forests.

**NEW INVESTMENTS  
WERE UNDERTAKEN  
IN ALL PLANTS  
OUTSIDE İSTANBUL  
TO ALLOW THE SAME  
REDUCED-WIDTH  
PLATES TO BE USED  
IN THE PRINTING  
OF NEWSPAPERS.  
SIGNIFICANT SAVINGS  
WERE ACHIEVED AS  
A RESULT OF THIS  
CHANGE.**

**21 billion**

**TOTAL PAGES  
PRINTED AT DPC IN  
2016**



94 mn kg

AMOUNT OF PAPER  
USED AT DPC IN 2016

836K

TOTAL M2 OF  
PRINTING PLATES  
USED AT DPC IN 2016

#### DPC Adana

Occupying about 11,000 m<sup>2</sup> of grounds, Hürriyet's DPC Adana plant conducts its operations in 5,800 m<sup>2</sup> of indoor space. The plant is equipped with a 2,500 KVA transformer and two generators with capacities of 1,600 KVA and 2,000 KVA respectively. The DPC Adana plant has three Tensor presses with the capacity to print up to 35 thousand units an hour. Two of these presses can accommodate 36-page (28 color) runs while the third can print 40-page newspapers with 32 of them in color. DPC Adana used 21.5 tons of paper a day on average in 2016. The plant contributes an 8.5% share of Hürriyet's total printing output.

#### DPC Trabzon

The first of Hürriyet's facilities to be set up as part of the DPC organization, the DPC Trabzon plant occupies about 24,000 m<sup>2</sup> of grounds and has 3,500 m<sup>2</sup> of indoor space. The plant is equipped with a 2,000 KVA transformer and has 1,054 KVA of generator capacity. There are two Goss Community presses, each capable of printing 40-page newspapers with 32 color pages in one case and 28 color pages in the other. The plant can print up to 70 thousand newspapers an hour.

In 2011 two UV dryer units were installed at DPC Trabzon thereby enabling the plant to handle four-page runs of UV-dried printing on its two presses.

In late 2012 four computer-to-plate units were installed at the plant. DPC Trabzon used 13.2 tons of paper a day on average in 2016. The plant contributes a 5.16% share of Hürriyet's total printing output.

Printing plates whose processing requires fewer chemicals were introduced at all DPC plants in 2015. Besides cutting costs appreciably, this changeover also helped reduced the environmental impact of the plants' operations.

New investments were undertaken in all plants outside Istanbul to allow the same reduced-width plates to be used in the printing of newspapers. Significant savings were achieved as a result of this change.

Under this investment, which was completed in September 2016, savings of EUR 74 thousand were achieved in the last four months of 2016 alone and it is estimated that total savings will amount to about EUR 210 thousand a year.

#### DPC by the numbers in 2016:

- Total pages printed: 21,427,311,312
- Number of newspapers printed for: 18
- Amount of paper used:  
93,513,559 kgs
- Total printing plates used:  
836,466 m<sup>2</sup>

## SALES & DISTRIBUTION

**The scope of the Dealer Loyalty Program that was launched as a pilot project in 2015 was expanded in 2016.**

Hürriyet is developing a loyalty program whose aims are to increase the visibility of Hürriyet and to encourage dealers and vendors to sell more copies of the newspaper. Under this program, dealers and vendors who boost their sales by strengthening reader loyalty are identified and rewarded. This program, which has already begun to increase newspaper sales, can be accessed by business partners through digital platforms and the Hürriyet call center. The effectiveness of this system is being enhanced through faster and more accurate decisions that are made possible by digital decision support reporting interfaces. By allowing business partners to be better recognized and understood, the project also makes it possible to identify dealers' behavior, product sales, delivery routes, and methods. Based on the results of data analysis, business partners are grouped and are constantly supplied with information about the sales campaigns and products that are best suited to them. The feedback from all the dealers and vendors taking part in this program has been positive. By strengthening the ties between the

company and its business partners, the project has been steadily increasing newspaper sales month after month.

News-dealers are segmented on the basis of their sales and return and no-sale rates have been optimized for each segment. Newspaper distribution network dynamics are analytically examined as part of a process whose aims are to identify the factors that impact on sales and to optimize distribution. As a result of this analysis, improvements were made primarily in reducing no-sale rates while also maximizing product availability and customer satisfaction. Since the introduction of this system, the return rate has slipped from 16.4% into the 15% range.

In order to boost regional sales, attention was given to new methods such as regional subscriptions, distributor sales, institutional subscriptions (hospitals etc), and group subscriptions (apartment complexes etc).

As a result of all of these efforts Hürriyet further increased its market share of total newsstand newspaper sales from 13.8% in 2015 to 14.6% in 2016.

**THE DEALER LOYALTY PROGRAM, WHICH HAS ALREADY BEGUN TO INCREASE NEWSPAPER SALES, CAN BE ACCESSED BY BUSINESS PARTNERS THROUGH DIGITAL PLATFORMS AND THE HÜRRİYET CALL CENTER.**



# 14.6%

**HÜRRİYET'S MARKET SHARE OF TOTAL NEWSSTAND NEWSPAPER SALES**





IN ADDITION TO ITS  
PROVEN CLOUT IN NEWS  
REPORTING, HÜRRİYET  
ALSO TOUCHES ITS  
READERS' LIVES WITH  
ENJOYABLE CONTENT AND  
SUPPLEMENTS. WEEKEND  
SUPPLEMENTS PROVIDE  
GUIDANCE FOR READERS  
WHO ARE BUSY ALL WEEK  
LONG AND WHO WANT  
TO MAKE THE BEST USE OF  
THEIR WEEKENDS.

# VERSATILE





## HÜRRIYET

Founded in 1948, Hürriyet has always distinguished itself as the symbol of good journalism and reliability in the Turkish press industry through its commitment both to ethical behavior and to a progressive publication outlook. By means of its unique news-reporting style, rich content delivered through both printed and digital media, and supplements that reflect all the vibrancy of life, Hürriyet expands the horizons of its readers.

As a newspaper that is read by 1.4 million people every day according to the Media Monitoring & Research Commission's 2016 report, Hürriyet will continue to be the leader of Turkey's press industry by virtue of its undisputed superiority in news-reporting and its commitment to impartial and principled journalism.

### Hürriyet supplements

For Hürriyet readers, enjoyable weekends begin with Hürriyet Cumartesi, a Saturday-morning

supplement that lets them know about the week's latest developments in everything from cinema to music and from the theater to the newest books.

**Hürriyet Cumartesi** employs a four-star rating system in which the best names in their respective fields inform readers about the best events and products and help them to plan their time effectively. With its new and dynamic design and rich content, Hürriyet Cumartesi remains the very best urban living and lifestyle directory.

A Hürriyet weekend supplement that the whole family loves to read is **Hürriyet Pazar**, which appears on Sundays. Offering a selection of agenda-setting cover stories, intimate interviews with leading Turkish and international celebrities, special features, humor, and articles about food & drink and nature, Hürriyet Pazar's staff includes some of the leading and most successful names in the business today such as Gülse Bırsel, Vedat Milor, Mehmet Öz, Mehmet Yaşın, and Ayşe Arman.





Appearing on Sundays is **Hürriyet Seyahat**, Hürriyet's travel and culture supplement. With detailed articles about trips to places all over the world and Turkey, recommendations by such seasoned travel-writers as Ayhan Sicimoğlu and Saffet Emre Tonguç, and personal accounts by readers themselves, Hürriyet Seyahat appeals to anyone who may be preparing to go on vacation or who just wants to hit the road.

For 44 years Hürriyet's daily supplement **Kelebek** has been supplying readers with celebrity news and lifestyle content that adds color to their lives while relieving them of the stress of everyday existence. Employing a staff of such talented writers as Melis Alphan, Cengiz Semercioğlu, Onur Baştürk, and İzzet Çapa, Kelebek keeps its readers up to date not just on current events but also on the latest goings-on in everything from celebrity

news to fashion and from nightlife to the world of television.

A former Hürriyet Sunday supplement that used to be distributed in İstanbul, Ankara, and İzmir only, **Hürriyet Keyif** focused on TV, cinema, culture, and art. Besides informative articles about events in the art world, Hürriyet Keyif also provided reviews of the latest movies, books, and TV shows.

Hürriyet Keyif ceased publication as of the end of 2016.





## HÜRRIYET REGIONAL SUPPLEMENTS

A process of revitalizing all of Hürriyet's regional newspaper supplements was initiated in October 2016 with the company's "A new era in regional journalism" program. Coordination meetings were held both in İstanbul and in individual regions. In the course of regular meetings and communications, regional supplements' logos, columns, page layouts, and front and back pages were redesigned.

### A NEW LOOK AND NEW FEATURES

New features such as "Reader's Corner", "Hürriyet Reports & Problems Get Solved", "City Law", "Football Council", "Business Magazine", and "What To Do & Where To Go", pages dedicated to human-interest stories and society news, and columns by local city and sport writers were introduced in regional supplements without necessitating any additional costs. The ongoing process of jointly developing this program as well as associated regional meetings will continue in 2017.



## HÜRRIYET ANKARA

The first issue of Hürriyet Ankara appeared on 31 March 2006. Known for its innovative approach to local journalism, Hürriyet Ankara continues to set agendas for readers in the Ankara region by staging events such as the "Young Note Inter-Lyce Music Competition" and by publishing features such as "Writing history together: An oral history", "ANKADEMİ: Universities and the City", and "ÇATKAPI", a column devoted to local cuisine and dining.



## HÜRRIYET AKDENİZ

While the first issue of Hürriyet Akdeniz appeared on 21 February 2001, the supplement has been published regularly as a daily since its 16 June 2003 issue. The supplement is distributed in the provinces of Antalya, Burdur, Isparta, and Afyon. With its content recently revamped, Hürriyet Akdeniz is now attracting readers with the latest economic news and with features such as "What do citizens say?", a food column, and "Doctor at your side".



## HÜRRİYET EGE

The first issue of Hürriyet Ege made its appearance on 26 February 2001 and as of 8 October 2003 it began publishing three times a week. Since 3 May 2004 the supplement has been appearing every day. In February 2011, the supplement's editorial office was relocated to İzmir. Hürriyet Ege has become the voice of Turkey's entire Aegean region from Çanakkale in the north to Muğla in the south.



## HÜRRİYET BURSA

The first issue of Hürriyet Bursa was published on 19 April 2004. Seven years later the supplement underwent a thorough-going overhaul to make it a more Bursa-focused regional publication. Hürriyet Bursa is distributed in Bursa, Yalova, Bandırma, and Susurluk.

## HÜRRİYET ÇUKUROVA-GAP

The first issue of Hürriyet Çukurova made its appearance on 26 February 2001 and as of 8 October 2003 it began publishing three times a week. Since 3 May 2004 the supplement has been appearing every day. With the 10 April 2006 issue, the supplement was renamed Hürriyet Çukurova-GAP to reflect the expansion of its coverage to include all of Turkey's southeastern Anatolia region. The supplement is currently distributed in 23 provinces ranging from Adana to Hakkari.

## OTHER REGIONAL AND LOCAL SUPPLEMENTS

In addition to the daily-appearing regional supplements described above, a variety of special supplements and local pages covering the provinces of Kayseri, Konya, and Eskişehir and the Black Sea region are also published on a weekly basis or as advertising warrants. All of the editorial and technical operations associated with these supplements are managed in Ankara.

Again depending on advertising demand in Bursa, local supplements covering the Thracian (Edirne, Kırklareli, Tekirdağ) and the Eastern Marmara (Yalova, Sakarya, Kocaeli) regions may be published.

Special supplements covering particular cities in the Aegean, Mediterranean, and Adana regions are published occasionally as advertising demand warrants.

## OCCASIONAL SUPPLEMENTS

From time to time regional editions of Hürriyet include supplements dealing with specific subjects such as schools, construction, economics, and wedding preparations as well as special occasions such as Valentine's Day, New Year's, etc.



## HÜRRIYET DAILY NEWS

In 2016 Hürriyet Daily News continued to successfully serve not only as Turkey's but also as Hürriyet World's and the Doğan Group's "Window On The World".

That success was largely attributable not just to the paper's fulfillment of its vitally important role in the conduct of digitally-based newsprint journalism but also to

its ability to reliably present breaking news and likewise to highlight a broad range of Hürriyet authors' reporting and editorials through its website located at Hurriyetdailynews.com.

Hürriyet Daily News's reporting both during and after the failed military coup of 15 July 2016 was particularly instrumental in putting the paper on the center stage in the international arena as a source of truthful and trustworthy news about Turkey. 2016 was also a year in which Turkey suffered from terrorist attacks that Hürriyet Daily News quickly, dutifully, and honestly reported to the whole world while refraining from any taint of propaganda. The paper also fulfilled its role as an honest reporter by revealing to the world about the true facts in campaigns to blacken the reputation of the Doğan Group.

For such reasons, Hürriyet Daily News has become a leading source of news not just about Turkey but about its region as well in the English-speaking world.



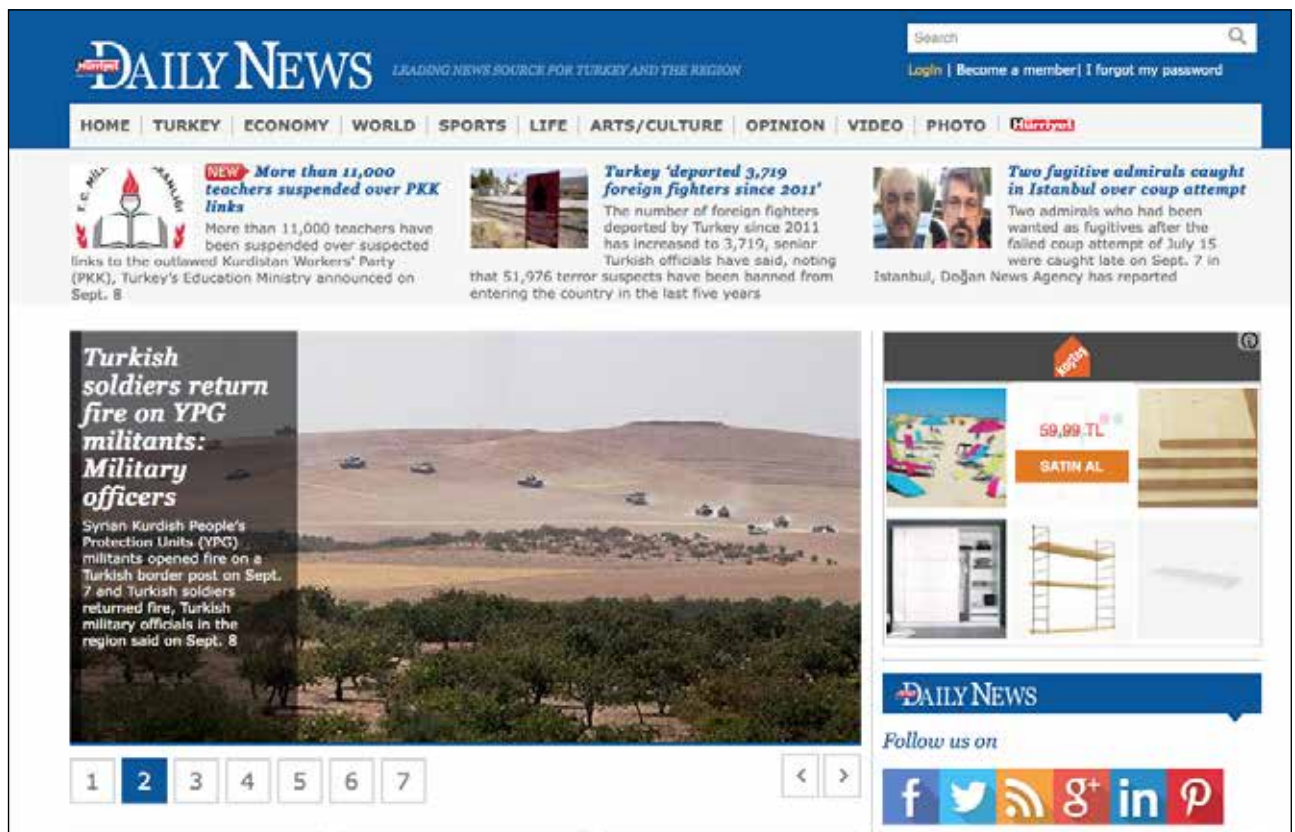


Hürriyet Daily News's daily sales in 2016 fell below the previous year's 5,361 average. There were two main reasons for this. One was the decision by many tourism-industry businesses not to renew their group subscriptions owing to the serious contraction in tourist arrivals that was caused by political events; the other was the need to raise the paper's cover price owing to higher costs. Despite the drop in circulation numbers however, sales revenues were up by 4% year-on. This increase can be attributed to newspaper distribution optimization, which reduced the no-sale rate to 10.1% and the return rate to 29.8% on the one hand and, on the other, to sales optimization, in which 20% of the paper's sales were made through dealers and 80% through institutional and individual subscriptions and group sales.

Turning now to Hürriyet Daily News's Hurriyetdailynews.com website: the number of opened sessions increased from 18,007,869 in 2015 to 19,015,189 in 2016.

A breakdown of Hürriyet Daily News website visitors by country reveals the top five to be:

1. Turkey 23.8%
2. USA 21.7%
3. UK 9.9%
4. Canada 4.1%
5. Germany 3.7%



### HURRIYET.COM.TR

Hürriyet believes that maintaining its leadership in printed media in the world of online news reporting is one of its top business goals. In keeping with this attitude, Hürriyet became one of the first newspapers in Turkey to go online with the launch of its Hurriyet.com.tr website in 1997. Since 2000, the website has been surpassing its printed sibling by serving as a news portal through which breaking news and other current developments appear instantly 24 hours a day seven days a week. In 2009 Hurriyet.com.tr developed new channels such as Web TV and Astrology. These undertakings continued the following year with the launch of interactive services such as “Bumerang” and “Yazarkafe” and with the release of many new products specially designed for mobile access. In 2014 Hurriyet.com.tr was transformed into a social media platform in its own

right. The website continues to lead the way and to break new ground as an innovative pioneer in mobile apps, e-newspapers, and other landscapes of the digital world.

In keeping with its commitment to the principle of giving its users access through every device, Hürriyet became the first in Turkey to author an Apple Watch app. Reaching out to reader through every conceivable channel, Hurriyet.com.tr's social media followers continue to steadily increase in number. As of end-2016, there were 16.5 million of them.

Hurriyet.com.tr easily defended its unassailable position in digital publishing all year long in 2016. As of year-end, it had racked up daily and monthly visitor averages of 3.5 million and 60 million respectively. The average daily pageviews is nearly 40.5 million. Hurriyet.com.tr is also



widely followed through social media: indeed, its content ranks among the most frequently shared of any website hosted in Turkey.

Embracing Hürriyet's strong and deep-rooted traditions of responsible journalism in the digital world, Hurriyet.com.tr further entrenched its position through its principled stance and approach to accurate and impartial news-reporting even in the fraught political environment that characterized 2016 while also confirming its stature as Turkey's leader in online journalism.

Having previously introduced an e-newspaper app for use on tablets and mobile devices, Hürriyet adapted

it so that it could be used conveniently by its web-access users as well in 2015. Hürriyet even developed an electronic-format crossword puzzle and incorporated it into its e-newspaper. The number of active users of Hürriyet Mobile, an upgraded version of this improved Hürriyet e-newspaper app that was released in May 2016, increased from 290 thousand to 500 thousand.

Hurriyet.com.tr will continue to lead the way in supplying readers with real information and real news touching on every aspect of their lives through every digital channel.





## HÜRRIYET TV

Hürriyet increases the effectiveness of all the original digital-universe video content that it creates in such areas as travel, economics, current events, lifestyle, food, and childcare by making it accessible to viewers on its own website as well as through dedicated channels. This effectiveness is being increasingly enhanced by making such content available in specialized new formats through alternative delivery channels such as Facebook and YouTube to other audiences that its own website doesn't connect to. Besides creating a stir in the industry, these new specialized formats have begun to attract advertisers because they satisfy brands' content marketing requirements in ways other than display-based revenue models.

Hürriyet TV's goal is to increase viewing numbers and revenues in all delivery channels through a fully-scalable production model. With the renovation of its website in late 2016, it has become possible to publish both news and non-news video-content formats that are compatible with global standards while the original content which Hürriyet TV creates in verticals is becoming increasingly more attractive to brands. Both these developments are important from the standpoint of traffic and revenue performance.



## HURRIYETAILE.COM

In line with its "Your Family's Bedside Guidebook" slogan, Hurriyetaile.com is a 7x24 source of trustworthy information about health, psychology, education, and other basic issues that every parent is in need of. Receiving an average of 3.7 million visitors every month, Hurriyetaile.com is the unchallenged leader among its rivals by a wide margin. In what represents an important step towards its goal of providing users with customized content and services, the website has introduced a personalized mailing service.





## MAHMURE.COM

As Turkey's oldest woman-specific online resource, mahmure.com is a strong competitor whose importance is well understood by advertisers. During 2016 mahmure.com continued to offer brand-specific solutions for content marketing. Owing to its impending merger with Kelebek, no product or technology investments were made for mahmure.com last year. In the last quarter of 2016, an important step was taken when the website was relocated to its new address mahmure.hurriyet.com.tr within the Hurriyet.com.tr domain. Within very little time after this move, the new address was averaging 5.5 million visitors a month.

Appealing especially to young women with content such as fashion, beauty, love & relationships, sexual health advice, and astrology, efforts continue to be made to organize online and offline activities that will expand Mahmure.hurriyet.com.tr's audience, especially among university students.

mahmure.com



## BIGPARA.COM

With its effectiveness enhanced by a complete overhaul of its web infrastructure and by the introduction of two new mobile revenue models for the mobile apps which had been developed, Bigpara.com offers two subscriber packages: "Standard" and "Ad-Free". Under an agreement with AK Investment, a brokerage house, a trading pool was opened that allows Bigpara.com users to trade on their own accounts. The B2C ad-free subscription revenue model is the first such to be tried out by Hürriyet and therefore represents an important step in a new direction. About 40% of subscribers opt for the ad-free package.

During 2016 Bigpara.com received an average of 8 million visits a month. New mobile apps were released in order to provide native solutions for the needs of users migrating to mobile devices. Under a licensing agreement with Borsa İstanbul, the İstanbul stock exchange, Bigpara.com is supplying app users with BIST data in real time. Under another agreement with foreks.com, an online currency-trading website, Bigpara.com users can also buy and sell foreign currencies there too.

Continuing to work on projects such as the ongoing development of mobile apps in line with users' needs, the addition of new features (analysis etc, paid content) to subscriber packages, growing the subscriber base, and strengthening its position in the Android market, the Bigpara.com subscriber base has reached 40 thousand.

bigpara



## YAKALA.CO

An e-commerce website that employs the group-purchase business model, Yakala.co is what is popularly referred to as a “deal”, “discount”, or “coupon” website. Besides making it possible for its individual users to pursue their social lives more economically, Yakala.co also gives the local, national, and international firms that it collaborates with opportunities to increase their online visibility and earnings through online advertising and direct sales.

The Yakala.co website brings together a host of individual city-based and country-wide deals in a huge array of categories and subcategories that range from domestic and international holiday packages, downtown hotels, restaurants, spas, beauty parlors, entertainment spots, theater/cinema/concert tickets & events, educational courses, exciting activities, technology products and handy gadgets, transportation (seabus, seaplane, helicopter, intercity bus), and vehicle-rental services.

Keeping its eye on international trends in digital platforms, Yakala.co immediately implements technological developments that help make online shopping safer, faster, and easier. With both desktop and mobile interfaces and both Android- and iOS-base apps, Yakala.co has consistently enhanced the value it creates since its inception in 2010 by constantly keeping itself state-of-the-art.

In addition to its sales-related technology operations, Yakala.co also adheres to a service model which is sensitive to user satisfaction and which makes use of online live support, email, and social media in order to respond to and resolve users' questions and problems.

### Yakala.co by the numbers in 2016

- 7,850 new deals were published (cooperation/sales agreements)
- More than 456,000 coupons were sold.
- Turnover and revenues were up by more than 10% and 20% respectively year-on.
- 166,000 new members (users) were registered.



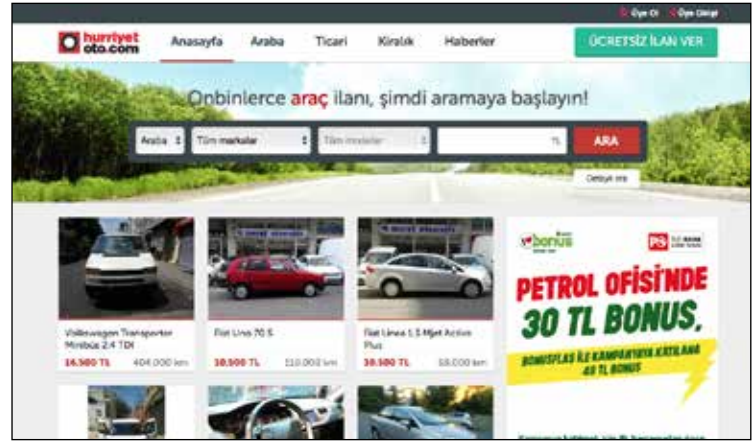
## HURRIYETEMLAK.COM

Launched in 2006 as Hürriyet's online real estate platform, Hurriyetemlak.com today is the premier real estate industry portal in Turkey. Encompassing the entire Turkish real estate industry under a single roof, Hurriyetemlak.com keeps its finger on the sector's pulse with its huge portfolio of ads, current news, and innovative projects and products. In 2016, Hurriyetemlak.com had an average of 6 million unique visitors a month according to Google Analytics figures published for the year.



## HURRIYETOTO.COM

A leading portal in Turkey's constantly-expanding automotives sector, Hurriyetoto.com continued to increase both its ad and its visitor numbers year-on-year in 2016 as well.



## YENIBIRIS.COM

Turkey's most innovative human resources platform, Yenibiris.com has been in operation since 2000. Yenibiris.com is the choice of more than 150 thousand firms ranging from major multinationals to SMEs and from startup companies to HR consultancies in the conduct of their employee-candidate recruitment and assessment processes.

Besides serving as a platform that brings people seeking to begin or to advance their careers together with firms looking for talent, Yenibiris.com keeps watch on global trends in order both to make use of state-of-the-art solutions such as intelligent

recommendation systems and to continue providing its users with an unrivalled digital experience.

According to Google Analytics figures published for the year, Yenibiris.com had an average of 2.2 million unique visitors a month in 2016.





## RADIKAL.COM.TR

Conceived of as a newspaper targeting readers preferring access to deep and independent sources of information across a broad range of fronts from politics, technology, and culture & art to entertainment, current events, and automotives, Radikal was a trailblazing pioneer of Turkey's media industry beginning with its very first issue.

After joining the Hürriyet Group in October 2010, Radikal immediately began adding to that reputation with the new dimensions, content, and approaches to journalism that it introduced. After much research and consideration, in December 2013 it was decided to adopt a "digital-first" strategy in which the paper was transformed into an online publication with a newer, more innovative, and streamlined design that accompanied the printed edition. In June 2014, Radikal became a "digital-only" publication. Radikal.com.tr's news, columnist, and similar content production operations were suspended as of 15 August 2016 as were the activities of its associated website Radikalblog.com.

**Radikal**



## RADİKAL KİTAP

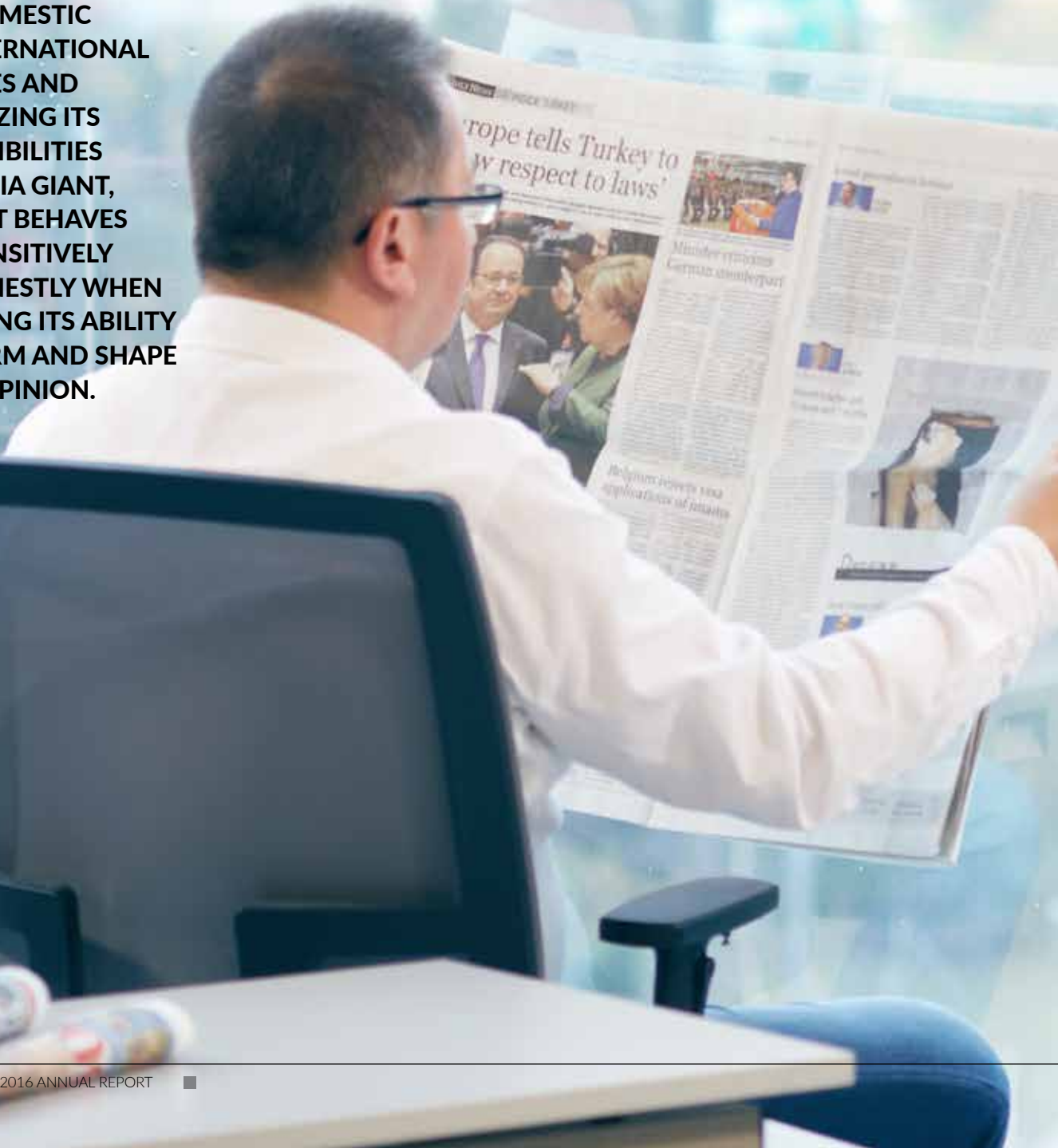
One of Turkey's most prestigious publications in the worlds of literature and publishing, Radikal Kitap first appeared before Radikal readers more than 15 years ago and has been keeping its finger on the country's literary pulse ever since. Radikal Kitap's success is attested to by its popularity not just among individual readers but also among book dealers and publishing houses. The most important factors contributing to Radikal Kitap's success are the credibility and richness of its editorial content, its optimum balance between news and advertising, and its regular appearance as a Hürriyet supplement on a specific day every week. Evidence that Radikal Kitap is a book supplement that is more sought after than any other is provided by information collected from book fairs, by the views of publishers, and by analyses of annual advertising expenditures. Located at <http://kitap.radikal.com.tr/>, the Radikal Kitap website provides information about books organized by category and also allows registered users to create their own libraries and reading lists and to examine and comment on books. In late 2016 a decision was taken to transform the Radikal Kitap supplement into a new supplement to be called Hürriyet Books & Arts in 2017.

**Radikal  
kitap**



# TRUSTWORTHY

DISTINGUISHING  
ITSELF BY VIRTUE OF  
THE VALUE IT PLACES  
ON REAL NEWS AND  
BRANDED REPORTING  
IN ITS DOMESTIC  
AND INTERNATIONAL  
ACTIVITIES AND  
RECOGNIZING ITS  
RESPONSIBILITIES  
AS A MEDIA GIANT,  
HÜRRİYET BEHAVES  
BOTH SENSITIVELY  
AND HONESTLY WHEN  
EXPLOITING ITS ABILITY  
TO INFORM AND SHAPE  
PUBLIC OPINION.



# THY





WITH ITS  
TREMENDOUS  
ACCESS STRENGTH  
HÜRRİYET  
CONTINUES TO  
FULFILL ITS MISSION  
OF PROVIDING  
IMPARTIAL NEWS  
AND EDITORIAL  
CONTENT IN EUROPE.

21K

POINTS OF SALE IN  
EUROPE

## HÜRRİYET GERMANY

With its headquarters and printing facilities located in Mörfelden-Walldorf near Frankfurt, Hürriyet's presence in Germany reaches back to the 1960s and began very soon after the first Turkish guest-workers began entering the country. Hürriyet's European editions have been serving Turkish citizens and readers of Turkish origin in Germany for longer than any other Turkish-language publication in that country. Working with the Axel Springer Group, Hürriyet's European editions are distributed for sale to about 9,000 points in Germany and to a total of 12,000 with the inclusion of those in other European countries. This gives Hürriyet tremendous access as it continues to fulfill its mission of providing impartial news and editorial content in Europe.

In the conduct of its European operations, Hürriyet leads the way not just in news-reporting but also in the socially beneficial campaigns and causes that it undertakes in collaboration with non-governmental organizations such as the Turkish-German Health Foundation and the German Integration Foundation. In 2016 Hürriyet supported a variety of social campaigns in the areas of education and health such as the "Let's use energy wisely" action conducted jointly with the Turkish-German Health Foundation's Hessen State Energy Saving Movement as well as cultural events such as the Frankfurt film and theater festivals.

Turkey's strongest newspaper, Hürriyet carries out its European printing and publication operations through Doğan Media International GmbH, which was set up in 1999 as Doğan Holding's gateway to Europe.

In 2016 Doğan Media International GmbH continued to play host to a variety of gatherings that brought Hürriyet writers and readers together. At the 27 May 2016 meeting held at the Turkish German Businessmen's Association's Berlin Brandenburg Auditorium and hosted by the Turkish-German Entrepreneurship Association's president Remzi Kaplan, an interview with Ahmet Hakan that was moderated by Hürriyet's represent in Berlin Celal Özcan gave Turks living in Berlin a chance to ask and get the answers to many questions that were of concern to them.

On 24 June 2016, Hürriyet hosted "Europe Evening", an event organized by the Youth Wing (Junge Union) of the Christian Democrat Union. During a meeting in which Turkish-EU relationships were debated, European Parliament representatives Thomas Mann and Michael Gahler, Hessen MP İsmail Tipi, and Turkey's consul-general in Frankfurt Mustafa Çelik took part as speakers.





The printing plant, which prints about thirty publications in eight languages and using five alphabets, is a Germany-based branch of Hürriyet A.Ş. By making short printing runs economical, the plant's single-width offset press machinery is ideal for printing low-circulation international and/or ethnic publications. The plant's setup allows it to insert up to six supplements at a time in the main newspaper. In 2016 the mold exposure systems of the preprinting section were renovated. Besides printing the issues of Hürriyet, the plant also prints editions of The Wall Street Journal, Nikkei, and The Financial Times, prestigious international economics journals that are distributed in Germany and neighboring countries; regional editions of Bild, Europe's best-selling newspaper; Stars and Stripes, the newspaper of the American armed forces; the continental European editions of Japan's Asahi; Sportwelt, a trend-setting German equestrianism publication; and Asharq Al-Awsat, an Arabic international newspaper. Periodicals printed at the plant include Info&Tips (Poland), China Daily (China), and Rhein Hunsrück (Germany); two influential opinion journals The Security Times and New Europe; and giveaways Trigonal, Güncel, and Nokta. Along with these publications, about 300,000 dailies leave the plant aboard outsourced delivery vehicles destined for dealers and readers around Europe.

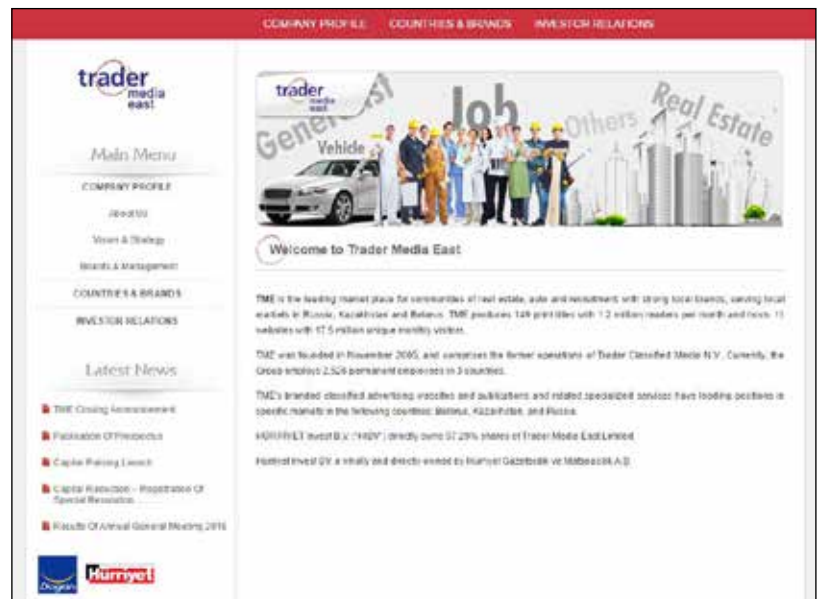
## TME

In 2007 Hürriyet purchased a 67.3% stake in Trader Media East Ltd (TME), the largest classified advertising company in Central and Eastern Europe. It was through this cross-border acquisition, the biggest ever carried out by a Turkish company at the time, that Hürriyet became an international player.

As of end-2016, Hürriyet controlled a 97.29% stake in TME. The company has been operating as an online- and printed-media classified advertiser in Russia, Ukraine, Belarus, and Kazakhstan since 2014, the year in which it shed its operations in Hungary, Croatia, Bosnia-Herzegovina, and Serbia. The process of moving away from printed to online advertising that began several years ago continues to advance rapidly.

Two of the brands in the company's portfolio—"Iz Ruk v Ruki" and "IRR.ru"—are respectively the best-known printed and online classified-ad products in Russia.

**AT TME, THE PROCESS OF MOVING AWAY FROM PRINTED TO ONLINE ADVERTISING THAT BEGAN SEVERAL YEARS AGO CONTINUES TO ADVANCE RAPIDLY.**



■  
**DURING 2016, THE  
360° EMPLOYER-  
BRANDING  
STRATEGIES  
CONTINUED TO BE  
IMPLEMENTED.**

**479**

**TOTAL NUMBER OF  
NEW HIRINGS IN 2016**

Hürriyet's basic human resources strategy incorporates the principles of:

- Providing leadership in the human dimension of the ongoing digital transformation process and, in that context, developing and implementing outstanding, innovative, and forward-looking human resources strategies;
- Attracting and holding onto a workforce whose members who are energetic, dynamic, passionate about their work, and capable of contributing to change and who will work together to shape the future of the company;
- Creating a workplace environment that will provide all employees with many opportunities for progression and will enable them to make the best use of their potential;
- Encouraging every employee to take part in activities and projects that will enhance the employer brand and also serve as a brand ambassador.

Taking the new needs of a new generation, the values of the digital world, and changing attitudes towards leadership, in 2016 Hürriyet's human resources strategy was informed by a focus on "Strengthening feelings of company loyalty and identity among existing talent" without straying from its goal of attracting new talent to the organization.

During 2016, Hürriyet continued to implement the 360° employer-branding strategies that were introduced to make the dynamic, agile, constantly-evolving, and success-focused structure of Hürriyet World recognizable by and better known to broader audiences and also to attract suitable human resources to the company.

In order to increase all employees' knowledge, skill, and competency levels, to support the spread of information and expertise, and to foster inter-team communication in line with Hürriyet's "Learning Organization" principle, in-house and extramural training continued to be provided to

employees during 2016. A Hürriyet Training Catalog based on the principle of voluntary participation was also published last year.

During 2016, a total of 479 people were hired into positions in various Hürriyet-owned companies: 247 of them on a full-time basis and 232 as trainees.

In order to attract the right human resources to the company, use was made not just of traditional recruitment methods but also of the specific digital media which are the most familiar to its target audience. Attention was also given to finalizing the recruitment and hiring processes as effectively and quickly as possible. The use of new media in particular significantly reduced recruitment time while also improving the rates at which the right candidates were connected with on the first try.

In addition to existing LinkedIn and Facebook accounts, an Instagram account was also opened for existing employees as an additional social media communication channel.

### **RECRUITMENT & HIRING**

Ever-evolving digital technologies enable users to have different experiences while new media attitudes continue to have an impact on how users interact with one another independently of time and place. As the need for different experiences and different competencies continued to be felt in 2016, various new profiles such as "Data Scientist", "HR Analyst", and "Optimization Specialist" were added to teams.

In order to attract the right human resources to the company, use was made not just of traditional recruitment methods but also of the specific digital media which are the most familiar to its target audience and in which such interaction is the quickest and most intense. Attention was also given to finalizing the recruitment and hiring processes as effectively and quickly as possible.

The use of new media in particular significantly reduced recruitment time while also improving the rates at which the right candidates were connected with on the first try. During 2016, 90 people were hired into newly-created positions in various Hürriyet-owned companies while another 157 were hired into existing ones.

The system of making use of internal references in hiring processes continued to be employed in 2016. Known as "Wanted", this internal application/internal reference platform received 56 internal references and 6 internal applications last year.

As is the case every year, summer and winter traineeship opportunities for university and highschool students were again provided in 2016. A total of 232 students served as trainees at Hürriyet World last year. Trainees who demonstrate superior performance during their time at the company are given priority in the hiring process when a suitable vacancy exists.

#### EMPLOYER BRAND

During 2016 we continued to implement the 360° employer-branding strategies that were introduced to make the dynamic, agile, constantly-evolving, and success-focused structure of Hürriyet World recognizable by and better known to broader audiences and also to attract suitable human resources to the company. In line with this, Hürriyet representatives

took part as speakers in gatherings at which the latest practices, problems, and opportunities in the field of human resources are discussed such as the Employer Brand Summit, the People Management Association of Turkey Congress, the CHRO Summit, and the German-Turkish Chamber of Commerce and Industry HR summits. The information that was shared with other professionals at these gatherings about Hürriyet's digital transformation, the role of HR in employer brand creation, the evolution of employer brand management in the recruitment process, talent management, and the employee experience contributed significantly towards strengthening Hürriyet's brand as an employer in the industry.

#### SOCIAL MEDIA MANAGEMENT

A "Hürriyet World Human Resources" account was opened on Facebook in order to strengthen target-audience perceptions of Hürriyet as a "dynamic, modern, ongoing-development-focused company that is also the best employer". That page currently has 18,430 followers while the number of Hürriyet World's LinkedIn page followers has reached 31,820. In order to encourage interaction among employees and to foster a sense of company identity, a Hürriyet World Instagram account was opened last year and quickly reached 1,998 followers. All follower acquisitions were achieved through organic growth.

# 18,430

THE NUMBER OF  
FACEBOOK PAGE  
FOLLOWERS OF  
HÜRRİYET WORLD  
HUMAN RESOURCES

# 31,820

THE NUMBER OF  
HÜRRİYET WORLD'S  
LINKEDIN PAGE  
FOLLOWERS





6,667

## TOTAL HOURS OF TRAINING IN 2016

## TRAINING

In order to increase all employees' knowledge, skill, and competency levels, to support the spread of information and expertise, and to foster inter-team communication in line with Hürriyet's "Learning Organization" principle, a total of 6,667 hours of in-house and extramural training was provided in which 718 employees took part during 2016. Participants' rating of training effectiveness averaged 4.9/5.0.

Under the 2016 Training Catalogue, which set out ten different personal development programs dealing with subjects ranging from analytic thinking to negotiation skills, 35 programs were conducted last year in which 297 employees took part and received a total of 3,650 hours of training time. Participation in such training, whose aim is to contribute to employees' individual development, is entirely voluntary.

Because of the importance given to technology issues that serve as the touchstone of Hürriyet World's digital transformation process, technology

teams were provided with “Tech Meetup” training which gave them opportunities to experience the most current technologies, new-generation languages, and technology philosophies. Eleven such programs were conducted last year in which 233 people took part and received a total of 636 hours of training time.

Employee occupational health and safety training continues to be provided online. Such training is intended to make employees aware not only of the risks which they may encounter in the conduct of their jobs and the measures they can take to deal with those risks but also of their statutory rights and responsibilities on such matters. In addition to this training, "Basic First Aid" training, participation in which is voluntary and which makes employees aware of first-aid issues, was provided all year long. Thirty-eight people taking part in this training received a total of 608 hours of training time.

At the company's printing facilities, 145 people took part in seven technical training programs dealing with printing-related issues.

Employees who request foreign-language training are provided with it at accredited training institutions that the company enters into agreements with.

Last year 205 employees took part in 37 domestic and international conferences, summits, and seminars in order to learn about the latest developments in digital transformation processes. Total participation time in such gatherings amounted to 2,526 hours.

## EMPLOYEE ORIENTATION

All personnel who are newly recruited by Hürriyet and its subsidiaries attend an orientation program in which they learn about the company's mission and vision, its aims, and its operation and procedures. This training, whose aim is to ensure that new employees adapt as quickly as possible to the organization, continued to be provided in 2016. In addition, an "Onboarding Program" was also introduced as a way of making





improvements in existing orientation processes. In this program, every new employee is assigned and works with a “buddy” during the first month after being hired. This buddy is an existing employee who has previously received training under the program. Under this system, which is intended to accelerate adaptation to both company and job, new employees are provided with equipment-related and documentary support. The Onboarding Program also includes individual assessment interviews with HR personnel.

### UNIVERSITY COLLABORATIONS

During 2016 the company continued to collaborate with Koç University and Bilgi University in its ongoing efforts to identify and recruit talented individuals who are still undergraduates and who have the potential to distinguish themselves in a sector whose conditions are constantly changing and evolving, to lead the way forward in digital journalism, and to play an active role in Hürriyet’s own digital transformation.

### REWARD SYSTEMS

The “Hürriyet Reward Program For Those Who Make A Difference” was set up with the aims of spotting, acknowledging, and immediately rewarding job-performance and results that generate added value. The Executive Committee reviewed 31 applications that were received for consideration under this program last year and granted two awards, one of which was in acknowledgment of a group effort.

The “Best Of” awards program in which the publication group employees’ efforts in the areas of web pages, photographs, and news reporting are acknowledged each month continued during 2016.

### ACTIVITIES FOR EMPLOYEES

In line with the company’s 2016 strategy, attention was given to activities which would enhance employee interaction and motivation. These efforts included a monthly Motivation Program

as well as intramural backgammon tournaments as well as the formation of a Hürriyet World Running Team to take part in extramural events.

### HÜRWEB

Hürweb, the company’s intranet, continued to be used regularly in 2016 in order to disseminate company-related announcements and information and to conduct cinema, theatre, and concert ticket etc lotteries.

### SALARY SURVEY (TOWERS WATSON)

In its ongoing efforts to make its remuneration system more effective, in 2016 the company again worked with the professional services firm of Towers Watson in the conduct of a salary and compensation survey in which existing job positions were reviewed and graded.

# 4.9

**AVERAGE RATING  
OF TRAINING  
EFFECTIVENESS:  
4.9/5.0.**



■  
BECAUSE OF ITS  
RESPECT FOR PEOPLE,  
THE HÜRRIYET  
GROUP REGARDS  
PROTECTING THE  
ENVIRONMENT  
FOR THE SAKE OF  
A HEALTHY FUTURE  
FOR HUMAN AND  
NATURAL LIFE  
AS ONE OF ITS  
FUNDAMENTAL  
DUTIES.

60%

REDUCTION IN THE  
TOTAL AMOUNT OF  
CHEMICALS USED AT  
DPC

#### ENVIRONMENTAL PROTECTION AND ENVIRONMENTAL SUSTAINABILITY ACTIVITIES

In its broadest sense “sustainability” may be said to be “a knack for surviving indefinitely”. According to a definition published in 1987 by the Brundtland Commission of the United Nations, “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

“Environmental sustainability” may be said to be “the rates of renewable resource harvest, pollution creation, and non-renewable resource depletion that can be continued indefinitely”.

Because of its respect for people, the Hürriyet Group regards protecting the environment for the sake of a healthy future for human and natural life as one of its fundamental duties.

In line with the group's sustainability policies, we engage in an ongoing effort to protect the environment and to ensure the proper use of resources in compliance with all laws and regulations applicable to environmental protection.

It is acknowledged that quality products can be produced in safe and clean environments. With this in mind and in order to ensure the sustainable existence of a healthy environment for both present and future generations, Hürriyet adheres to a policy which, to the degree that circumstances permit, adopts and makes use of eco-friendly production equipment and techniques that consume fewer expendable materials and less energy at every stage of its day-to-day manufacturing

operations from project and equipment selection to the employment of eco-aware personnel.

Having developed a policy whose aim is to refrain from polluting nature and the environment and to give importance to human and environmental health from the initial stages of production and thereafter, an “Environmental Management Unit” was set up for Hürriyet Gazetecilik ve Matbaacılık A.Ş.'s Doğan Printing Center (DPC). In 2016 the company began outsourcing environmental consultancy services whose aims are to prevent or minimize the potential environmental impact of its production operations and to increase environmental awareness among company employees. The activities involved in this are summarized below.

- In the conduct of its duties, the DPC Environmental Management Unit kept a constant watch on any changes made in environmental laws and regulations and oversaw improvements in the environmental performance of the company's printing and office operations.
- Beginning in 2015, the company began outsourcing both environmental consultancy services and general environmental coordination services for DPC. These services include regularly monitoring any changes in environmental laws and regulations, ensuring that all their requirements are fulfilled, and increasing environmental awareness among employees.

In order to reduce consumption of energy resources like electricity and natural gas in all units, a variety of energy-conservation activities are

carried out such as making use of more energy-efficient equipment. A variety of efforts are also being made to reduce operations' CO<sub>2</sub> emissions.

In 2015 the Violet Chemistry Free (VCF) Project was initiated at DPC with the aim of using more eco-friendly chemicals in the preliminary preparation of the aluminum plates that are used to print newspapers. Through the use of VCF technology, the number of chemicals needed to prepare plates for printing is decreased

from five to one while the total amount of chemicals used is reduced by 60%. For DPC this means that it is using only 40,000 liters of chemicals a year instead of 110,000.

Thanks to the use of more eco-friendly VCF gum in place of previously-used developers, tremendous savings were achieved in waste and cleaning management with about 2,500 tons less water being used annually.

# 2,500

**2,500 TONS  
LESS WATER  
CONSUMPTION  
THANKS TO THE USE  
OF VCF GUM**



## HÜRRİYET'S ENVIRONMENTAL AND SAFETY PERFORMANCE

	2016	2015
Total water consumption (m <sup>3</sup> )	56,428	74,042
Total electricity consumption (MWh)	25,026	29,000
Amount of paper sent for recycling (ton)	5,490	6,192
Total paper waste (ton)	5,490	6,192
Number of accidents	17	14
Number of workdays lost	123	132
Number of personnel receiving OHS training	440	130
Installed LED illumination (Kw)	7	2



■  
**AN ONGOING EFFORT  
IS MADE TO EXPLORE  
WAYS IN WHICH  
TO ACHIEVE AT-  
SOURCE REDUCTIONS  
IN WASTE THAT  
IS GENERATED  
BY COMPANY  
OPERATIONS  
AND TO MAKE  
IMPROVEMENTS  
ACCORDINGLY.**

**ENVIRONMENTAL PERMITS AND  
LICENSES**

The environmental permit and license processes pertaining to those Hürriyet Gazetecilik ve Matbaacılık A.Ş.'s industrial operations that are subject to mandatory oversight are conducted as required by "Regulations concerning environmental permits and licenses" as published in the 29115 issue of the official gazette on 10 September 2014 following a number of amendments (formerly: "Regulations concerning environmental permits and licenses that need to be taken in line with the Environmental Law").

Having satisfied all of the requirements of previously-published regulations pertaining to these issues, the company's Antalya and Trabzon plants were awarded five-year environmental permits by the local environment and urbanization directorates as of 6 July 2011. These permits were the first such ever to be awarded to a press-industry printing facility in Turkey.

The Antalya plant's permit was renewed by its environmental consultancy after undergoing a review. The Trabzon plant has been exempted from needing an environmental permit because it discharges its waste water directly into the sewers of the organized industrial zone in which it is located.

Having been awarded "air emissions" environmental permit as of 31 July 2015, the DPC İstanbul plant continues to satisfy the permit's requirements in the conduct of its operations.

**WATER USE AND MANAGEMENT**

Water conservation and water efficiency are components of the company's environmental sustainability activities. Instructions and warnings related to water use have been placed in office and production units and water consumption is monitored and reported on a daily basis.

**PREVENTING ENVIRONMENTAL  
POLLUTION**

Abiding by the philosophy of continuous improvement, Hürriyet Gazetecilik ve Matbaacılık A.Ş. takes necessary action to:

- Comply with all environment-related laws, regulations, administrative provisions, and mandated standards;
- Diligently protect the environment and wildlife in ways that surpass the requirements of law;
- Manage the environmental impact of all of its operations within a framework of preventive and corrective measures that will minimize the operations' contributions to climate change and to air, soil, and water pollution.

In its adherence to this philosophy, Hürriyet derives its strength from the full contribution of its employees, its management, and the environmental specialists whose services it procures.

An ongoing effort is made to explore ways in which to achieve at-source reductions in waste that is generated by company operations and to make improvements accordingly. To this end, the company engages in effective production planning, maintains minimum stock levels, and improves its operational methods.

As required by "Regulation on packaging waste", in 2011 Hürriyet submitted an online declaration to the Ministry of Environment and Urbanization concerning all the packaging materials which it had reported as having released into the market since 2005 and authorized the duly-licensed Consumer and Environmental Education Foundation to collect and recycle such packaging on its behalf. The principal activities carried out in this area are summarized below.



- Priority is given to efforts to foster awareness of the need to generate less waste.
- Paper recycling bins are installed in office areas.
- Paper, glass, plastic, composite, and waste battery collection units are installed in office and production areas.
- Units for the collection of contaminated materials are installed in production areas while valuable waste is collected separately from hazardous waste.
- Bins are installed for the collection of printer toner cartridges.
- Containers are installed for the collection of packaging waste.

#### **Waste management, disposal, and recycling**

Waste management, disposal, and recycling activities include:

- Preventing the generation of waste at source;
- Reusing waste in operational processes;
- Recovering and recycling waste.

The company's contractual environmental consultancy is responsible for inspecting waste-management performance at the İstanbul and Antalya printing plants every month and that of other facilities at designated intervals.

"Industrial Waste Management Plans" are prepared at designated intervals setting out the ways in which the hazardous and non-hazardous waste generated by operations in all company facilities is to be dealt with. These plans are submitted to the local offices of the Ministry of Environment and Urbanization for their approval.

Approved "Temporary Hazardous Waste Storage Areas" have been created in all regions where the company has operations. The waste collected in these areas is sent to firms that are licensed by the Ministry of Environment and Urbanization to dispose of or recycle it. Complete records of these activities are maintained.

Environmental consultants on duty at these storage areas provide guidance on ways in which to improve their performance.

The company's temporary hazardous waste storage areas are covered by mandatory "Hazardous Waste & Hazardous Waste Compulsory Financial Liability Insurance" policies that provide compensation to those who suffer losses on their account. These policies are kept up to date and are renewed every year.

All the waste that is sent to recycling and/or disposal firms each year is reported the next year to the Ministry of Environment and Urbanization through that ministry's Hazardous Waste Declaration System.

#### **MANDATORY INSPECTIONS**

All of the company's operations are subject to a host of mandatory inspections whose dates and cycles are determined by the nature of the facilities concerned. The most recent such inspection was a detailed audit of documents and site operations that was conducted at the İstanbul DPC plant on 9 December 2016. The plant received full marks as a result of this inspection. No significant infractions were reported in audits that were carried out at the company's other facilities.

**HÜRRİYET  
GAZETECİLİK NOT  
ONLY COMPLIES WITH  
ALL ENVIRONMENT-  
RELATED LAWS,  
REGULATIONS,  
ADMINISTRATIVE  
PROVISIONS,  
AND MANDATED  
STANDARDS, BUT  
ALSO DILIGENTLY  
PROTECTS THE  
ENVIRONMENT AND  
WILDLIFE IN WAYS  
THAT SURPASS THE  
REQUIREMENTS OF  
LAW.**



"This Annual Report has been issued under Article 8 of the Capital Markets Board of Turkey ("CMB") Communiqué no. II-14.1 on Principles of Financial Reporting in Capital Markets, which entered force upon its publication in the Official Gazette issue 28676 dated 13 June 2013, and it is intended to provide an assessment of the Company's activities in the fiscal 1 January 2016 - 31 December 2016 and to inform our investors on the same."

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## INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

# Deloitte.

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

### Report on the Audit of Management's Annual Report in accordance with Independent Auditing Standards

We have audited the annual report of Hürriyet Gazetecilik ve Matbaacılık A.Ş. ("the Company") and its subsidiaries (together will be referred as "the Group") for the period ended 31 December 2016.

#### *Management's Responsibility for the Annual Report*

The Group's Management is responsible for the preparation and fair presentation of the annual report which is consistent with the consolidated financial statements in accordance with the Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"), and for such internal control as management determines relevant to the preparation and fair presentation of such annual report.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Company's annual report based on our audit conducted in accordance with the provisions of the Article 397 of the TCC and the Communiqué. Our audit involves whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements, based on our audit report dated 3 March 2017.

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### *Opinion*

In our opinion, the financial information provided in the Management's annual report, in all material respects, are fairly presented and consistent with the audited consolidated financial statements.

### **Other Legal and Regulatory Requirements**

In accordance with paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Company may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Volkan Becerik,  
Partner  
İstanbul, 3 March 2017

İstanbul, 29 March 2017 (with amendments as to Notes 22 and 27, and as to Annual Report section 4.K on page 20 and the profit distribution table on page 71)

## 1. GENERAL INFORMATION

### 1.A. Period for the Report

This annual report covers the period from 1 January 2016 to 31 December 2016.

### 1.B. Company's Trade Name, Trade Registry Number, Contact Details of Headquarters and Branches, and Website

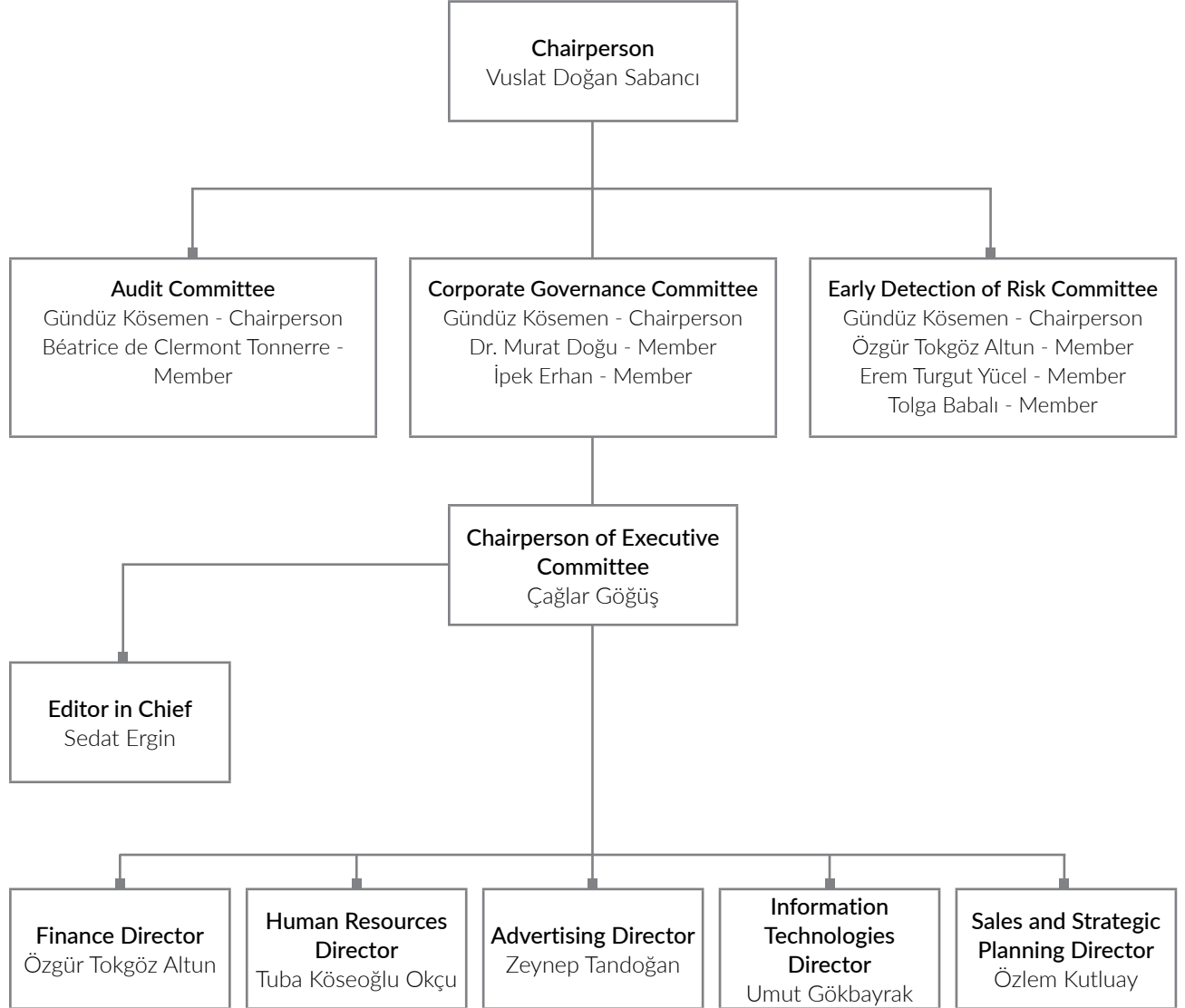
Trade Name: : Hürriyet Gazetecilik ve Matbaacılık A.Ş.  
Trade Registry Office: : Istanbul Chamber of Commerce  
Trade Registry Number: : 78044/19200  
Address: : Hürriyet Dünyası 100. Yıl Mah. 2264. Sokak No: 1 34204, Bağcılar İstanbul/Turkey  
Phone: : +90 212 677 00 00  
Fax: : +90 212 677 01 82  
Corporate website : www.hurriyetkurumsal.com

	Printing Houses and Regional Offices	Phone	Fax
İstanbul (Headquarters)	Hürriyet Dünyası 100. Yıl Mah. 2264. Sokak No: 1 34204, Bağcılar İstanbul	+90 212 6770000	+90 212 6770777
İstanbul Printing House (DPC)	Orhangazi Mahallesi, 1650 Sokak, No: 2 Doğan Medya Tesisleri 34850 Esenyurt / İstanbul	+90 212 6222800	+90 212 6222802
Ankara Printing House (DPC)	Osmangazi Mahallesi, Özal Bulvarı, No: 120, Esenboğa Yolu Üzeri 15. Km 06150 Sarayköy Pursaklar / Ankara	+90 312 3069100	+90 312 3069292
Ankara Regional Office	Söğütözü Mah. Dumlupınar Bulvarı No: 102, Çankaya / Ankara	+90 312 2070000	+90 312 2070100
İzmir Regional Office	Şehitler Cad. No: 16/1 35230 Alsancak / İzmir	+90 232 4886500	+90 232 4637311
İzmir Printing House (DPC)	Fatih Mahallesi Ege Cad. No: 36 35414 Gaziemir Sarnıç / İzmir	+90 232 2982200	+90 232 2816580
Bursa Regional Office	Odunluk Mahallesi Akpınar Caddesi Green White Plaza No: 5 Kat: 6 D:16 Nilüfer / Bursa	+90 224 2500252	+90 224 2508984
Adana Printing House (DPC) Regional Office	Yenidoğan Mahallesi Girne Bulvarı No: 275/A Adana-Ceyhan Karayolu 5. Km. 01260 Yüreğir / Adana	+90 322 3461600	+90 322 3463602
Antalya Printing House (DPC) Regional Office	Yenigöl Mah., Serik Cad., No: 80 Havalimanı Yolu 8. Km 07300 Muratpaşa / Antalya	+90 242 3403838	+90 242 3403822
Trabzon Printing House (DPC) Regional Office	Nuroğlu Mah. Organize Sanayi Bölgesi, 10. Cad., No: 1 Arsin Yolu 61900 Arsin / Trabzon	+90 462 7112500	+90 462 7112502
Frankfurt Printing House	An Der Brücke 20-22 D-64546 Mörfelden - Walldorf Frankfurt / Deutschland	+49 6105327130	+49 6105327373

## 1.C. Company's Organizational Structure, Capital Structure, and Shareholder Structure, and Related Changes That Occurred During the Period

### 1.C.1. Company's Organizational Structure

As of 31 December 2016, the Company's organizational structure is as below:



### 1.C.2. Capital Structure and Shareholder Structure

As of 31 December 2016, the Company's authorized capital is TL 800,000,000, and its issued capital is TL 552,000,000.

Pursuant to the CMB Resolution dated 23 July 2010 and no. 21/655 amended by its Resolution dated 30 October 2014 and no. 31/1059; it is considered that shares corresponding to 22.34% of Hürriyet's capital (31 December 2015: 22.31%) are in free float as of 31 December 2016 according to the records of the Central Registry Agency (in Turkish: MKK).

The shares are traded on Borsa İstanbul A.Ş. under the ticker symbol HURGZ.IS.

	31 December 2016 (TL)	Share (%)	31 December 2015 (TL)	Share (%)
Doğan Şirketler Grubu Holding A.Ş.	428,616,468	77.65	428,616,468	77.65
Traded on BIST and Other	123,383,532	22.35	123,383,532	22.35
<b>Total</b>	<b>552,000,000</b>	<b>100.00</b>	<b>552,000,000</b>	<b>100.00</b>

### 1.D. Information on Privileged Shares and Voting Rights of Shares

Each share is entitled to one vote in our Company. No upper limits have been set forth regarding the voting rights of shareholders. The Company avoids practices that make it difficult to exercise voting rights. All shareholders are given the opportunity to exercise their voting rights in the easiest and most convenient manner. The Company issues no preferred stock.



## 1.E. Company's Direct or Indirect Investment in Associates, Subsidiaries and Share Percentage

### Subsidiaries

The Subsidiaries and the Company's share in these Subsidiaries as of 31 December 2016 and 31 December 2015 are presented below:

	Voting Rights of Hürriyet and its Subsidiaries (%)		Controlling Interest (%)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Subsidiaries</b>				
Yenibiriş A.Ş.	100.00	100.00	100.00	100.00
Glokal <sup>(1)</sup>	100.00	-	100.00	-
Hürriyet Zweigniederlassung	100.00	100.00	100.00	100.00
Hürriyet Invest	100.00	100.00	100.00	100.00
TME <sup>(2)</sup>	97.29	78.57	97.29	78.57
ID Impress Media Marketing LLC	91.00	91.00	88.53	71.50
TCM Adria d.o.o.	100.00	100.00	97.29	78.57
Mirabridge International B.V.	100.00	100.00	97.29	78.57
ZAO Pronto Akzhol	80.00	80.00	77.83	62.86
TOO Pronto Akmola	100.00	100.00	97.29	78.57
OOO Pronto Atyrau	80.00	80.00	77.83	62.86
OOO Pronto Aktobe	64.00	64.00	62.26	50.29
OOO Pronto Aktau	80.00	80.00	77.83	62.86
OOO Pronto Baikal <sup>(3)</sup>	100.00	100.00	97.29	78.57
OOO Pronto DV <sup>(4)</sup>	-	100.00	-	78.57
OOO Pronto Kazan <sup>(5)</sup>	72.00	100.00	70.05	78.57
OOO Pronto Novosibirsk <sup>(6)</sup>	-	100.00	-	78.57
OOO Pronto Oka <sup>(7)</sup>	100.00	100.00	97.29	78.57
OOO Utro Peterburga <sup>(7)</sup>	55.00	55.00	53.51	43.21
OOO Pronto Samara	100.00	100.00	97.29	78.57
OOO Pronto Smolensk <sup>(8)</sup>	-	100.00	-	78.57
OOO Rukom <sup>(9)</sup>	100.00	100.00	97.29	78.57
OOO Pronto Vladivostok <sup>(10)</sup>	-	90.00	-	70.71
OOO Pronto Media Holding	100.00	100.00	97.29	78.57
LLC Pronto Soft <sup>(11)</sup>	-	90.00	-	70.71
OOO SP Belpronto	60.00	60.00	58.37	47.14
OOO Rektcentr	100.00	100.00	97.29	78.57
Publishing House Pennsylvania Inc	100.00	100.00	97.29	78.57
Pronto Ust Kamenogorsk <sup>(12)</sup>	80.00	80.00	77.83	62.86
Publishing International Holding BV	100.00	100.00	97.29	78.57
Impress Media Marketing LLC <sup>(13)</sup>	-	91.00	-	71.50

<sup>(1)</sup> The related subsidiary was established on 26 May 2016.

<sup>(2)</sup> As its shareholders with non-controlling interest did not participate in TME's capital increase, the Company's controlling interest increased from 78.57 to 97.29.

<sup>(3)</sup> The related subsidiary went into liquidation on 5 October 2015.

<sup>(4)</sup> The related subsidiary went into liquidation on 23 June 2016.

<sup>(5)</sup> The related subsidiary went into liquidation in November 2015.

<sup>(6)</sup> The related subsidiary was liquidated in June 2016.

<sup>(7)</sup> The related subsidiary stopped operations before 2010.

<sup>(8)</sup> The related subsidiary was liquidated on 18 October 2016.

<sup>(9)</sup> The related subsidiary stopped operations in 2012.

<sup>(10)</sup> The related subsidiary was liquidated in April 2016.

<sup>(11)</sup> The related subsidiary was liquidated in February 2016.

<sup>(12)</sup> The related subsidiary went into liquidation on 28 December 2016.

<sup>(13)</sup> The related subsidiary was sold in March 2016.

**BOARD OF DIRECTORS' ANNUAL REPORT FOR THE PERIOD FROM  
01 JANUARY 2016 TO 31 DECEMBER 2016**

<b>Business Partnerships</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>Direct and Indirect Shares of Hürriyet and its Subsidiaries (%)</b>	<b>Direct and Indirect Shares of Hürriyet and its Subsidiaries (%)</b>
ASPM Holding B.V. ("ASPM Holding")	49.62	40.07

<b>Subsidiaries</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>Direct and Indirect Shares of Hürriyet and its Subsidiaries (%)</b>	<b>Direct and Indirect Shares of Hürriyet and its Subsidiaries (%)</b>
Doğan Media International GmbH ("Doğan Media")	42.42	42.42

**1.F. Acquisition of the Company's Own Shares**

During the accounting period from 1 January 2016 to 31 December 2016 the Company did not repurchase its own shares.

**1.G. Information on the Board of Directors, Senior Executives and Number of Employees**

**1.G.1. Board of Directors and Committees**

Having been elected at the annual general assembly of 29 March 2016 to serve until the general meeting at which the operations and accounts for the 1 January 2016 to 31 December 2016 fiscal year are to be deliberated, the chairperson and members of the company's board of directors took office as of 30 March 2016. Under Board of Directors Resolution 2016/12 dated 29 April 2016, the following assignments of duties were made.

<b>Name/Last Name</b>	<b>Title</b>	<b>Status</b>
Vuslat Sabancı	Chairperson	Non-Executive
Soner Gedik	Vice Chairperson	Non-Executive
Çağlar Göğüş	Executive Board Member	Executive
Ahmet Özer	Board Member	Non-Executive
Ahmet Toksoy	Board Member	Non-Executive
Ahmet Nafi Dalman	Board Member	Non-Executive
Kai Georg Diekmann	Board Member	Non-Executive
Gündüz Kösemen	Independent Board Member	Non-Executive
Béatrice de Clermont Tonnerre	Independent Board Member	Non-Executive

The Members of the Board of Directors were unanimously elected to serve until the date of the Ordinary General Assembly, where the operations for the fiscal year 1 January 2016 - 31 December 2016 will be discussed. On 26 February 2016 and 3 March 2016, Béatrice de Clermont Tonnerre and Gündüz Kösemen submitted their applications and statements of independence for Independent Board Membership; on 8 March 2016, the Board of Directors submitted and resolved to disclose their applications to the public on the same date. In 2016, the Board of Directors held 34 meetings and approved all resolutions unanimously, without any opposing votes. Members of the Board of Directors have not been limited in any way or by any rules to engage in other duties or function in other positions parallel to their position at Hürriyet. Pursuant to the Board of Directors' resolution dated 29 April 2016, 2016/13, the below listed executives are selected to serve as the chairperson and members of the committees formed by the Board of Directors.

## Executive Committee

Name/Last Name	Title
Çağlar Göğüş	Chairperson of Executive Committee
Sedat Ergin	Executive Committee Member in charge of Editorial Affairs/Editor in Chief
Özgür Tokgöz Altun	Executive Committee Member in charge of Finance/Finance Director
Tuba Köseoğlu Okçu	Executive Committee Member in charge of Human Resources/Human Resources Director
Zeynep Tandoğan	Executive Committee Member in charge of Advertising/Advertising Director
Umut Gökbayrak	Executive Committee Member in charge of Information Technologies/Information Technologies Director
Özlem Kutluay	Executive Committee Member in charge of Sales and Planning/Sales and Strategic Planning Director

(<sup>1</sup>) The individuals named below, who were appointed as Executive Committee Members by the Board of Directors Decision no. 2016/13 dated 29 April 2016, left their respective posts as of the dates mentioned below:

- Birim Gönülşen Özyürekli, who was in charge of Marketing, as of 2 June 2016,
- Ediz Haşmet Kökyazıcı, who was in charge of Financial and Administrative Affairs, as of 18 August 2016,
- Özlem Kutluay, who was in charge of Sales and Planning, as of 28 February 2017,
- Sedat Ergin, who was in charge of Editorial Affairs (Editor in Chief), as of 1 March 2017.

The Executive Committee has been established in accordance with Article 16 of the Company's Articles of Association. In principle, the Committee convenes once a week.

## Audit Committee

Name/Last Name	Title	Status
Gündüz Kösemen	Chairperson	Independent Member of the Board of Directors, Non-Executive
Béatrice de Clermont Tonnerre	Member	Independent Member of the Board of Directors, Non-Executive

The table above provides the names and titles of Audit Committee Members who have been elected to serve in the General Assembly meeting where the activity results and accounts of the 1 January 2016 - 31 December 2016 fiscal year will be discussed as per the Board of Directors resolution no. 2016/13 dated 29 April 2016. The Audit Committee met 4 times during 2016. The duties and the working principles of the Audit Committee are detailed on Hürriyet Gazetecilik's corporate website ([www.hurriyetkurumsal.com](http://www.hurriyetkurumsal.com)). The Audit Committee conducts its activities on a regular basis and in accordance with the Capital Market Law and CMB regulations and decisions. During 2016, the Audit Committee submitted five written notices to the Board of Directors.

**BOARD OF DIRECTORS' ANNUAL REPORT FOR THE PERIOD FROM  
01 JANUARY 2016 TO 31 DECEMBER 2016**

The statements of independence of the Independent Members of the Board of Directors are as follows:

Date: 3 March 2015

**STATEMENT OF INDEPENDENCE**

To the Office of the Hürriyet Gazetecilik ve Matbaacılık A.Ş. Chairperson,

I, as a nominee for the Hürriyet Gazetecilik ve Matbaacılık A.Ş. Board member, hereby affirm that I satisfy the conditions required of an "Independent Member of the Board of Directors" as stipulated in the Capital Market Law, Corporate Governance Principles Communiqué no. II-17.1, resolutions of the Capital Markets Board of Turkey (CMB) and other legislation as well as Articles of Association of your Company; that, if elected, I shall immediately notify the Chairperson of the Board of Directors as soon as I come to know if and when the aforementioned independence conditions cease to exist, and that I shall obey the Board of Directors decision and resign if deemed necessary.

Yours respectfully,



Gündüz Kösemen

---

Date: 26 February 2016

**STATEMENT OF INDEPENDENCE**

To the Chairperson of the Board of Directors,

I, as a member of the Board of Directors of Hürriyet Gazetecilik ve Matbaacılık A.Ş., hereby affirm that I bear the conditions of "independent member of the Board of Directors" as stipulated in the Capital Markets Law, the Communiqué and resolutions of the Capital Markets Board and other legislation as well as Article of Association of your Company; that if elected, I shall immediately notify the Office of the Chairperson of the Board of Directors as soon as I come to know that the aforementioned independency conditions no longer exist and that I shall obey the Board Resolution and resign if deemed necessary.

Yours respectfully,



Béatrice de Clermont Tonnerre



## Corporate Governance Committee

With decision n. 2016/13 (date: 29/04/2016) the Company Board of Directors deemed appropriate that i) the Chairperson and the members of the Corporate Governance Committee shall be elected, ii) the Chairperson and the members of the Corporate Governance Committee shall continue to assume duties until the first Board of Directors meeting that will be held after the General Assembly meeting where the activity results and accounts of the 1 January 2016 - 31 December 2016 fiscal period will be discussed, and iii) the Corporate Governance Committee shall undertake the tasks of "Nomination Committee" and "Remuneration Committee" as stipulated in the "Corporate Governance Communique (II-17.1)" of the Capital Markets Board (CMB).

Name/Last Name	Title	Status
Gündüz Kösemen	Chairperson	Independent Member of the Board of Directors, Non-Executive
Dr. Murat Doğu	Member	Non-Executive
Sema İpek Erhan	Member	Investor Relations Manager, Executive

The Corporate Governance Committee met four times during 2016 and submitted five written notices to the Board of Directors. The duties and the working principles of the Corporate Governance Committee are detailed on Hürriyet Gazetecilik's corporate website ([www.hurriyetkurumsal.com](http://www.hurriyetkurumsal.com)).

## Investor Relations Unit

Under Board of Directors Resolution 2014/30 dated 21 July 2014, an investor relations unit was created in line with CMB Corporate Governance Communique II-17.1. Sema İpek Erhan has been appointed as the Manager of Investor Relations Department based on the Board of Directors decision no. 2016/11 dated 31 March 2016. Names and titles of Investor Relations Department employees are given in the table below. Investor Relations Department submits a report on its activities to the Board of Directors at least on an annual basis.

Name/Last Name	Title
Sema İpek Erhan	Manager (full time) - Investor Relations Department
Elif Özcan	Officer (full time) - Investor Relations Department

## Early Detection of Risk Committee

Under Board of Directors Resolution 2016/13 dated 29 April 2016, it was decided to set up an early detection of risk committee as follows pursuant to article 378 of the Turkish Commercial Code and to the CMB communique on corporate governance. Early Detection of Risk Committee met six times during 2016 and submitted six written notices to the Board of Directors.

Name/Last Name	Title	Status
Gündüz Kösemen	Chairperson	Independent Board Member, Non-Executive
Özgür Tokgöz Altun <sup>(*)</sup>	Member	Hürriyet Gazetecilik ve Matbaacılık A.Ş. Finance Director
Erem Turgut Yücel	Member	Doğan Şirk. Grubu Hold. A.Ş. Chief Legal Officer
Tolga Babalı	Member	Doğan Şirk. Grubu Hold. A.Ş. Vice-President - Financial Affairs and Risk Management

<sup>(\*)</sup> Having been assigned as Finance Director by the Board of Directors decision no. 2016/13 dated 29 April 2016, Ediz Haşmet Kökyazıcı left that position by the Board decision no. 2016/25 dated 18 August 2016. Based on the said decision, Özgür Tokgöz Altun has been appointed as Executive Committee Member in charge of Financial and Administrative Affairs.

## BOARD OF DIRECTORS' ANNUAL REPORT FOR THE PERIOD FROM 01 JANUARY 2016 TO 31 DECEMBER 2016

### 1.G.2. Senior Executives

Name/Last Name	Title
Çağlar Göğüş	Chairperson of the Executive Committee
Sedat Ergin <sup>(1)</sup>	Executive Committee Member/Editor in Chief
Özgür Tokgöz Altun	Executive Committee Member/Finance Director
Tuba Köseoğlu Okçu	Executive Committee Member/Human Resources Director
Zeynep Tandoğan	Executive Committee Member/Advertising Director
Umut Gökbayrak	Executive Committee Member/Information Technologies Director
Özlem Kutluay <sup>(2)</sup>	Executive Committee Member/Sales and Strategic Planning Director

<sup>(1)</sup> Sedat Ergin, Executive Committee Member in charge of Editorial Affairs (Editor in Chief), left his position effective 1 March 2017,

<sup>(2)</sup> Özlem Kutluay, Executive Committee Member in charge of Sales and Planning, left her position effective 28 February 2017.

The current positions of senior executives, their commencement of duty at the Company, educational backgrounds and years of professional experience are presented below:

Name/Last Name	Title	Commencement of Duty at the Company	Education	Years of Experience
Çağlar Göğüş	Chairperson of the Executive Committee	10.02.2016	Bachelor's Degree: Bilkent University Business Administration Department	19
Sedat Ergin <sup>(1)</sup>	Executive Committee Member/ Editor in Chief	01.06.1993	Bachelor's Degree: Ankara University Faculty of Political Sciences International Relations Department	42
Özgür Tokgöz Altun	Executive Committee Member/ Finance Director	19.08.2016	Bachelor's Degree: Middle East Technical University Business Administration Department	19
Tuba Köseoğlu Okçu	Executive Committee Member/ Human Resources Director	15.03.2012	Bachelor's Degree: Boğaziçi University Translation and Interpreting Department	23
Zeynep Tandoğan	Executive Committee Member/ Advertising Director	03.03.2014	Bachelor's Degree: Mimar Sinan University Statistics Department	19
Umut Gökbayrak	Executive Committee Member/ Information Technologies Director	10.02.2016	Bachelor's Degree: Ege University Computer Sciences Department	20
Özlem Kutluay <sup>(2)</sup>	Executive Committee Member/ Sales and Strategic Planning Director	07.01.2013	Bachelor's Degree: Bilkent University Electrical and Electronics Engineering Department	23

<sup>(\*)</sup> The individuals named below, who were appointed as Executive Committee Members by the Board of Directors Decision no. 2016/13 dated 29 April 2016, have left their respective posts as of the dates mentioned below:

<sup>(1)</sup> Özlem Kutluay, who was in charge of Sales and Planning, as of 28 February 2017,

<sup>(2)</sup> Sedat Ergin, who was in charge of Editorial Affairs (Editor in Chief), as of 1 March 2017.

### 1.G.3. Number of Employees

The total number of employees of the Company and its subsidiaries was 1,988 as of 31 December 2016 (31 December 2015: 2,376).

### 1.H. Information on the Board Members' Transactions with the Company on their Own Behalf or on Behalf of Third Parties, and Information Related to Activities in the Framework of Restrictions on Competing within the Permission Granted by the General Assembly

Except for those transactions prohibited by the Turkish Commercial Code, Board Members obtain the permission of the General Assembly to carry out the transactions outlined in Articles 395 and 396 of the Turkish Commercial Code. According to the information available to the Company, in 2016, Board Members did not conduct any commercial activities on their own behalf in the Company's line of business.

### 1.I. Administrative or Legal Sanctions Imposed on the Company or Board Members Due to Action in Violation of Legislation

During the period, no administrative or legal sanction was imposed on the Company or Board Members due to actions in violation of legislation.

### 1.J. Amendments to the Articles of Association During the Period and Reasons Thereof

No changes have been made to the Articles of Association during this operating cycle.

## 2. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

All rights, benefits and remuneration offered to Board Members are determined at the Annual General Assembly Meeting. The Company has identified its key executives as the Members of the Board of Directors and the Members of the Executive Committee. The total benefits offered to the key executives consist of a salary, bonus, health insurance, transportation and a severance package.

At the Ordinary General Meeting held on 29 March 2016, it was resolved with the majority of the votes that the Chairperson of the Board of Directors be paid a monthly net fee of TL 10.000, Board Members Kai Georg Diekmann and Béatrice de Clermont Tonnerre a monthly net fee of USD 5.000 each, and other Board Members a monthly net fee of TL 5.000 each.

	01 January - 31 December 2016	01 January - 31 December 2015
Remuneration and other short term benefits	11,020,947	10,207,573
Post-employment benefits	1,481,326	237,539
<b>Total</b>	<b>12,502,273</b>	<b>10,445,112</b>

## 3. RESEARCH AND DEVELOPMENT ACTIVITIES

In 2016, the Company did not conduct any research/development activities and did not incur any costs accordingly.

## 4. COMPANY OPERATIONS AND RELATED MAJOR DEVELOPMENTS

### 4.A. Company's Core Business, Sector and Its Position within the Sector

#### PRINT MEDIA

##### HÜRRİYET

The Hürriyet brand has been a strong and leading publisher in print media for 68 years and in the digital world for 19 years. Interpreting sectoral developments and needs and keeping a close watch on technology, Hürriyet is a sectorally-recognized leader by virtue of its ability to make its presence felt dynamically and innovatively on many different platforms. An ability to anticipate social changes and to employ technology to spearhead and support them as well the means to provide access to content whenever, wherever, and however it may be wanted have also made Hürriyet a strong player in the digital world.

As a newspaper, Hürriyet continues to employ its deep-rooted experience and vision to further develop the world it has created. The paper remains on course by diversifying its content delivery channels, supplying audience-specific targeted products, and keeping its eye on trends.

In addition to its proven clout in news reporting, Hürriyet also touches its readers' lives with enjoyable content and supplements. Weekend supplements provide guidance for readers who are busy all week long and who want to make the best use of their weekends.

##### HÜRRİYET SUPPLEMENTS

For Hürriyet readers, enjoyable weekends begin with **Hürriyet Cumartesi**. A weekend culture & art, shopping, and event supplement that appears on Saturday, Hürriyet Cumartesi is a weekend guide to everything from cinema to music and from the theater to the newest books. Hürriyet Cumartesi employs a four-star rating system in which the best names in their respective fields inform readers about the best events and products and help them to plan their time effectively. With its new and dynamic design and rich content, Hürriyet Cumartesi remains the very best urban living and lifestyle directory.

A Hürriyet weekend supplement that the whole family loves to read is Hürriyet Pazar, which appears on Sundays. Offering a selection of agenda-setting cover stories, intimate interviews with leading Turkish and international celebrities, special features, humor, and articles about food & drink and nature, **Hürriyet Pazar**'s staff includes some of the leading and most successful names in the business today such as Gülse Bırsel, Vedat Milor, Mehmet Öz, Mehmet Yaşın, and Ayşe Arman.

A former Hürriyet Sunday supplement that used to be distributed in İstanbul, Ankara, and İzmir only, **Hürriyet Keyif** focused on TV, cinema, culture, and art. Besides informative articles about events in the art world, Hürriyet Keyif also provided reviews of the latest movies, books, and TV shows.

Appearing on Sundays is **Hürriyet Seyahat**, Hürriyet's travel and culture supplement. With detailed articles about trips to places all over the world and Turkey, recommendations by such seasoned travel-writers as Ayhan Sicimoğlu and Saffet Emre Tonguç, and personal accounts by readers themselves, Hürriyet Seyahat appeals to anyone who may be preparing to go on vacation or who just wants to hit the road.

For 44 years Hürriyet's daily supplement **Kelebek** has been supplying readers with celebrity news and lifestyle content that adds color to their lives while relieving them of the stress of everyday existence. Employing a staff of such talented writers as Melis Alphan, Cengiz Semercioğlu, Onur Baştürk, and İzzet Çapa, Kelebek keeps its readers up to date not just on current events but also on the latest goings-on in everything from celebrity news to fashion and from nightlife to the world of television.



## Radikal Kitap

One of Turkey's most prestigious publications in the worlds of literature and publishing, Radikal Kitap first appeared before Radikal readers more than thirteen years ago and has been keeping its finger on the country's literary pulse ever since. Radikal Kitap's success is attested to by its popularity not just among individual readers but also among book dealers and publishing houses. The most important factors contributing to Radikal Kitap's success are the credibility and richness of its editorial content, its optimum balance between news and advertising, and its regular appearance as a Hürriyet supplement on a specific day every week. Evidence that Radikal Kitap is a book supplement that is more sought after than any other is provided by information collected from book fairs, by the views of publishers, and by analyses of annual advertising expenditures. Located at [Radikalkitap.com](http://Radikalkitap.com), the Radikal Kitap website provides information about books organized by category and also allows registered users to create their own libraries and reading lists and to examine and comment on books. For many years the Radikal Kitap and Radikal İki supplements were big contributors to Turkey's intellectual landscape and life. Radikal Kitap is still being published as a free supplement that is included along with the Friday editions of Hürriyet that circulate in the country's major cities.

## Hürriyet Daily News

Launched on 15 March 1961 as the Turkish Daily News and "The World's Window on Turkey", the paper joined the Doğan Group on 20 January 2000 and was renamed Hürriyet Daily News of 3 November 2008. Since its inception Hürriyet Daily News has been a leading, trailblazing, and respected source of news about Turkey and its region. Although it is Turkey's oldest continuously-published English-language newspaper and has been witness to 55 years of history, Hürriyet Daily News has remained as vigorous as ever by constantly renewing itself. The premier choice of readers in both its printed and digital formats, Hürriyet Daily News remains a leading source of news not just about Turkey but about its region as well.

In 2016 Hürriyet Daily News continued to successfully serve not only as Turkey's but also as Hürriyet World's and the Doğan Group's "Window On The World".

That success was largely attributable not just to the paper's fulfillment of its vitally important role in the conduct of digitally-based newsprint journalism but also to its ability to reliably present breaking news and likewise to highlight a broad range of Hürriyet authors' reporting and editorials through its website located at [hurriyetdailynews.com](http://hurriyetdailynews.com).

For such reasons, Hürriyet Daily News has become a leading source of news not just about Turkey but about its region as well in the English-speaking world.

Hürriyet Daily News's sales averaged 5,212 a day in 2016, which was somewhat below the previous year's 6,176 figure. There were two main reasons for this. One was the decision by many tourism-industry businesses not to renew their group subscriptions owing to the serious contraction in tourist arrivals that was caused by political events; the other was the need to raise the paper's cover price owing to operating higher costs. Despite the drop in circulation numbers however, sales revenues were up by 4% year-on.

Turning now to Hürriyet Daily News's [hurriyetdailynews.com](http://hurriyetdailynews.com) website: the number of opened sessions increased from 18 million in 2015 to 19 million in 2016.

A breakdown of Hürriyet Daily News website visitors by country reveals the top five to be:

1. Turkey 23.8%
2. USA 21.7%
3. UK 9.9%
4. Canada 4.1%
5. Germany 3.7%

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### DIGITAL MEDIA

#### Hurriyet.com.tr

Hürriyet believes that maintaining its leadership in printed media in the world of online news reporting is one of its top business goals. In keeping with this attitude, Hürriyet became one of the first newspapers in Turkey to go online with the launch of its Hurriyet.com.tr website in 1997. Since 2000, the website has been surpassing its printed sibling by serving as a news portal through which breaking news and other current developments appear instantly 24 hours a day seven days a week. In 2009 Hurriyet.com.tr developed new channels such as Web TV and Astrology. These undertakings continued the following year with the launch of interactive services such as "Bumerang" and "Yazarkafe" and with the release of many new products specially designed for mobile access. In 2014 Hurriyet.com.tr was transformed into a social media platform in its own right. The website continues to lead the way and to break new ground as an innovative pioneer in mobile apps, e-newspapers, and other landscapes of the digital world.

In keeping with its commitment to the principle of giving its users access through every device, Hürriyet became the first in Turkey to author an Apple Watch app. Reaching out to reader through every conceivable channel, Hurriyet.com.tr's social media followers continue to steadily increase in number. As of end-2016, there were 16.5 million of them.

Hurriyet.com.tr easily defended its unassailable position in digital publishing all year long in 2016. As of year-end, it had racked up daily and monthly visitor averages of 3.5 million and 60 million respectively. The average number of daily pageviews is around 50 million. Hurriyet.com.tr is also widely followed through social media: indeed, its content ranks among the most frequently shared of any website hosted in Turkey.

Having previously introduced an e-newspaper app for use on tablets and mobile devices, Hürriyet adapted it so that it could be used conveniently by its web-access users as well in 2015. Hürriyet even developed an electronic-format crossword puzzle and incorporated it into its e-newspaper. The number of active users of Hürriyet Mobile, an upgraded version of this improved Hürriyet e-newspaper app that was released in May 2016, increased from 290 thousand to 500 thousand.

#### Radikal.com.tr

In June 2014, Radikal became a "digital-only" publication. Radikal.com.tr's news, columnist, and similar content production operations were suspended as of 15 August 2016 as were the activities of its associated website Radikalblog.com.

#### Hürriyet TV

Hürriyet increases the effectiveness of all the original digital-universe video content that it creates in such areas as travel, economics, current events, lifestyle, food, and childcare by making it accessible to viewers on its own website as well as through dedicated channels. This effectiveness is being increasingly enhanced by making such content available in specialized new formats through alternative delivery channels such as Facebook and YouTube to other audiences that its own website doesn't connect to. Besides creating a stir in the industry, these new specialized formats have begun to attract advertisers because they satisfy brands' content marketing requirements in ways other than display-based revenue models.

Hürriyet TV's goal is to increase viewing numbers and revenues in all delivery channels through a fully-scalable production model. With the renovation of its website in late 2016, it has become possible to publish both news and non-news video-content formats that are compatible with global standards while the original content which Hürriyet TV creates in verticals is becoming increasingly more attractive to brands. Both these developments are important from the standpoint of traffic and revenue performance.

## **Bigpara.com**

The most important developments in 2015 were a complete overhaul of the web infrastructure and the introduction of two new mobile revenue models for the already-existing mobile apps. The Bigpara.com website offers two subscriber packages: “Standard” and “Ad-Free”. Under an agreement with AK Investment, a brokerage house, a trading pool was opened that allows Bigpara.com users to trade on their own accounts. The B2C ad-free subscription revenue model is the first such to be tried out by Hürriyet and therefore represents an important step in a new direction. About 40% of subscribers opt for the ad-free package.

During 2016 Bigpara.com received an average of 8 million visits a month. New mobile apps were released in order to provide native solutions for the needs of users migrating to mobile devices. Under a licensing agreement with Borsa İstanbul, the İstanbul stock exchange, Bigpara.com is supplying app users with BIST data in real time. Under another agreement with foreks.com, an online currency-trading website, Bigpara.com users can also buy and sell foreign currencies there too.

Continuing to work on projects such as the ongoing development of mobile apps in line with users’ needs, the addition of new features (analysis etc, paid content) to subscriber packages, growing the subscriber base, and strengthening its position in the Android market, the Bigpara.com subscriber base has reached 40 thousand.

## **Hurriyetaile.com**

In line with its “Your Family’s Bedside Guidebook” slogan, Hurriyetaile.com is a 24/7 source of trustworthy information about health, psychology, education, and other basic issues that every parent is in need of. Receiving an average of 3.7 million visitors every month, Hurriyetaile.com is the unchallenged leader among its rivals by a wide margin. In what represents an important step towards its goal of providing users with customized content and services, the website has introduced a personalized mailing service.

## **Mahmure.com**

Receiving an average of five million visitors every month, mahnure.com continues to publish content designed to appeal to women. As Turkey’s oldest woman-specific online resource, mahnure.com is a strong competitor whose importance is well understood by advertisers. During 2016 mahnure.com continued to offer brand-specific solutions for content marketing. In the last quarter of 2016, an important step was taken when the website was relocated to its new address Mahmure.hurriyet.com.tr within the Hurriyet.com.tr domain.

Appealing especially to young women with content such as fashion, beauty, love & relationships, sexual health advice, and astrology, efforts continue to be made to organize online and offline activities that will expand Mahmure.hurriyet.com.tr’s audience, especially among university students.

## **E-BUSINESS**

### **Hurriyetemlak.com**

Launched in 2006 as Hürriyet’s online real estate platform, Hurriyetemlak.com today is the premier real estate industry portal in Turkey. Encompassing the entire Turkish real estate industry under a single roof, Hurriyetemlak.com keeps its finger on the sector’s pulse with its huge portfolio of ads, current news, and innovative projects and products. In 2016, Hurriyetemlak.com had an average of 6 million unique visitors a month according to Google Analytics figures published for the year.

Making tremendous progress in both technology and content in 2016, Hürriyet Emlak in 2017 will continue to work on projects that will generate even more value for both realtors and users.

Through aggressive marketing and branding projects in digital, TV, and outdoor media Hürriyet Emlak will further strengthen its position in the sector in 2017 while also sustaining the strong growth that it has already achieved. Thanks to its skilled management team, strong sales network, and advanced-technology solutions, Hürriyet Emlak is on course towards its goal of becoming Turkey’s leading source of real estate advertising in the near future.

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Under a resolution passed by the Hürriyet Board of Directors on 25 November 2016, it was decided to transfer ownership of Hürriyet Real Estate Services, which operates as a division of the company, to the firm of Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş. through a method that is referred to as "an accelerated partial demerger by shareholding". A petition to initiate this process was submitted to the Capital Markets Board on 30 November 2016.

### **Hurriyetoto.com**

A leading portal in Turkey's constantly-expanding automotives sector, Hurriyetoto.com continued to increase both its ad and its visitor numbers in 2016 as well.

### **Yenibiris.com**

Turkey's most innovative human resources platform, Yenibiris.com has been in operation since 2000. Yenibiris.com is the choice of more than 150 thousand firms ranging from major multinationals to SMEs and from startup companies to HR consultancies in the conduct of their employee-candidate recruitment and assessment processes.

Besides serving as a platform that brings people seeking to begin or to advance their careers together with firms looking for talent, Yenibiris.com keeps watch on global trends in order both to make use of state-of-the-art solutions such as intelligent recommendation systems and to continue providing its users with an unrivalled digital experience.

According to Google Analytics figures published for the year, Yenibiris.com had an average of 2.2 million unique visitors a month in 2016.

### **Yakala.co**

An e-commerce website that employs the group-purchase business model, Yakala.co is what is popularly referred to as a "deal", "discount", or "coupon" website. Besides making it possible for its individual users to pursue their social lives more economically, Yakala.co also gives the local, national, and international firms that it collaborates with opportunities to increase their online visibility and earnings through online advertising and direct sales.

The Yakala.co website brings together a host of individual city-based and country-wide deals in a huge array of categories and subcategories that range from domestic and international holiday packages, downtown hotels, restaurants, spas, beauty parlors, entertainment spots, theater/cinema/concert tickets & events, educational courses, exciting activities, technology products and handy gadgets, transportation (seabus, seaplane, helicopter, intercity bus), and vehicle-rental services.

Keeping its eye on international trends in digital platforms, Yakala.co immediately implements technological developments that help make online shopping safer, faster, and easier. With both desktop and mobile interfaces and both Android- and iOS-base apps, Yakala.co has consistently enhanced the value it creates since its inception in 2010 by constantly keeping itself state-of-the-art.

In addition to its sales-related technology operations, Yakala.co also adheres to a service model which is sensitive to user satisfaction and which makes use of online live support, email, and social media in order to respond to and resolve users' questions and problems.

### **Yakala.co by the numbers in 2016**

- 7,850 new deals were published (cooperation/sales agreements)
- More than 456,000 coupons were sold.
- Turnover and revenues were up by more than 10% and 20% respectively year-on.
- 166,000 new members (users) were registered.



#### **4.B. Comments on the Company's Production Units Quality, Capacity Utilization Rates and Developments, General Capacity Utilization Rates, Developments in Production, Quantity, Quality, Comparison of Current Version and Prices with Previous Versions**

Active in newspapers, printing, advertising, want-ads, and internet publishing, Hürriyet has seven printing plants in İstanbul, Ankara, İzmir, Adana, Antalya, Trabzon, and Frankfurt.

Doğan Printing Center (DPC) facilities, which print all of the newspapers published by the Hürriyet Group, are located in the cities of İstanbul, Ankara, İzmir, Adana, Antalya, and Trabzon in Turkey. The group's international printing operations are conducted in Frankfurt by Hürriyet's German subsidiary Hürriyet Zweigniederlassung GmbH. In the years between 1997 and 2013 Hürriyet Gazetecilik ve Matbaacılık A.Ş. undertook investments whose total value amounted to about USD 484.2 million, well more than half (USD 296.7 million) of which consisted of investments in the company's DPC plants.

DPC plants print not only Hürriyet and Hürriyet Daily News and their supplements but also, under contract, other group and non-group newspapers and their supplements on a daily, weekly, and monthly basis.

##### **DPC İstanbul**

With about 18,000 m<sup>2</sup> of indoor space and 15,000 m<sup>2</sup> of storage area, DPC İstanbul is Turkey's biggest newspaper printing plant. In terms of installed machinery and production capacity, DPC İstanbul is one of the three biggest newspaper printing plants in Europe. An advanced building automation system provides full control over all mechanical and electrical systems and is supported by 11,000 KVA of electricity-generation capacity and 10,000 KVA of installed transformer capacity. DPC İstanbul used 116 tons of paper a day on average in 2016 while contributing a 45% share of Hürriyet's total printing output. Dryers added to DPC İstanbul's two Man Colorman rotary presses in 2012 allowed them to print on both coated paper and newsprint. These improvements not only keep ink from bleeding when printing on newsprint but also increased the quality of the finished product. The 2015 introduction of printing plates whose processing requires fewer chemicals not only cut costs appreciably but also helped reduce the environmental impact of plant operations.

##### **DPC Ankara**

DPC Ankara is Hürriyet's second-biggest printing plant. Occupying about 58,000 m<sup>2</sup> of land on the highway to Ankara Esenboğa Airport, the DPC Ankara plant has about 16,000 m<sup>2</sup> of indoor space. A steel-construction building, the plant is equipped with 120 Goss Universal presses and boasts one of the longest continuous print-production lines in the world.

The DPC Ankara plant can print up to 180 thousand newspapers an hour on four-level equipment designed to simultaneously print four different newspapers. The plant has three automatic insertion machines that were installed in 2007. Supported by 4,500 KVA of electricity-generation capacity and 4,500 KVA of installed transformer capacity, DPC Ankara used 41 tons of paper a day on average in 2016. The plant contributes a 16.2% share of Hürriyet's total printing output. While no substantial changes were made at the DPC Ankara Plant, the addition of two ultraviolet (UV) dryers in 2012 made it possible for the plant to accommodate eight-page (4 double-fold page) dry-print jobs on coated paper. The 2015 introduction of printing plates whose processing requires fewer chemicals helped reduce the environmental impact of the plants' operations while also appreciably cutting its operating costs. The reduction in plate dimensions in 2016 also led to significant economies.

**BOARD OF DIRECTORS' ANNUAL REPORT FOR THE PERIOD FROM  
01 JANUARY 2016 TO 31 DECEMBER 2016****DPC İzmir**

In January 2007 Hürriyet's DPC İzmir plant moved into new premises located 20 kms from downtown İzmir and 2 kms from the city's İzmir Adnan Menderes Airport. Occupying about 35,000 m<sup>2</sup> of grounds with 12,000 m<sup>2</sup> of greenspace, the plant has 16,000 m<sup>2</sup> of indoor space. Total installed electrical capacity is 5 MVA. There are two 2,500 KVA transformers and two 2,500 KVA power generators. The plant is equipped with 120 Goss Universal presses and boasts one of the longest continuous print-production lines in the world. The DPC İzmir plant prints on equipment designed to simultaneously print four different newspapers on four levels. DPC İzmir used 50 tons of paper a day on average in 2016. The plant contributes a 19.6% share of Hürriyet's total printing output. Thanks to a UV dryer system that was installed in 2012, the plant can simultaneously print the front pages of two newspapers with UV-dried non-bleeding ink. The 2015 introduction of printing plates whose processing requires fewer chemicals helped reduce the environmental impact of the plants' operations while also appreciably cutting its operating costs. The reduction in plate dimensions in 2016 also led to significant economies.

**DPC Antalya**

Hürriyet's DPC Antalya plant occupies about 11,000 m<sup>2</sup> of grounds and has 4,900 m<sup>2</sup> of indoor space. A 3,600 KVA generator is supported by a 2,500 KVA transformer. Equipped with a Tensor T1400 press (40 pages/32 color) and two Goss Community presses (40 pages/28 color and 32 pages/24 color), the DPC Antalya plant has the ability to simultaneously print three different newspapers on a three-level system whose total production capacity is 105 thousand newspapers an hour. Four-page runs of UV-dried printing can be accommodated on two of the plant's machines. DPC Antalya used 14.5 tons of paper on a day on average in 2016. The plant contributes a 5.62% share of Hürriyet's total printing output. Having satisfactorily fulfilled regulatory requirements in 2011, the Hürriyet DPC Antalya plant was awarded a five-year "environmental permit" by the Antalya Provincial Directorate of Environment and Forests. The 2015 introduction of printing plates whose processing requires fewer chemicals helped reduce the environmental impact of the plants' operations while also appreciably cutting its operating costs. The reduction in plate dimensions in 2016 also led to significant economies.

**DPC Adana**

Occupying about 11,000 m<sup>2</sup> of grounds, Hürriyet's DPC Adana plant conducts its operations in 5,800 m<sup>2</sup> of indoor space. The plant is equipped with a 2,500 KVA transformer and two generators with capacities of 1,600 KVA and 2,000 KVA respectively. The DPC Adana plant has three Tensor presses with the capacity to print up to 35 thousand units an hour. Two of these presses can accommodate 36-page (28 color) runs while the third can print 40-page newspapers with 32 of them in color. DPC Adana used 21.5 tons of paper a day on average in 2016. The plant contributes an 8.5% share of Hürriyet's total printing output. The 2015 introduction of printing plates whose processing requires fewer chemicals helped reduce the environmental impact of the plants' operations while also appreciably cutting its operating costs. The reduction in plate dimensions in 2016 also led to significant economies.

**DPC Trabzon**

The first of Hürriyet's facilities to be set up as part of the DPC organization, the DPC Trabzon plant occupies about 24,000 m<sup>2</sup> of grounds and has 3,500 m<sup>2</sup> of indoor space. The plant is equipped with a 2,000 KVA transformer and has 1,054 KVA of generator capacity. There are two Goss Community presses, each capable of printing 40-page newspapers with 32 color pages in one case and 28 color pages in the other. The plant can print up to 70 thousand newspapers an hour.

In 2011 two UV dryer units were installed at DPC Trabzon thereby enabling the plant to handle four-page runs of UV-dried printing on its two presses.

In late 2012 four computer-to-plate units were installed at the plant. DPC Trabzon used 13.2 tons of paper a day on average in 2016. The plant contributes a 5.16% share of Hürriyet's total printing output. The 2015 introduction of printing plates whose processing requires fewer chemicals helped reduce the environmental impact of the plants' operations while also appreciably cutting its operating costs. The reduction in plate dimensions in 2016 also led to significant economies.

The 2016 capacity utilization rates by region and in comparison with 2015 figures are as follows:

Region	2016 (%)	2015 (%)
İstanbul	44	45
Ankara	34	35
İzmir	41	42
Adana	29	30
Antalya	22	30
Trabzon	32	29

The results in product and service production can be seen in the number of printed pages as presented below:

Printing activity	2016	2015
Total number of pages printed	21,427,311,312	23,269,179,792

There was a 8% drop in the total number of printed pages as compared with the previous year. Page-production figures indicate the number of pages produced for both company-owned newspapers (Hürriyet and Hürriyet Daily News) and for outside publications. The drop in printing numbers stems from circulation losses suffered by both company-owned and customer-owned newspapers being printed, which losses in turn are attributable to the general contraction in the Turkish newspaper market.

While net newspaper sales in Turkey overall averaged 4,508,000 a day in 2015, in 2016 the average was 3,634,000. That corresponds to a 19.4% year-on decline. Net sales of Hürriyet, which averaged 359,000 a day in 2015, averaged 338,000 in 2016.

Paper, expenditures for which are by far the most important component of our cost of goods sold, is imported mainly from the USA, Canada, some Northern European countries, and Russia. Its cost to us is affected not just by global paper prices but also by movements in the US dollar/Turkish lira exchange rate. The price of a ton of the imported paper used to print Hürriyet averaged USD 570 in 2015; in 2016 it averaged USD 566, which corresponds to a year-on decline on the order of 1%. At the same time, Hürriyet's average page count, which was 66.93 in 2015, was up to 68.36 in 2016. In 2015 a total of 46,000 tons of newsprint was used. Owing to declines in both page counts and circulation numbers, the total was 45,000 tons in 2015.

#### 4.C. Prices, Sales Revenues, Sales Conditions of Goods and Services, Improvements Seen during the Year, Developments in the Efficiency and Productivity Rates, Significant Changes in These Subjects Compared to Previous Years

A breakdown of Hürriyet Gazetecilik ve Matbaacılık A.Ş.'s consolidated sales proceeds by category is as follows:

Revenues	2016	Share (%)	2015	Share (%)
	(TL thousand)		(TL thousand)	
Advertising	361,026	%64	383,395	%64
Circulation and Printing	186,323	%33	181,982	%31
Other	16,753	%3	30,706	%5
<b>Total</b>	<b>564,102</b>		<b>596,083</b>	

As may be seen from the accompanying chart, 64% of the company's consolidated revenues are generated by income from print media and online advertising. The share of advertising revenues contributed by print media has been in steady decline in developed countries for quite some time and this trend is occurring at the same pace both in our own country and in those countries where our subsidiaries have operations as well. Consistent with these developments, there was a 5.8% decline in advertising revenues in 2016. However this drop did not make itself felt in circulation revenues, which were actually up by 2.4% year-on, because of a 2016 cover price increase.

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### 4.D. Achievement of Targets Set in Previous Periods, Implementation of General Assembly Resolutions, Any Reasons for Failure to Achieve Targets or Implement Resolutions, and Assessments

The Company implemented all General Assembly resolutions in the concerned accounting period.

### 4.E. Development Prospects for the Company

In the conduct of its print media operations, the company continues to concentrate on efforts to develop new products and to improve its production and distribution processes. In the conduct of its digital operations, Hurriyet.com.tr will focus on maintaining its leading position in online news reporting in Turkey while also making all of the content richness of our newsprint supplements—and more—accessible to our internet users as well. The goal is to be a leader in non-news products and services and to be a content portal with offerings that touch on every aspect of life and which appeal to every market segment. With this in mind, in 2016 we focused on digital content and product development projects in a variety of verticals. Concentrating individually on each vertical, we created unique product and content offerings capable of enhancing the user experience. Travel and video products that were brought to completion last year were released to the public in late 2016. These projects will continue in 2017 as Hürriyet seeks to take its leadership into other areas as well.

In its international operations, the company has reached the final stage in its structuring of Trader Media East, an associated company whose business consists mainly of classified ads. Projects that will significantly expand this company's digital products will be completed during the year. A program aimed at diversifying sales and increasing their effectiveness will also be conducted in parallel with this.

### 4.F. Foreseeable Risks Related to Operations

The risks to which the company's business plan is exposed may be summed up as the possibility of global movements in the prices and procurements of imported raw materials; exchange rate risks in which movements in exchange rates result in more expensive imported inputs; operational risks such as an unexpectedly adverse impact of an external or internal business downturn on advertising revenues, exacerbated difficulties in collecting receivables from agencies and advertisers in the event of a business downturn, and maintaining business continuity during exceptional circumstances; and risks related to maintaining brand equity. Company units concerned with such issues keep a close watch on developments and take such measures as are needed to deal with them.

### 4.G. Information on the Company's Investments Made During the Related Financial Year

Hürriyet and its subsidiaries' in consolidated tangible and intangible assets during 2016 amounted to TL 19.9 million (investment property excluded).

### 4.H. Information on Lawsuits Filed Against the Company That Could Affect Its Financial Situation and Operations and Their Possible Outcome

As of 31 December 2016, lawsuit claims against the Group amounted to TL 14,402,645. The Company set aside a total of TL 5,226,540 in reserves for these legal claims.

### 4.I. Information Related to Fiscal Extraordinary General Assembly

No Extraordinary General Assembly was held during the period.

### 4.J. Information on Private and Public Audits Carried out During the Fiscal Period

No special audits were carried out at the company in 2016.



#### 4.K. Information on the Company's Donations, Aid made by the Company and Spending on Social Responsibility Projects

The composition of the TL 1,584,830 of donations made by the Hürriyet Group in 2016 to various foundations and associations working for the public good are as follows:

Name	Amount (TL)
AYDIN DOĞAN FOUNDATION	425,000
GENÇ HAYAT FOUNDATION	205,296
FOUNDATION FOR CHILDREN WITH LEUKEMIA	203,738
DR. SAMI ULUS MATERNITY HOSPITAL	116,228
PRESS INSTITUTION	114,018
COLUMBIA UNIVERSITY	73,723
KOÇ UNIVERSITY	50,000
YAHYALI PRIMARY SCHOOL	49,520
INTELLIGENCE AND STRATEGY ASSOCIATION	42,615
21 <sup>ST</sup> YEKÜV EDUCATION AND CULTURE ASSOCIATION	36,576
FAMILIES OF MARTYRS	33,750
TURKEY EDUCATION VOLUNTEERS FOUNDATION	32,769
THE TURKISH RED CRESCENT	23,700
KARFO KARACASULU DIŞ TİC.	22,940
ŞANLIURFA EYYÜBİYE KIRK MAĞARA SECONDARY SCHOOL	17,301
BOOKS FOR EVERYONE EVERYWHERE FOUNDATION	16,190
UNICEF TURKISH NATIONAL COMMITTEE	15,000
KUMKÖY PRIMARY SCHOOL	13,857
THE GUARDIAN ANGEL ASSOCIATION	13,731
KAYMAKAM HASAN ZENGİNALP PRIMARY SCHOOL	12,302
GAZİPAŞA PRIMARY & SECONDARY SCHOOL	10,933
THE TURKISH JOURNALISTS' ASSOCIATION	7,596
TURKISH EDUCATION FOUNDATION	6,175
THE TURKISH INVESTOR RELATIONS ASSOCIATION	5,500
AŞIKPAŞA TECHNICAL AND VOCATIONAL HIGH SCHOOL	5,423
GOVERNORSHIP OF ŞANLIURFA AHMET YESEVİ PRIMARY SCHOOL	4,999
DARÜŞŞAFKA ASSOCIATION	4,309
TURKISH SPASTIC CHILDREN FOUNDATION	3,646
ECONOMY JOURNALISTS ASSOCIATION	3,600
KIZILKÖY ATA YAVALAR SECONDARY SCHOOL	3,404
AHMET YESEVİ PRIMARY SCHOOL - DONATION OF COMPUTERS	1,850
PARLIAMENT REPORTERS' ASSOCIATION	1,750
HELP THE POOR AND EDUCATION FOUNDATION ÜSKÜDAR BRANCH	1,512
PARILTI SUPPORT TO BLIND CHILDREN ASSOCIATION	1,500
BORUSAN KOCABİYİK FOUNDATION	1,350
GLOBAL RELATIONS FORUM ASSOCIATION	1,200
OTHERS	1,831
<b>Total</b>	<b>1,584,830</b>

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Social responsibility projects pioneered and/or participated in by Hürriyet Gazetecilik ve Matbaacılık A.Ş. are as follows:

### END DOMESTIC VIOLENCE!

In a country where violence towards women continues to be a social problem and four out of every ten women become victims, Hürriyet's long-term social responsibility project "End Domestic Violence!" completed its twelfth year in operation in 2016.

Hürriyet originally launched this campaign in order to create public awareness of domestic violence as a social problem. Having achieved that initial mission, the campaign continued to contribute significantly towards increasing social awareness of this issue in its twelfth year of life.

Management of the campaign's emergency hotline, which was launched in 2007 as a one-year pilot project but which has been kept in operation ever since owing to the dimensions of the problem, was turned over to the Federation of Women's Associations of Turkey in 2015. Hürriyet continued to support the hotline in 2016.

Provided with service and communication support by Hürriyet, during 2016 the hotline received 2.277 calls, talked with 1,206 victims of domestic violence, and handled 12 emergency situations.

The End Domestic Violence! campaign also has a Facebook page, the number of whose followers reached 75,124 last year and which was accessed 55,695 times.

The number of the campaign's Twitter page followers increased by 10% as compared with 2015 and reached 11,600.

An analysis of End Domestic Violence! campaign subscribers' social media accounts shows that 63% of them are female and 37% are male.

### Awareness and communication activities

During 2016 the End Domestic Violence! campaign continued to engage in a variety of activities such as making presentations at conferences, promoting awareness on social media, and providing communication support to NGOs whose mission is to combat violence against women.

Hürriyet continued to collaborate with the Business Against Domestic Violence Project and to involve itself in the United Nations Global Compact's Women's Empowerment Principles Platform.

In 2016 a "One Voice Against Violence" project was launched under the auspices of the End Domestic Violence! campaign. Old x-ray films which had been taken at hospitals and provided examples of the physical trauma suffered by women who were the victims of violence were used to make records onto which the song "There are women" from the 2008 "Güldünya Songs" was recorded. This limited-edition and highly-collectible record attracted much attention and received many rewards.

At the 28<sup>th</sup> round of the series of Crystal Apple awards it received first prize in the "Direct Marketing" category and first, second, and third prizes in the "Media" category. At Mediacat Felis it received the "Felis" award in the "Digital Standard and Multidimensional Posting", "Media Ambient Media Usage: Small Scale", and "Media Corporate Social Responsibility" categories as well as the "Achievement" award in the "PR - Corporate Social Responsibility" category. The record was a short-listed candidate in the Cannes Lions Advertising Awards.

Another project undertaken by Hürriyet as part of the End Domestic Violence! campaign was "Violence Is A Crime: Ask For Help", which was carried out jointly with the Association of All Pharmacists Cooperatives (TEKB), whose membership numbers some 14,000 pharmacists located all over Turkey. Beginning on International Women's Day (March 8<sup>th</sup>), the End Domestic Violence! campaign posters were put up in TEKB-member pharmacies in order to put the reality of such violence on the national agenda and to foster awareness especially of violence directed towards women and the reasons for it. Other components of this project included sending out brochures and victims of violence being provided with information by pharmacists and directed towards appropriate agencies.

## GLOBAL COMPACT

Global Compact is an innovative corporate social responsibility approach which advocates universal principles that should underlie a common development culture for a constantly and intensively competitive business world. Global Compact seeks to achieve a sustainable and inclusive global economy through cooperation among private-sector and social stakeholder actors both in Turkey and at the international level. As one of the signatories to the Global Compact, Hürriyet published a detailed report in 2016 concerning its policies and actions touching on issues pertaining to human rights, environment, labor, and anti-corruption.

## 24 NOVEMBER 24 DREAMS

24 November 24 Dreams is a social responsibility project launched by Hürriyet and the Teachers Academy Foundation in 2015. Its aim is to give teachers who want to nurture creative new generations a chance to share their dreams with everyone in Turkey.

The 24 November 24 Dreams project is also being supported by ihtiyacharitasi.org, a website that matches up people who are in need of things with those who are willing and able to provide them. Volunteers and Hürriyet help dreams come true by supporting those with needs.

## HEROES OF DEMOCRACY

Describing the events of the night of 15 July 2016 and incorporating material from interviews conducted with the relatives and acquaintances of the 241 people who were killed in the encounters, Heroes of Democracy is the true story of real people's lives. Published by Hürriyet Kitap, part of the proceeds from the book's sale are donated to the families of those who died.

## ENVIRONMENT

### Hürriyet Initiatives on Environmental Protection and Environmental Sustainability

In its broadest sense "sustainability" may be said to be "a knack for surviving indefinitely". According to a definition published in 1987 by the Brundtland Commission of the United Nations, "sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

"Environmental sustainability" may be said to be "the rates of renewable resource harvest, pollution creation, and non-renewable resource depletion that can be continued indefinitely".

Because of its respect for people, the Hürriyet Group regards protecting the environment for the sake of a healthy future for human and natural life as one of its fundamental duties.

In line with the group's sustainability policies, we engage in an ongoing effort to protect the environment and to ensure the proper use of resources in compliance with all laws and regulations applicable to environmental protection.

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It is acknowledged that quality products can only be produced in safe and clean environments. With this in mind and in order to ensure the sustainable existence of a healthy environment for both present and future generations, Hürriyet adheres to a policy which, to the degree that circumstances permit, adopts and makes use of eco-friendly production equipment and techniques that consume fewer expendable materials and less energy at every stage of its day-to-day manufacturing operations from project and equipment selection to the employment of eco-aware personnel.

Having developed a policy whose aim is to refrain from polluting nature and the environment and to give importance to human and environmental health from the initial stages of production and thereafter, an "Environmental Management Unit" was set up for Hürriyet Gazetecilik ve Matbaacılık A.Ş.'s Doğan Printing Center (DPC). In 2015 the company began outsourcing environmental consultancy services whose aims are to prevent or minimize the potential environmental impact of its production operations and to increase environmental awareness among company employees. The activities involved in this are summarized below.

- In the conduct of its duties, the DPC Environmental Management Unit kept a constant watch on any changes made in environmental laws and regulations and oversaw improvements in the environmental performance of the company's printing and office operations.
- Beginning in 2015, the company began outsourcing both environmental consultancy services and general environmental coordination services for DPC. These services include regularly monitoring any changes in environmental laws and regulations, ensuring that all their requirements are fulfilled, and increasing environmental awareness among employees.

In order to reduce consumption of energy resources like electricity and natural gas in all units, a variety of energy-conservation activities are carried out such as making use of more energy-efficient equipment. A variety of efforts are also being made to reduce operations' CO<sub>2</sub> emissions.

### Environmental Permits And Licenses

The environmental permit and license processes pertaining to those Hürriyet Gazetecilik ve Matbaacılık A.Ş.'s industrial operations that are subject to mandatory oversight are conducted as required by "Regulations concerning environmental permits and licenses" as published in the 29115 issue of the official gazette on 10 September 2014.

Having satisfied all of the requirements of previously-published regulations pertaining to these issues, the company's Antalya and Trabzon plants were awarded five-year environmental permits by the local environment and urbanization directorates as of 6 July 2011. These permits were the first such ever to be awarded to a press-industry printing facility in Turkey.

The Antalya plant's permit was renewed by its environmental consultancy after undergoing a review. The Trabzon plant has been exempted from needing an environmental permit because it discharges its waste water directly into the sewers of the organized industrial zone in which it is located.

Having been awarded "air emissions" environmental permit as of 31 July 2015, the DPC İstanbul plant continues to satisfy the permit's requirements in the conduct of its operations.

### Water Use and Management

Water conservation and water efficiency are components of the company's environmental sustainability activities. Instructions and warnings related to water use have been placed in office and production units and water consumption is monitored and reported on a daily basis.

## Preventing Environmental Pollution

Abiding by the philosophy of continuous improvement, Hürriyet Gazetecilik ve Matbaacılık A.Ş. takes necessary action to:

- Comply with all environment-related laws, regulations, administrative provisions, and mandated standards;
- Diligently protect the environment and wildlife in ways that surpass the requirements of law; Manage the environmental impact of all of its operations within a framework of preventive and corrective measures that will minimize the operations' contributions to climate change and to air, soil, and water pollution.

In its adherence to this philosophy, Hürriyet derives its strength from the full contribution of its employees, its management, and the environmental specialists whose services it procures.

An ongoing effort is made to explore ways in which to achieve at-source reductions in waste that is generated by company operations and to make improvements accordingly. To this end, the company engages in effective production planning, maintains minimum stock levels, and improves its operational methods.

As required by "Regulation on packaging waste", in 2011 Hürriyet submitted an online declaration to the Ministry of Environment and Urbanization concerning all the packaging materials which it had reported as having released into the market since 2005 and authorized the duly-licensed Consumer and Environmental Education Foundation to collect and recycle such packaging on its behalf. The principal activities carried out in this area are summarized below.

- Priority is given to efforts to foster awareness of the need to generate less waste.
- Paper recycling bins are installed in office areas.
- Paper, glass, plastic, composite, and waste battery collection units are installed in office and production areas.
- Units for the collection of contaminated materials are installed in production areas while valuable waste is collected separately from hazardous waste.
- Bins are installed for the collection of printer toner cartridges.
- Containers are installed for the collection of packaging waste.

## Waste management, disposal, and recycling

Waste management, disposal, and recycling activities include:

- Preventing the generation of waste at source;
- Reusing waste in operational processes;
- Recovering and recycling waste.

The company's contractual environmental consultancy is responsible for inspecting waste-management performance at the İstanbul and Antalya printing plants every month and that of other facilities at designated intervals.

"Industrial Waste Management Plans" are prepared at designated intervals setting out the ways in which the hazardous and non-hazardous waste generated by operations in all company facilities is to be dealt with. These plans are submitted to the local offices of the Ministry of Environment and Urbanization for their approval.





#### **4.L. Company's Legal Actions, and Measures Taken or Avoided in Favor of the Parent Company or Group Companies**

In the reporting period, the Company carried out no legal action in favor of the parent company or any subsidiary thereof, with instructions by the parent company. The Company did not take or avoid taking any measures in favor of the parent company or its subsidiaries, or carry out any transactions that need to be redressed.

#### **4.M. Any Corrections against the Legal Actions Mentioned in Paragraph (4.L), Any Damages Inflicted on the Company Arising from Measures Taken or Avoided, Any Corrections for Such Damages**

Since the Company did not take any action falling under the scope of Paragraph 4.1 of the report, there are no damages that need to be redressed.

### **5. FINANCIAL POSITION**

#### **5.A. Management's Analysis and Assessment of the Financial Position and Operational Results, the Degree to Which Planned Activities were Realized, Company's Position against Defined Strategic Goals**

While the Russian ruble appreciated by 21% against the US dollar in 2016, Turkish lira depreciated by 17% against the US dollar. Due to this movement in exchange rates that negatively reflected on the reporting of overseas operations in Turkish lira basis, total income showed 5% reduction year-to-year, which reflected on operating and investment income/expense items.

In terms of the downtrend in the share printed media gets out of total advertisements, Turkey and countries where our associates are located follow suit of developed countries, even if at a different pace. The said decline did not reflect on circulation revenues owing to the increased price of newspaper covers in 2016, and circulation income showed 2.4% rise. The negative impact of exchange rates that was borne also on raw material costs was offset by cost savings in overhead and marketing expenses.

#### **5.B. Company's Annual Sales, Productivity, Income Generation Capacity, Profitability and Debt to Equity Ratio, in Comparison with Previous Years; Information on Other Issues that Might Impact the Company's Operational Results, and Future Expectations**

According to the Press Advertising Authority, net daily newspaper sales averaged 3,634 thousand at year-end 2016, whereas it was 4,508 thousand in 2015. The newspaper market shrank by 19% year-on in 2016 due to the newspapers shut down pursuant to the statutory decree under the State of Emergency Law that came into force in July 2016. Despite the contraction, Hürriyet newspaper increased its market share by 1.3 points, and remained the leader as the most frequently read newspaper in 2016. Hürriyet's average daily circulation was down from 359,000 in 2015 to 338,000 in 2016. The Company's advertising revenues declined by 6%. The decreased revenues on Hürriyet's operations were compensated with savings secured in product and overhead costs.

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>(TL thousand)</b>	<b>(TL thousand)</b>
<b>Net Debt</b>		
Cash and cash equivalents	24,296	86,987
Current liabilities	147,985	253,666
Long-term liabilities	139,729	62,343
<b>Net Debt/(Net Cash)</b>	<b>263,419</b>	<b>229,022</b>

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### 5.B. Company's Annual Sales, Productivity, Income Generation Capacity, Profitability and Debt to Equity Ratio, in Comparison with Previous Years; Information on Other Issues that Might Impact the Company's Operational Results, and Future Expectations

#### Key Financial Indicators and Ratios

	31 December 2016 (TL thousand)	31 December 2015 (TL thousand)
<b>SUMMARY OF BALANCE SHEET</b>		
CURRENT ASSETS	286,251	315,815
FIXED ASSETS	647,425	557,534
TOTAL ASSETS	933,676	873,348
SHORT-TERM LIABILITIES	283,313	361,956
LONG-TERM LIABILITIES	233,768	158,173
SHAREHOLDERS' EQUITY	416,595	353,219
<b>TOTAL LIABILITIES</b>	<b>933,676</b>	<b>873,348</b>

Ratios	31 December 2016	31 December 2015
Current Ratio	101%	87%
Net Liabilities/Total Equity	124%	147%

	31 December 2016 (TL thousand)	31 December 2015 (TL thousand)
<b>SUMMARY OF INCOME STATEMENT</b>		
NET SALES	564,102	596,083
GROSS PROFIT	228,076	255,405
OPERATING PROFIT/(LOSS)	10,599	22,537
(LOSS)/PROFIT BEFORE TAXES FROM OPERATIONS	-93,192	-54,454
NET (PROFIT) /LOSS	-72,464	-30,499

Ratios	31 December 2016	31 December 2015
Gross Profit Margin	40%	43%
Operating Profit Margin	2%	4%

### 5.C. Types and the Amount of Issued Capital Market Instruments

The Company did not issue any securities in the period 1 January 2016 - 31 December 2016.

### 5.D. Management's Assessment on Whether the Company Suffers Capital Loss or Insolvency

The Company does not suffer capital loss or insolvency.

## 5.E. Measures to improve the Company's Financial Structure

The operational cashflow left over after debt servicing and investment financing will be used to pay off the company's short-term debt. Taking the increase in exchange rate volatility into account, funding is being denominated substantially in the same currency as its operational receipts, which is to say the Turkish lira. Likewise in order to further mitigate the impact of exchange rate volatilities, the company has been making use of hedging contracts in order to stabilize the costs of some of its inputs imported in 2016.

## 5.F. Information on the Dividend Policy, Reasons for Non-distribution of and Proposal on use of Undistributed Profit

Having established that, as a result of the discussions held:

- The Company's independently audited Consolidated Financial Report for the period 1 January 2016 - 31 December 2016 ("Consolidated Financial Report"), Annual Report ("Annual Report") and Corporate Governance Principles Compliance Report have been approved by our Board of Directors' decision no. 2017/07 dated 3 March 2017;
- Following the said Board decision, Consolidated Financial Report and Annual Report were revised as a result of additional checks and corrections performed by the expert employees responsible for the preparation of the Consolidated Financial Report, relevant executives and the Independent Audit Firm; the amounts under "Donations and Aid" account item was reclassified (Note 27); an explanation was supplemented to the note regarding proceeds from sale of property exempted from tax (Note 22), although the same did not result in any change in the bottom line totals of the Financial Statements included in the Consolidated Financial Report;

The Company's Board of Directors unanimously decided as follows:

- Recourse will be made to the Board of Directors' decision no. 2017/08 dated 3 March 2017;
- Profit Distribution Table for the Fiscal Year 1 January 2016 - 31 December 2016 will be revised as attached and accordingly;

In view of the provisions of the Turkish Commercial Code ("TCC"), Capital Market legislation and Capital Markets Board of Turkey ("CMB") regulations, Corporate Tax, Income Tax and other applicable legislation, as well as related provisions of the Company's Articles of Association and our publicly disclosed "Dividend Policy";

Based on the independently audited Consolidated Financial Statements for the fiscal 1 January 2016- 31 December 2016, which have been drawn up in accordance with the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) published by the Public Oversight, Accounting and Auditing Standards Authority (in Turkish: KGK) under the provisions of the CMB Communiqué (II.-14-1) on Principles of Financial Reporting in Capital Markets, the presentations principles of which have been determined based on CMB's relevant decisions, a "Net Loss for the Period" in the amount of TL 72,463,833 arises when "Deferred Tax Income" and "Tax Expenses for the Period" and "Non-controlling Interests" are taken into account together; and that shareholders should be informed that no dividend distribution can be made for the 1 January 2016 - 31 December 2016 fiscal within the frame of the CMB's dividend distribution regulations, in view of the "Previous Year Losses" in the amount of TL 404,269,466 calculated as per the CMB Dividend Guide published in the CMB Weekly Bulletin no. 2014/2 dated 27 January 2014, General Legal Reserves in the amount of TL 2,267,990.19 that is mandatory to be set aside, and Proceeds from Sales of Property in the amount of TL 1,779,004.44, which is exempt from tax under Article 5-1/e of Corporate Tax Law and which will be transferred to a special fund account as per this Decision, and that the same will be laid down for approval at the General Assembly;

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Our financial records for the fiscal 1 January 2016 - 31 December 2016, which are kept under the tax legislation and in accordance with the Uniform Chart of Accounts published by the T.R. Ministry of Finance, show a "Profit for the Period" in the amount of 58,320,430.68; after "Tax Expenses for the Period" in the amount of TL 5,656,355.17 is paid out of the aforementioned amount, "Net Profit for the Period" for 2016 is calculated as TL 52,664,075.51; "Previous Year Losses" in the amount of TL 7,304,271.73 will be set off from TL 48,617,080.88, which is the aforementioned Net Profit for the Period less "General Legal Reserves" in the amount of TL 2,267,990.19 set aside as per Article 519(1) of the TCC less "Proceeds from Sales of Property" in the amount of TL 1,779,004.44, which is exempt from tax as per Article 5-1/e of the Corporate Tax Law and which will be transferred to Special Fund Account based on this decision; and the remaining "Net Profit for the Period" in the amount of TL 41,312,809.15 will be transferred to the "Extraordinary Reserves" account and the same will be laid down for approval at the General Assembly.

### 6. RISKS AND EVALUATION BY THE BOARD OF DIRECTORS

#### 6.A. Information on the Company's Internal Control Systems and Internal Audit Activities and the Board of Director's Opinion on this Matter

The office of Vice Head of Audit Department at the parent company Doğan Group of Companies Holding A.Ş. plays a guiding role in carrying out internal control functions and provides support to our Company.

The findings obtained as a result of studies made by the office of Vice Head of Audit Department of Doğan Group of Companies Holding A.Ş. are evaluated by our Company, necessary adjustments and regulations are made in accordance with the proposals and the internal control systems that have been developed.

#### 6.B. Company's Risk Management Policy against Foreseeable Risks

The Finance Department is entrusted with risk management for the Company. Financial risks are controlled through systems and procedures developed by the Finance Department meanwhile the operational and compliance risks are controlled by those developed by the Financial Control and Investor Relations Department.

#### 6.C. Activities and Reports of the Early Detection of Risk Committee

The duty of the Early Detection of Risk Committee is to detect, manage and take the necessary measures against risks that may endanger the existence, development or continuity of the Company. The Committee makes the necessary improvements in line with the bimonthly report presented to it, and reports the Committee's findings to the Board of Directors.

#### 6.D. Future Risks Related to Sales, Productivity, Income Generation Capacity, Profitability, Debt-to-Equity Ratio and Other Issues

As is true everywhere else in the world, the advertising industry in our country tends to be more influenced by economic upswings and downturns than others. The operations of our Russian subsidiary TME are affected by the embargo and economic sanctions imposed on that country.



## 7. INFORMATION ON THE PARENT COMPANY

### 7.A. Capital Increases/Decreases in Subsidiaries and Reasons

Capital increases that took place in our associates and subsidiaries are presented below:

According to the Material Event Disclosure made on the Public Disclosure Platform on 31 August 2016:

The procedures were completed for increasing the capital of Trader Media East (TME) residing in Jersey, a subsidiary of Hürriyet Invest BV (HIBV) -our wholly-owned direct subsidiary residing in the Netherlands- in the capital of which HIBV held 78.57% of interest before the capital increase, from USD 9,600,000 to USD 76,800,000, which will be fully covered in cash "through share premium issue". Including the emission premium, total incremental amount is USD 88,200,000. Within the scope of the capital increase, TME's debt to HIBV has been capitalized; new share acquisition rights not exercised by other shareholders in TME have been exercised by HIBV, and HIBV (therefore, our Company) made cash capital payment of approximately USD 1.7 million. After the capital increase, HIBV's stake in TME's capital increased to 97.29%.

According to the Material Event Disclosure made on the Public Disclosure Platform on 23 December 2016:

The Board of Directors passed a decision dated 23 December 2016 that the capital of Hürriyet Invest BV, our wholly-owned direct subsidiary residing in the Netherlands, was increased in cash from EUR 288,544,208.- to EUR 376,206,949.- through capitalization of our receivable from Hürriyet Invest BV.

### 7.B. Information on the Parent Company Shares Held by Group Companies

The Company holds no shares in the parent company.

### 7.C. Notes on the Internal Audit and Risk Management Systems of the Group Related to the Preparation of Consolidated Financial Statements

Attached consolidated financial statements have been drawn up under the Capital Markets Board of Turkey (CMB) Communiqué no. II-14.1 on Principles of Financial Reporting in Capital Markets, and in conformity with 2016 TMS Taxonomy in the format, the presentation principles of which have been developed by the Public Oversight, Accounting and Auditing Standards Authority (in Turkish: KGK) based on Article 9(b) of the Statutory Decree no. 660 in accordance with the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) published by KGK and which have been determined and publicly disclosed by the KGK decision no. 30 dated 2 June 2016, and which have been subsequently based in the CMB decision no. 22/805 dated 15 July 2016 and publicly disclosed by the CMB Weekly Bulletin no. 2016/22 dated 15 July 2016.

### 7.D. Information on Reports Outlined in Article 199 of the Turkish Commercial Code

The Company's annual report and affiliation report are issued in line with the provisions of the Turkish Commercial Code. Members of the Board of Directors did not have any demands falling under the scope of Article 199/4 of the TCC.

## BOARD OF DIRECTORS' ANNUAL REPORT FOR THE PERIOD FROM 01 JANUARY 2016 TO 31 DECEMBER 2016

### 8. OTHER ISSUES

By way of the Public Disclosure Platform (in Turkish: KAP) Material Event Disclosure dated 1 March 2017, it has been announced that it was decided to appoint Fikret Bila as our Company's Editor in Chief and Executive Committee Member effective 1 March 2017, and that Sedat Ergin, serving as Executive Committee Member at our Company, has left the same post effective 1 March 2017.

By way of the Public Disclosure Platform (in Turkish: KAP) Material Event Disclosure on "Notice of Demerger" dated 30 January 2017, it has been announced that the Capital Markets Board of Turkey (CMB) approval has been obtained for the transfer processes of "Hürriyet Emlak Şubesi" Hizmet İşletmesi (for real estate) operating under our Company to Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş., our company's wholly-owned direct subsidiary, through "Partial Demerger Through Associate Model".

#### 8.A. Changes in Blue- and White-Collar Employees; Collective Bargaining Agreements; Rights and Benefits Provided to Blue- and White-Collar Employees

##### Human Resources

Taking the new needs of a new generation, the values of the digital world, and changing attitudes towards leadership, in 2016 Hürriyet's human resources strategy was informed by a focus on "Strengthening feelings of company loyalty and kimy among existing talent" without straying from its goal of attracting new talent to the organization.

During 2016, we continued to implement the 360° employer-branding strategies that were introduced to make the dynamic, agile, constantly-evolving, and success-focused structure of Hürriyet World recognizable by and better known to broader audiences and also to attract suitable human resources to the company.

In order to increase all employees' knowledge, skill, and competency levels, to support the spread of information and expertise, and to foster inter-team communication in line with Hürriyet's "Learning Organization" principle, in-house and extramural training continued to be provided to employees during 2016. A Hürriyet Training Catalog based on the principle of voluntary participation was also published last year.

During 2016, a total of 479 people were hired into positions in various Hürriyet-owned companies: 247 of them on a full-time basis and 232 as trainees.

In order to attract the right human resources to the company, use was made not just of traditional recruitment methods but also of the specific digital media which are the most familiar to its target audience. Attention was also given to finalizing the recruitment and hiring processes as effectively and quickly as possible. The use of new media in particular significantly reduced recruitment time while also improving the rates at which the right candidates were connected with on the first try.

In addition to existing LinkedIn and Facebook accounts, an Instagram account was also opened for existing employees as an additional social media communication channel.

The main topics of the Hürriyet Human Resources Department's agenda in 2016 are summarized below:

##### Recruitment & Hiring

Ever-evolving digital technologies enable users to have different experiences while new media attitudes continue to have an impact on how users interact with one another independently of time and place. As the need for different experiences and different competencies continued to be felt in 2016, various new profiles such as "Data Scientist", "HR Analyst", and "Optimization Specialist" were added to teams.

In order to attract the right human resources to the company, use was made not just of traditional recruitment methods but also of the specific digital media which are the most familiar to its target audience and in which such interaction is the quickest and most intense. Attention was also given to finalizing the recruitment and hiring processes as effectively and quickly as possible.

The use of new media in particular significantly reduced recruitment time while also improving the rates at which the right candidates were connected with on the first try. During 2016, 90 people were hired into newly-created positions in various Hürriyet-owned companies while another 157 were hired into existing ones.

The system of making use of internal references in hiring processes continued to be employed in 2016. Known as “Wanted”, this internal application/internal reference platform received 56 internal references and 6 internal applications last year.

As is the case every year, summer and winter traineeship opportunities for university and highschool students were again provided in 2016. A total of 232 students served as trainees at Hürriyet World last year. Trainees who demonstrate superior performance during their time at the company are given priority in the hiring process when a suitable vacancy exists.

### **Employer Brand**

During 2016 we continued to implement the 360° employer-branding strategies that were introduced to make the dynamic, agile, constantly-evolving, and success-focused structure of Hürriyet World recognizable by and better known to broader audiences and also to attract suitable human resources to the company. In line with this, Hürriyet representatives took part as speakers in gatherings at which the latest practices, problems, and opportunities in the field of human resources are discussed such as the Employer Brand Summit, the People Management Association of Turkey Congress, the CHRO Summit, and the German-Turkish Chamber of Commerce and Industry HR summits. The information that was shared with other professionals at these gatherings about Hürriyet's digital transformation, the role of HR in employer brand creation, the evolution of employer brand management in the recruitment process, talent management, and the employee experience contributed significantly towards strengthening Hürriyet's brand as an employer in the industry.

### **Social Media Management**

A “Hürriyet World Human Resources” account was opened on Facebook in order to strengthen target-audience perceptions of Hürriyet as a “dynamic, modern, ongoing-development-focused company that is also the best employer”. That page currently has 18,430 followers while the number of Hürriyet World's LinkedIn page followers has reached 31,820. In order to encourage interaction among employees and to foster a sense of company identity, a Hürriyet World Instagram account was opened last year and quickly reached 1,998 followers. All follower acquisitions were achieved through organic growth.

### **Training**

In order to increase all employees' knowledge, skill, and competency levels, to support the spread of information and expertise, and to foster inter-team communication in line with Hürriyet's “Learning Organization” principle, a total of 6,667 hours of in-house and extramural training was provided in which 718 employees took part during 2016. Participants' rating of training effectiveness averaged 4.9/5.0.

During the year, catalogue trainings in ten different topics were organized and the trainings were open to all employees. Technology teams were provided with “Tech Meetup” training which gave them opportunities to experience the most current technologies, new-generation languages, and technology philosophies. Additionally, first aid trainings, participation in which was voluntary, were provided all year long.

Employee occupational health and safety training continues to be provided online. Such training is intended to make employees aware not only of the risks which they may encounter in the conduct of their jobs and the measures they can take to deal with those risks but also of their statutory rights and responsibilities on such matters. Additionally, employees who request foreign-language training are provided with it at accredited training institutions that the company enters into agreements with.

## BOARD OF DIRECTORS' ANNUAL REPORT FOR THE PERIOD FROM 01 JANUARY 2016 TO 31 DECEMBER 2016

### Employee Orientation

All personnel who are newly recruited by Hürriyet and its subsidiaries attend an orientation program in which they learn about the company's mission and vision, its aims, and its operation and procedures. This training, whose aim is to ensure that new employees adapt as quickly as possible to the organization, continued to be provided in 2016. In addition, an "Onboarding Program" was also introduced as a way of making improvements in existing orientation processes. In this program, every new employee is assigned and works with a "buddy" during the first month after being hired. This buddy is an existing employee who has previously received training under the program. Under this system, which is intended to accelerate adaptation to both company and job, new employees are provided with equipment-related and documentary support. The Onboarding Program also includes individual assessment interviews with HR personnel.

### University Collaborations

During 2016 the company continued to collaborate with Koç University and Bilgi University in its ongoing efforts to identify and recruit talented individuals who are still undergraduates and who have the potential to distinguish themselves in a sector whose conditions are constantly changing and evolving, to lead the way forward in digital journalism, and to play an active role in Hürriyet's own digital transformation.

### Reward Systems

The "Hürriyet Reward Program For Those Who Make A Difference" was set up with the aims of spotting, acknowledging, and immediately rewarding job-performance and results that generate added value. The Executive Committee reviewed 31 applications that were received for consideration under this program last year and granted two awards, one of which was in acknowledgment of a group effort.

The "Best Of" awards program in which the publication group employees' efforts in the areas of web pages, photographs, and news reporting are acknowledged each month continued during 2016.

### Activities for Employees

In line with the company's 2016 strategy, attention was given to activities which would enhance employee interaction and motivation. These efforts included a monthly Motivation Program as well as intramural backgammon tournaments as well as the formation of a Hürriyet World Running Team to take part in extramural events.

### Hürweb

Hürweb, the company's intranet, continued to be used regularly in 2016 in order to disseminate company-related announcements and information and to conduct cinema, theatre, and concert ticket etc lotteries.

### Salary Survey (Towers Watson)

In its ongoing efforts to make its remuneration system more effective, in 2016 the company again worked with the professional services firm of Towers Watson in the conduct of a salary and compensation survey in which existing job positions were reviewed and graded.

## 9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2015

### 1. Corporate Governance Principles Compliance Report

In corporate governance practices, our Company pays strict attention to comply with the Capital Market Legislation and the Capital Market Board (CMB) regulations and has adopted the equality, transparency, accountability and responsibility as concepts that constitute the basis of corporate governance.

Our Company's corporate governance applications are subject to corporate governance rating SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., an international rating company that obtained official authorization to conduct ratings in Turkey in accordance with methodology approved by the CMB.

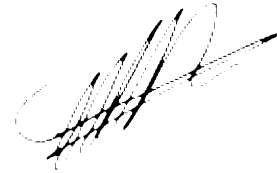
With the local corporate governance rating assigned by an internationally recognized rating agency, our Company has been one of the first seven companies that qualified to be included in Borsa İstanbul A.Ş. (BIST) Corporate Governance Index in 2007, and it consistently carries out associated practices.

Our Company is one of the first companies that received corporate governance rating in our country. Our Company was evaluated for the first time in 2007 and received a corporate governance rating "good" with 8.0 over 10. Between 2008 and 2015, our corporate governance rating gradually was 8.32; 8.43; 8.47; 8.56; 9.09, 9.09, 9.30 and 9.36. SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş that has a license to carry out rating activities in Turkey in compliance with the regulations and decisions of the Capital Markets Board (CMB) on the issue, determined our corporate governance rating score as 9.28 (92,79) over 10 in the 2016 evaluation. Within the framework of the Principle Decision of CMB on the issue; final rating score is determined by using different weights in four subcategories. Within this scope, the distribution of our corporate governance rating scores in the subcategories is as follows; Shareholders (weight: 0.25) = 94.77 Public Disclosure and Transparency (weight: 0.25) = 92.77 Stakeholders (weight: 0.15) = 98.09 Board of Directors (weight: 0.35) = 89.12 It is possible to reach the Corporate Governance Rating and Corporate Governance Compliance Reports via our website ([www.hurriyetkurumsal.com](http://www.hurriyetkurumsal.com)).

In the accounting period ending on 31 December 2016, the Company complied with the Corporate Governance Principles as required by the CMB Regulations and Resolutions and regarding the issues not included in these Principles where the Company does not fully comply, the Company came to the conclusion that these issues do not lead to a significant conflict of interest.



Vuslat Sabancı  
Chairperson



Çağlar Göğüş  
Executive Board Member  
Chairperson of the Executive Board



## SECTION I - SHAREHOLDERS

### 2. Investor Relations Unit

**2.1.** All provisions of applicable legislation, the Articles of Association and other Company policies regarding the exercise of shareholders' rights are being complied with and every precaution is being taken to ensure the exercise of these rights.

**2.2.** The "Shareholder Relations Unit" was established to observe the relations between the shareholders and the Company and to ensure that the requirements for shareholders' right to information are fully satisfied, it carries out its duties in accordance with the Capital Market Legislation, CMB Regulations and the Articles of Association. The main duties of this unit are to:

- Ensure that shareholder records are accurate, safe and up-to-date,
- Respond to written requests for information by shareholders about the Company in accordance with Capital Markets Legislation,
- Observe that General Assembly Meetings are held in compliance with the applicable legislation, the Articles of Incorporation and other Company policies,
- Prepare the documents to be submitted to shareholders at General Assembly meetings,
- Ensure that the voting results are recorded properly and the reports on results are delivered to all shareholders,
- Observe and monitor all issued related with public disclosure, including legislation and the Company's information policy,
- Ensure the execution of Capital Market compliance activities and
- Ensure the performance of investor relations activities.

**2.3.** Sema İpek Erhan serves as the Investor Relations Manager. Her contact details are as follows:

<b>Name</b>	Sema İpek Erhan
<b>Title</b>	Investor Relations Manager
<b>Licence information</b>	Corporate Governance Rating Licence No: 700328 Capital Market Operations Advanced Licence No: 200151 Derivative Instruments Licence No: 300313
<b>Address</b>	100. Yıl Mahallesi, 2264. Sokak No: 1 34204 Bağcılar / İstanbul
<b>Phone - fax</b>	+90 212 449 60 30 - +90 212 677 01 82
<b>E-mail</b>	ierhan@hurriyet.com.tr yatirimciiliskileri@hurriyet.com.tr

All Hürriyet shares are included in the Central Registry System (CRS). Formalities related to CRS are managed by the Company internally.

**2.4.** All requests for information received from investors and shareholders in 2016 were responded to in accordance with the Capital Market Legislation, CMB Regulations and Resolutions; relevant information and documents, excluding those regarded as confidential or holding trade secrets, were delivered to investors and shareholders, observing the principle of equality.

All e-mailed and verbal requests for information were responded to without delay, all meeting requests from Hürriyet analysts were met to the extent permitted by the schedule. On the day after the financial disclosures, made on quarterly basis, four teleconferences were organized to discuss the results of the disclosures.

**2.5.** Maximum care is taken to reply to inquiries in accordance with applicable legislation and the Articles of Association. To the best of the Company's knowledge, no written or verbal complaints concerning the exercise of shareholders' rights were received in 2016, nor were there any official investigations launched against the Company.

### 3. Exercise of Shareholders' Right to Information

**3.1.** The Company does not discriminate against different groups of shareholders, including minority and foreign shareholders, in terms of their rights to information.

**3.2.** Maximum care is taken to reply to the requests for information received from investors and shareholders in 2016 in accordance with the Capital Market Legislation, CMB Regulations and Resolutions.

**3.3.** Presentations on developments related with the Company and financial highlights together with all necessary information that would affect the proper exercise of shareholders' rights are updated and available on the Company's website at [www.hurriyetkurumsal.com](http://www.hurriyetkurumsal.com), both in Turkish and English.

**3.4.** The Articles of Association do not yet provide for an individual's right to appoint a special auditor and no request for appointment of a special auditor was received from shareholders during the year. However, this right might be included in the Articles of Association in the future, depending on changes in relevant legislation.

### 4. General Assembly Meetings

**4.1.** The Ordinary General Meeting of Shareholders to discuss the activities of the year 2015 was held on 29 March 2016 at the Company's head office. Pursuant to Article 1527 of the Turkish Commercial Code 6102 dated 13 January 2011, that allows for electronically attendance, suggesting a proposal, expressing opinions and voting at the general assembly meetings of joint stock companies, the Company has provided the opportunity to shareholders who are entitled to attend general assembly meetings, to attend the meetings via electronic means. Besides the methods set forth in the legislation, the General Assembly meeting was announced at the Company's website ([www.hurriyetkurumsal.com](http://www.hurriyetkurumsal.com)), advertisements published in Hürriyet via Electronic General Assembly System of the Central Registry Agency (CRA) to ensure maximum participation by shareholders, at least 3 weeks in advance, as set forth in the Company's Articles of Association.

**4.2.** Regulations on the Company's General Assembly meetings are given in the Articles of Association of Hürriyet Gazetecilik ve Matbaacılık A.Ş. that is announced on the Company's website and is accessible by the public. Information regarding the agenda items is prepared and announced to the public before the General Assembly meeting. Financial statements and reports, including the annual report, dividend distribution proposals, informative document on the agenda items, any documents supporting the agenda and the most recent version of the Articles of Association, any amendments and their reasons are made available to all shareholders for scrutiny at the Company's headquarters, branches and websites following the announcement of the General Assembly Meeting. Prior to the General Assembly Meeting, forms of proxy statements are made available on the website for those desiring to be represented by proxy.

## BOARD OF DIRECTORS' ANNUAL REPORT FOR THE PERIOD FROM 01 JANUARY 2016 TO 31 DECEMBER 2016

**4.3.** The meeting procedure for the General Assembly ensures maximum participation of shareholders. "Electronic signatory" shareholders who intend to attend the General Assembly meeting via electronic means obtained the information about the attendance to the meeting electronically from "CRA" and/or CRA's website at [www.mkk.com.tr](http://www.mkk.com.tr).

General Assembly meetings were held in a way not to create any inequality between shareholders, with minimum cost incurred by shareholders and in the least complex manner.

**4.4.** The voting procedure is announced to shareholders on the website and through announcements in newspapers. Unless otherwise decided by the General Assembly, all General Meetings are open to interested parties and members of the media, pursuant to the Company's Articles of Association. The venue of General Assembly Meetings facilitates maximum participation of shareholders.

However, shareholders or proxies who attend a General Assembly Meeting without an entrance card are not entitled to speak and vote at the meeting. At the General Assembly Meetings, agenda items are explained in an unbiased, detailed, clear and understandable manner and shareholders are allowed to explain their views, ask questions and discuss related issues in a democratic environment.

**4.5.** In the Ordinary General Assembly Meeting held, out of a total of 552,000,000 shares that represent the Company's capital, a total of 432,532,795,583 shares were present, out of which 432,097,495,583 were represented by proxy and 435,000 were represented in person; thus the quorum as set forth by law and the Company's Articles of Association was met.

**4.6.** Voting rights at General Assembly Meeting are exercised as open votes and by the showing of hands. In 2016, the shareholders exercised their right to pose questions at General Assembly but no written responses were required since all questions were responded to.

**4.7.** In principle, it is ensured that the Board Member responsible for specific agenda items, other related persons, executives responsible for preparation of financial statements and auditors attend the General Assembly meeting to provide necessary information and to respond to questions posed.

**4.8.** At the General Assembly meeting held on 29 March 2016, it was announced that the amount of donations made during the accounting period between 1 January - 31 December 2016 to foundations, associations, state institutions and organizations for social aid purposes amounted to TL 863,858.

**4.9.** It is anticipated that the financial results for 2016 will be announced within 10 weeks after the closing of the accounting period. Accordingly, the practice in this regard does not constitute any contradiction, in general sense, to the Capital Market Legislation and hence to the spirit of Principles.

**4.10.** Company shareholders, certain Board members, Company's employees and the independent audit company attended the General Assembly meetings, while the media did not.

## 5. Voting Rights and Minority Rights

5.1. The Company avoids practices that make it difficult to exercise voting rights. All shareholders are given the opportunity to exercise their voting rights in the easiest and most convenient manner.

5.2. There are no preferred stocks or different classes of shares in the Company.

5.3. Each share is entitled to one vote in the Company.

5.4. There exists no provisions that postpone voting rights until a specific date following the acquisition of a share.

5.5. The Articles of Association do not contain any provisions that prevent a non-shareholder from voting as proxy as a representative of a shareholder.

5.6. According to the Articles of Association, in the event that the beneficial interests and rights of disposal of a share belong to different persons, they may have themselves represented as they deem fit, upon mutual agreement. However, if they fail to agree, the right to attend and vote at the General Meeting of Shareholders shall be given to the beneficial owner.

5.7. The Company's share capital does not involve any cross-shareholdings.

5.8. Minority rights are granted to shareholders collectively holding 5% of the share capital

5.8.1. The Company takes the utmost care to ensure the exercise of minority rights. During 2016, the Company did not receive any criticism or complaint in this regard.

5.9. The Articles of Association do not provide for "cumulative voting". The advantages and disadvantages of this method are being assessed within the framework of legislative developments.

## 6. Dividend Right

The Company determines its dividend policy and realizes dividend distribution in accordance with the relevant provisions of the Turkish Commercial Code, the Capital Market Legislation, Capital Market Board (CMB) Regulations and Resolutions, tax laws, other applicable legislation and its Articles of Association and the resolutions adopted by the Board of Directors.

Accordingly,

- 1- In principle, a minimum "50% of net distributable profit" calculated in accordance with Capital Market Legislation, CMB Regulations and Resolutions, taking into account the financial statements prepared according to Capital Market Legislation, CMB Regulations and Resolutions are distributed,
- 2- In case of an intention to distribute 50% to 100% of the net distributable profit, the dividend payout ratio is determined considering the financial statements, financial structure and budget of the Company,
- 3- The dividend distribution proposal is made public taking into consideration legal time frames and in line with Capital Market Legislation and CMB Regulations and Resolutions.

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- 4- In the event that the net distributable profit based on financial statements prepared in line with the Turkish Commercial Code and Tax Laws is:
  - a. Lower than the amount calculated according to Article 1, the amount calculated within the framework of this article is applied and all net distributable amounts is distributed,
  - b. Higher than the amount calculated according to Article 1, Article 2 is the guideline for the action to be taken.
- 5- In case there is no distributable profit based on legal records kept pursuant the Turkish Commercial Code and the Tax Laws, no dividend distribution is made even if a net distributable profit is calculated according to the financial statements prepared in accordance with the Capital Market Legislation and CMB Regulations and Resolutions and pursuant to Capital Market Legislation and CMB Regulations and Resolutions.
- 6- In case the net distributable profit is below 5% of the Company's issued capital, it may be decided not to distribute any dividends.
- 7- The upper limit of aid and donations to be granted by the Company within an accounting period is fixed by the General Assembly within the framework of the rules set forth in the Capital Market Legislation and CMB Regulations and Resolutions. The upper limit of aid and donations that is determined in the General Assembly cannot be exceeded and the aid and donations granted are added to the "net distributable profit" base.
- 8- Dividend distribution starts as of, and not later than the 30<sup>th</sup> day after the General Assembly meeting when the resolution on dividend distribution is adopted and in any case as of the end of the accounting period.
- 9- The Company may distribute the dividends in cash and/or as "bonus shares", in advance or by installments, in accordance with the Capital Market Legislation and CMB Regulations and Resolutions and in line with the General Assembly resolution.
- 10- The Company may distribute dividends to non-shareholders, according to the resolution by the General Assembly. In such a case, the provisions of the Turkish Commercial Code, Capital Market Legislation and CMB Regulations and Resolutions and the Articles of Association shall apply.
- 11- The Company may decide on and distribute dividends in advance in accordance with the provisions of the Turkish Commercial Code, Capital Market Legislation, CMB Regulations and Resolutions, tax laws, other legal regulations and the Company's Articles of Association and the General Assembly resolution.
- 12- Investment aiming to increase the Company's value that require considerable cash outflow, material issues that affect the financial structure, important uncertainties that emerge in economy, markets or other fields, beyond the Company's control, are taken into consideration when taking the decisions on dividend distribution.

### 7. Transfer of Shares

- 7.1. The Articles of Association do not contain any provisions that restrict the free transfer of shares by shareholders.



## SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Disclosure Policy of the Company

**8.1.** A disclosure policy to provide necessary information to the public was prepared and announced on the Company's website. This policy is available at [www.hurriyetkurumsal.com](http://www.hurriyetkurumsal.com).

**8.2.** To this end, informational meetings are organized and/or such meetings are attended further the material disclosures and periodical financial statements and annual reports disclosed to public. Investors, analysts and press members are invited to these meetings. Within this framework, Board Members and senior managers attend these meetings and make presentations. Additionally, introduction documents, disclosures to data delivery companies, announcements and news published on the Company's website are other instruments used under the disclosure policy.

**8.3.** The Company Disclosure Policy has been approved by the Board of Directors and presented to the shareholders at the General Meeting. The Board of Directors is in charge of monitoring, reviewing and improving the Disclosure Policy. The Corporate Governance Committee informs and makes recommendations to the Board of Directors, Executive Committee, Audit Committee and the CFO on issues related to the Disclosure Policy.

**8.4.** The Investor Relations Department is authorized to oversee and monitor any issues related to public disclosure. Inquiries received from outside the Company are responded to either by the Chief Executive Officer, Chief Financial Officer, or the Investor Relations Manager, within the knowledge of and authorization limits set by the CEO and CFO, depending on the content of the query.

In responding to queries, utmost care is taken to avoid any violation of the equal rights of stakeholders to obtain information.

The individuals authorized to make public disclosure on Borsa Istanbul Public Disclosure Platform under the Company's Disclosure Policy and their contact details are as follows:

<b>Name</b>	Sema İpek Erhan
<b>Title</b>	Investor Relations Manager
<b>Licence information</b>	Corporate Governance Rating Licence No: 700328 Capital Market Operations Advanced Licence No: 200151 Derivative Instruments Licence No: 300313
<b>Address</b>	100. Yıl Mahallesi, 2264. Sokak No: 1 34204 Bağcılar / İstanbul
<b>Phone - fax</b>	+90 212 449 60 30 - +90 212 677 01 82
<b>E-mail</b>	ierhan@hurriyet.com.tr yatirimciiliskileri@hurriyet.com.tr

27 material matter disclosures were made in 2016. The Capital Market Board and/or Management of Borsa Istanbul did not issue any notifications and/or amendments and requests for additional material event disclosures regarding the public disclosures the Company made in 2016.

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**8.5.** Except where applicable legislation requires otherwise, information distribution companies and the website of the Company are used effectively for public disclosures. Principles governing the disclosure of information on future prospects are defined in the Company's Disclosure Policy.

**8.6.** In public announcements, information on future prospects is disclosed together with the justifications and the statistical data underlying the forecasts and is associated with the Company's financial position and operational results. Only the Chief Executive Officer and the Chief Financial Officer are authorized to make such announcements.

**8.7.** Board Members, executives and shareholders who directly or indirectly own 5% of the Company's capital are required to disclose all their dealings in the Company's securities, in accordance with the Capital Market Law. There were no transactions or public disclosures in 2016 related to this issue.

**8.7.1.** All material disclosures are entered into the website both in Turkish and English version, thus the material event disclosures made are automatically announced on the website.

**8.7.2.** The Company does not have any stock-based derivative products. In 2016, no commercial and/or non-commercial transactions took place between Hürriyet and other companies in which Board Members, executives or shareholders who directly or indirectly own at least 5% or more of Hürriyet's capital, hold at least a 5% stake or have management control irrespective of the amount of shares they hold.

**8.8.** The financial statements and footnotes of the Company were prepared on a consolidated basis, pursuant to the provisions of the CMB Communiqué II-14.1, in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards, announced by the Public Oversight, Accounting and Auditing Standards Authority, presented in line with the principles set forth in the CMB's decision 20/670 dated 7 June 2013 and announced in the CMB's Weekly Journal numbered 2013/19 dated 7 June 2013, audited independently in compliance with the Turkish Audit Standards and were publicly disclosed. The Annual Report 2016 is prepared in accordance with the Capital Market Legislation and CMB Regulations and Principles.

### 9. The Website and Its Contents

**9.1.** The Company's website is designed in accordance with the Turkish Commercial Code, Capital Market Legislation and CMB Regulations and Resolutions, is accessible at [www.hurriyetkurumsal.com](http://www.hurriyetkurumsal.com) and is actively used for public disclosures. In addition to the mandatory information requirements prescribed by relevant legislation, the Company's website also contains: information related to its trade registry; the latest shareholding and management structure; detailed information on preferred shares; the dates and issues of the trade registry gazette in which changes have been published; the latest version of the Articles of Association; public disclosures; financial statements and annual reports; registration statements; circulars related to initial public offerings; agendas of general meetings; attendance charts and minutes of general meetings; proxy voting form; mandatory information forms prepared for the call for the collection of shares and proxies; the Company's policy regarding acquisition of its own shares, if any; profit distribution policy; disclosure policy; information on related-party transactions; the Company's code of ethics; and requests for information, questions and notices received by the Company and responses given to these, under the frequently asked questions section. Information and records on the website date back at least five years.

**9.1.1.** The content and layout of the Turkish and English pages of the website were redesigned in accordance with the Turkish Commercial Code, Capital Market Legislation and CMB Regulations and Resolutions.

The Company's website comprises the information below:

**a) Corporate**

- Company Profile
- Mission, Vision and Strategy
- Shareholding Structure
- Board of Directors
- Committees
- Organization
- Values and Hürriyet Publishing Principles

**b) Investor Relations**

- Investor Relations Contact Information
- Corporate Information
- Financial Statements
- Annual Reports
- Capital Increase
- Dividend Information
- Significant Decisions of the Board of Directors
- General Assembly Meetings
- Investor Presentations
- Public Disclosures
- Calendar
- Analyst List
- Share Performance
- Frequently Asked Questions
- Investor Relations Site Map

**c) Corporate Governance**

- Board of Directors
- Corporate Governance Committee
- Shareholding Structure
- Articles of Association
- Trade Registry Gazettes
- Minority Rights and Privileged Shares
- Corporate Governance Principles Compliance Report
- Corporate Governance Rating Report
- Financial Rating Reports
- Code of Ethics
- Disclosure Policy
- Dividend Distribution Policy
- Remuneration Policy
- Donation and Support Policy
- Compensation Policy

**d) Social Responsibility**

- Social Responsibility Projects
- No! To Domestic Violence
- Domestic Violence Hotline
- Rightful Women Platform
- Hürriyet Hakkımızdır Treni (Freedom is Our Right Train)
- Van Earthquake and Hürriyet
- Environmental Health
- Hotline

**e) Investments**

- Printed Media
- Internet Operations
- Printing Activities
- Foreign Operations

**f) Human Resources**

- Human Resources Practices
- Human Resources Policy
- Job Application

**g) Visual Gallery**

- Advertising Videos

**h) Contact Us**

- Contact Information
- Printing Center and Regional Offices
- Address

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9.1.2. Studies to improve the website are steadily carried on.

9.1.3. The address of the website is clearly indicated on the Company's letterhead.

9.1.4. Guidelines related to the management of the website are included in the disclosure policy.

9.2. For public disclosures, the Capital Market Legislation, CMB and Stock Exchange Regulations and CMB Principles.

### 10. Annual Report

Annual Report 2015 as well as the annual report issued quarterly in 2016 are prepared on annual and interim basis both in Turkish and English languages to reflect the economic and financial status and operations of the Company accurately and fairly in accordance with the Turkish Commercial Code and CMB legislation, Corporate Governance Principles, Public Disclosure and Transparency principle and are announced on the Company's website.

### SECTION III - STAKEHOLDERS

Advertisers are important stakeholders for the Company since the Company carries on business in the media sector and the advertising revenues have important share among total revenues. The Executive Committee and Advertising Department are responsible for advertising policies and practices. The Company actively participates in and gives support to non-governmental organizations acting in the advertising and media sector. On the other hand, based on the importance of human resources in the media sector, the human resources management is represented at high level and the human resources policies are handled at macro level. General policies as regards to readers and audience of printed and visual/audio media are defined and implemented by the Executive Committee.

### 11. Disclosures to Stakeholders

As detailed in Section I of the report, disclosures to shareholders and investors are made in accordance with the Capital Markets Legislation and the CMB Regulations and Principles, using tools that are determined in advance. Management is encouraged to join NGOs formed by stakeholders. Participation in such endeavors together with advertisers helps the Company understand their needs and ensures sustainable growth and financial strength. The stakeholders can contact the members of the Corporate Governance Committee or the Audit Committee or persons authorized to provide information under the Company's Disclosure Policy, via e-mail, regarding the Company's actions that are against the legislation and ethically inappropriate.

### 12. Participation of Stakeholders in Management

The Company is in constant contact with the stakeholders, verbally and in written form. Feedback received from stakeholders is evaluated and submitted to senior management, to assist the development of solutions and policies. There is no provision in the Articles of Association regarding the participation of stakeholders in management. Information to employees about general activities and practices of the Company and obtaining the proposals are provided via the Company's Intranet website.

### **13. Human Resources Policy**

**13.1.** The Company offers equal opportunity to persons with the same qualifications in recruitment and career planning. Succession plans are put in place in order to prevent operational impediments if/when a manager resigns.

**13.2.** All recruitment criteria have been detailed in writing and are efficiently implemented. Recruitment processes have been defined in procedures.

**13.3.** All employees are treated equally with regard to their rights. Training and development programs are organized and training policies are developed to enhance the knowledge, skills, and competencies of employees.

The CEO organizes meetings for employees to give them information about the Company's financial position, targets and overall performance. Quarterly occupational health and safety meetings are held, which are attended by employee representatives. In addition, digital environments are made available, whereby employees are able to convey their requests, complaints and suggestions in writing.

**13.4.** Job descriptions, distribution of duties, performance and rewarding criteria are shared with employees. In determining compensation and other benefits offered to personnel, the Company takes productivity measures into account. The Company may choose to develop employee stock ownership plans.

**13.5.** The Company does not discriminate among its employees in terms of their race, religious belief, language or gender, and takes all precautions to protect employees against all kinds of physical, emotional or psychological abuse.

**13.6.** Safe working environment and conditions that meet Occupational Health and Safety regulation principles are provided for the employees.

### **14. Code of Ethics and Social Responsibility**

**14.1.** The Company's ethical rules are announced to the public on the corporate website. The ethical rules are continuously reviewed and updated.

**14.2.** The Company conducts the social responsibility projects backed up by its employees of high social sensitivity, its corporate structure and the synergy created by all corporations within its organization.

**14.3.** The Company complies with the regulations on environment, consumer and public health as well as ethical rules. The Company supports and respects internationally recognized human rights.

**14.4.** "Editorial Principles" have been defined separately for printed media and for audio/visual media business lines. These Principles can be accessed at the corporate website, under the tab "Values and Editorial Principles".

## **SECTION IV - BOARD OF DIRECTORS**

### **15. Structure and Formation of the Board of Directors**

**15.1.** The composition and election of the Board of Directors are subject to the Turkish Commercial Code, Capital Market Legislation, Law, CMB Regulations and Resolutions. The applicable principles are set forth also in the Articles of Association. Some arrangements have been made to comply with the CMB Principles.



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Accordingly,

**15.1.1.** The Company is managed and represented by a Board of Directors that consists of eight members elected from among the shareholders at the General Meeting of Shareholders.

**15.1.2.** At least one-third of the Board Members must be independent members who meet the qualifications specified in the CMB's Corporate Governance Principles. Individuals who have served on the Board for more than six years during last decade cannot be elected Independent Board Members. The Company's Board of Directors consists of two Independent Members.

As per CMB's Communiqué Series: IV, No: 56, which took effect on 30 December 2011, the Company falls into "Category 3" companies as its market capitalization is below TL 1 billion, and the total value of its outstanding shares is below TL 0,25 billion. Therefore, the Company meets the requirement of having two independent members on its Board.

The consent of a majority of independent members is sought in Board of Directors' resolutions regarding the Company's transactions with related parties and for providing collateral, surety or lien in favor of third parties. In the event that the majority of independent members do not approve the action, then it is disclosed to the public with all related information about the action, and submitted to the General Meeting of Shareholders for approval. The shareholders, with the exception of related parties in the transaction, are given the opportunity to participate in such decisions through voting at the related General Meeting. Quorum is not sought at the General Meetings that convene to resolve the issues described in this clause. Resolutions require an absolute majority. Board and General Assembly resolutions that are not adopted according to the principles stated under this paragraph shall not be valid. The Articles of Association comprise provisions in this regard.

**15.1.3.** The number of executive directors cannot exceed half of the Board of Directors and this point is taken into consideration, especially when defining the duties of Board Members.

**15.1.4.** The Chairperson of the Board of Directors and the Chairperson of the Executive Committee is not the same person.

**15.2** Members of the Board of Directors and their status are as follows:

Name/Last Name	Title	Status
Vuslat Doğan Sabancı	Chairperson	Non-Executive
Soner Gedik	Vice Chairperson	Non-Executive
Çağlar Göğüş	Executive Board Member	Executive
Ahmet Toksoy	Board Member	Non-Executive
Ahmet Dalman	Board Member	Non-Executive
Kai Georg Diekmann	Board Member	Non-Executive
Gündüz Kösemen	Board Member	Independent Member
Béatrice de Clermont Tonnerre	Board Member	Independent Member

Board Members are unanimously appointed to serve until the General Assembly where the operations and accounts for the accounting year 1 January - 31 December 2016 will be discussed.

On 26 February 2016 and 3 March 2015, the General Assembly resolved to disclose and announced to the public on the same date the application of Béatrice de Clermont Tonnerre and Gündüz Kösemen to serve as Independent Board Members who presented statement of independence on 8 March 2015. The Statement of Independence of the Independent Members of the Board of Directors are disclosed in the annual report.

Resumes of Board Members are given below.

## **Vuslat DOĞAN SABANCI**

### **Chairperson**

A graduate of Bilkent University's Department of Economics, Vuslat Doğan Sabancı went on to attend Columbia University in New York for her graduate studies in International Media and Communications. Ms. Doğan Sabancı currently chairs the Board of Directors at Hürriyet, and has held this post since 26 May 2010. During her tenure as CEO between 2004 and 2010, Ms. Doğan Sabancı transformed Hürriyet from a leading paper in Turkey into an international powerhouse through her acquisition of Trader Media East (TME) in 2007 in a move that represented the largest ever foreign acquisition executed by a Turkish company. TME is an online and printed media advertising company operating in Russia, Ukraine, Belarus, Kazakhstan, Hungary, Croatia, Bosnia & Herzegovina and Serbia. Among TME's most important brands are Iz Ruk Ruki, one of the most well-known media brands in Russia, and Irr.ru, that country's leading online classifieds provider.

Ms. Doğan Sabancı ensured Hürriyet's position as a major player within Turkey's emerging new media industry by investing in digital publishing and services. These prudent investments resulted in the launch of Hurriyet.com.tr as one of the highest trafficked websites across Europe. Hürriyet currently offers classified advertising services through its affiliated family of sites including Hurriyetemlak.com, Hurriyetoto.com, Yenibiris.com, in addition to Yakala.co (deal finder).

Ms. Doğan Sabancı has also evolved into a strong voice for human rights and especially issues related to gender equality in Turkey, by investing in such topics through Hürriyet. A law was enacted on domestic violence following an eight-year effort on her part through the "No! To Domestic Violence" campaign that she had initiated. Ms. Doğan Sabancı also established the "Rightful Women Platform" to gather all NGOs formed around issues concerning women under the same roof, and function as a pressure lobby to ensure more women could be voted into Parliament, prior to the General Elections in 2011. As a result of this effort, the number of female MPs rose to 78 after the 2011 elections, up from 48. In addition, Ms. Doğan Sabancı carries on with a multitude of activities in the name of giving women their rightful place both within society in general and within the economy in particular. A microloan project for women is one of such social responsibility projects.

Ms. Doğan Sabancı joined Hürriyet in 1996 as Vice President in charge of Advertising, before her promotion to the post of Marketing Group President three years later. Her responsibilities at Hürriyet included marketing, sales, human resources and information technologies (IT). Before joining Hürriyet, Ms. Doğan Sabancı worked in the editorial department of The New York Times for a year, and later at The Wall Street Journal, where she was instrumental in the formation of the Asian Business World News Channel and the paper's Latin America edition.

Born in 1971, Vuslat Doğan Sabancı is married with two children. Ms. Doğan Sabancı speaks English. Ms. Doğan Sabancı is a lifetime honorary member of the International Press Institute (IPI), where she served an eight-year term as a Board Member.

## **Soner GEDİK**

### **Vice Chairperson**

Having successfully held various managerial positions at Doğan Group for nearly 30 years since 1987, Soner Gedik was born in 1958 in Eskişehir. He received his degree in economics and public finance from Ankara University's Faculty of Political Sciences in 1981.

In 1985, he qualified for the Ministry of Finance Tax Auditor title, finishing first in his class.

Mr. Gedik transferred to the private sector in 1987 and joined Hürriyet Holding A.Ş. as the Head of Audit Group. He served as a Member and Vice Chairperson of the Board of Directors of Hürriyet Gazetecilik ve Matbaacılık A.Ş. between 1989 and 1998.

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Mr. Gedik played an important role in the public offering of Doğan Yayın Holding in 1998, and assumed the positions of Chief Financial Officer (CFO) and Vice President. He has undertaken major responsibilities in relation to public offerings, acquisitions, foreign partnerships, incorporation of new companies and similar corporate finance and strategy matters at Doğan Media Group.

Soner Gedik is married and has four children.

### **Çağlar GÖĞÜŞ**

#### **Executive Board Member**

Having earned his degree in business administration from Bilkent University in 1995, Çağlar Göğüş then moved on to receive his MBA from the University of Florida.

Mr. Göğüş started his professional life in 1995 as an assistant at Coopers & Lybrand Turkey and then worked for a short term at Arthur Andersen as a Senior Analyst. Having worked as a Senior Consultant at A.T. Kearney between 1998 and 2000, he joined Peppers & Rogers Group in 2002, where he was a partner for nine years.

Mr. Göğüş assumed responsibility for the EMEA region at Peppers & Rogers from 2010, and successfully led the expansion of international operations of Peppers & Rogers Group in the EMEA region with the title of Managing Director until 2014.

As a founding partner of Analytics Center and Smartcon EMEA, he offered training and advisory services and organized strategic events on big data, advanced analytics, disruptive technologies and relevant business models.

Having joined Hürriyet in 2015 as a member of the Board of Directors, Mr. Göğüş has taken over the position of CEO in February 2016.

### **Ahmet ÖZER**

#### **Board Member**

Ahmet Özer received his undergraduate degree in Economics from Boğaziçi University. After taking on project development roles in several companies for two years, he joined Doğan Group in 1996.

Having assumed the position of Strategy and Business Development Manager at Doğan Holding until 2005, Mr. Özer joined Hürriyet as Business Development and Investor Relations Coordinator in 2005, where he was appointed as Head of Strategy and Business Development Group in 2007.

In 2009, Mr. Özer was appointed as Head of Hürriyet Internet Group as member of the Executive Board in 2009. A major contributor to the acquisition process of TME, the foreign subsidiary of Hürriyet, he was named the CEO of TME in July 2010, a position he held at the head office in Moscow until 2014. Having served as Chief Executive Officer (CEO) of Hürriyet World from June 2014 until February 2016, Mr. Özer is working as the General Manager of Acemar, a company engaged in global trading of steel and metal products since December 2016, in tandem with which he continues to hold a seat as a member of Hürriyet's Board of Directors.

Ahmet Özer is married and has two children.

## **Ahmet DALMAN**

### **Board Member**

Ahmet Dalman was born in 1964 and graduated from Boğaziçi University, Department of Electrical-Electronics Engineering in 1986.

Starting his career as an Information Technologies specialist in the media sector, Mr. Dalman carried on his activities as partner and executive of a company producing technological solutions for media and different sectors and made remarkable contributions to the digitalizing and technology application process of many media companies.

In 1994, Dalman joined Hürriyet as Information Systems Manager and served as Technology Director at e-kolay.net Internet Service Provider Company of Doğan Group between 1999 and 2000.

He assumed duties as; Hürriyet Newspaper Information Systems Coordinator in 2001, Hürriyet Newspaper Executive Board Member in 2008, the Head of Hürriyet Internet and Information Technologies Group in 2010, and Hürriyet Executive Board Vice Chairperson between May 2012 and May 2014. Dalman still continues to serve as a Member of the Board of Directors. Dalman is married with two children, and he speaks English.

## **Ahmet TOKSOY**

### **Board Member**

Born in 1959 in İstanbul, Ahmet Toksoy graduated summa cum laude from the Department of Finance, Faculty of Business Administration at İstanbul University in 1981. In 1987, as the top student of his class, he was appointed as an Auditor at the Ministry of Finance, in which position he functioned from 1984 until 1989, when he joined Hürriyet Holding A.Ş. as a member of the Audit Committee. He worked as Assistant Finance Manager at Hürriyet Newspaper from 1990 to 1991 and as its Finance Manager from 1991 to 1995. He then worked as a Certified Public Accountant for three years at Aktif Denetim Yeminli Mali Müşavirlik.

In 1998, Mr. Toksoy returned to Hürriyet Newspaper where he served as the Financial Affairs Group President for 11 years until early 2010 when he was appointed President of Audit and Risk Management at Doğan Holding. Mr. Toksoy has been serving as the CFO and member of the Executive Committee of Doğan Şirketler Grubu Holding A.Ş. since September 2011. He also serves as a Board of Directors member of Doğan TV Holding A.Ş. and Hürriyet Gazetecilik ve Matbaacılık A.Ş. Mr. Toksoy is married and has one child.

## **Kai DIEKMANN**

### **Board Member**

Born in 1964 in Ravensburg, Germany, Kai Diekmann grew up in the city of Biefeld. After graduating from high school, he voluntarily served in the army for two years. He was a trainee with Axel Springer AG in 1985, and worked in Hamburg, Bonn and New York as part of this post. In 1987, he became Parliamentary Correspondent for Bild and Bild am SONNTAG in Bonn, and Executive Reporter for Bunte Magazine in 1989. Two years later, he became Deputy Editor of B.Z. published in Berlin and then moved to Hamburg as Deputy Editor and Head of the Politics Department of Bild, in which position he remained for five years.

After a brief travel throughout Central America, he became Editor in Chief of WELT am SONNTAG in 1998. In January 2001, he was named Editor in Chief of Bild and publisher of both BILD and BILD am SONNTAG, a position he still holds. In 2008, he was appointed Editorial Director of the BILD-group, and was named publisher of B.Z. in November 2013. On assignment from Axel Springer AG, Mr. Diekmann spent ten months as Editor in Chief of BILD in the Silicon Valley, US, to study digital projects and business models.

Mr. Diekmann serves as a member of the Board of Directors of Hürriyet Newspaper since 2004 and of Times Ltd. since 2011.

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### **Gündüz KÖSEMEN**

#### **Independent Board Member**

Gündüz Kösemen graduated from Robert College in 1958. Having served as the General Coordinator of Egemak A.Ş., a Koç Holding company, between 1967 and 1971, Mr. Kösemen worked as Commercial Affairs Director in Otoyol Sanayii A.Ş., owned by the same Group, between 1971 and 1973. He was the General Manager and a Board Member in Opar A.Ş., a company of Koç Holding A.Ş., from 1973 to 1997. He also held several seats as a Board member at Kıraca Holding A.Ş. from 1998 to 2015.

Mr. Kösemen is married and has a son.

### **Béatrice de CLERMONT TONNERRE**

#### **Independent Board Member**

Béatrice de Clermont Tonnerre has been serving as Director of Southern Europe for Joint Project Solutions since May 2013. Tonnerre lives in Paris and has served in various projects, from Pay TV and publishing to sports franchises, from sports franchises to book publishing, digital media and purchasing on internet. She is also well experienced in organic growth and launch of new products.

Ms. Tonnerre started her career as radio correspondent at Radio France Internationale Latin America and Europe 1 and joined Lagardere in 1995 as an analyst in the technology division of the Strategy Department. In 1998 she promoted as director of the Media Department and was appointed as the Head of Interactive Televisions Group of Canal Satellite in 2001, followed by her appointment as Co-Head for Programming in 2003.

Béatrice de Clermont Tonnerre graduated from the Institut d'Etudes Politiques de Paris, Department of Politics and obtained her MBA degree from École Supérieure des Sciences Economiques et Commerciales. In addition, she serves as a Board Member at LACIE, a technology company quoted on the French Stock Exchange.

There are no rules and/or restrictions regarding the Members of the Board of Directors of the Company to assume duty/duties outside the Company.

Recently, there is no restriction regarding the Members of the Board of Directors to assume duty/duties in the Company.



Information about the positions of the Members of the Board of Directors in the group companies is given below.

Name/Last name	Tasks taken on during last decade	Current tasks assumed outside the Company	Whether an Independent Board Member	Committee Participation and Position
Vuslat Doğan Sabancı	Board Member, Chairperson of Executive Committee, Vice Chairperson of Board	Board Member at Group companies	Not an independent member	-
Soner Gedik	Vice Chairperson	Chairperson and Board Member at Group companies	Not an independent member	-
Çağlar Göğüş	Executive Board Member, Chairperson of Executive Board, Independent Board Member	Board Member at Group companies	Not an independent member	-
Ahmet Toksoy	Doğan Şirketler Grubu Holding A.Ş. Head of Financial Affairs Group	Chairperson and Board Member at Group companies	Not an independent member	-
Ahmet Özer	Board Member	Board Member at Group companies	Not an independent member	-
Ahmet Nafı Dalman	Board Member, Head of Internet and Information Technologies Group	Board Member at Group companies	Not an independent member	-
Kai Georg Diekmann	Board Member, Independent Board Member	-	Not an independent member	-
Gündüz Kösemen	Independent Board Member, Chairperson of the Audit Committee, Chairperson of the Early Detection of the Risk Committee, Chairperson of the Corporate Governance Committee	-	Independent member	Chairperson of the Audit Committee, Chairperson of the Early Detection of the Risk Committee, Chairperson of the Corporate Governance Committee
Béatrice de Clermont Tonnerre	Independent Board Member	-	Independent member	Member of the Audit Committee

## 16. Operating Principles of the Board of Directors

**16.1.** The Board of Directors meets whenever required by the business of the Company and at least once every month. Members of the Board of Directors are promptly provided all information they may need to adequately perform their duties.

In 2016, the Board of Directors held/adopted 34 meetings/resolutions where the resolutions were taken unanimously without any opponent Board member.

**16.2.** The Board resolutions are signed by members and affixed to resolutions book. Any opponent member must sign the minutes by indicating the grounds for opposition. The meeting documents and related correspondence are regularly filed by the Board of Director's Secretariat Office. If the Independent Board Members cast negative vote in cases where their affirmative votes are required, the measures set forth in the Capital Market Law and the Capital Market Board Regulations.

## BOARD OF DIRECTORS' ANNUAL REPORT FOR THE PERIOD FROM 01 JANUARY 2016 TO 31 DECEMBER 2016

**16.3.** Meetings of the Board of Directors take place at the Company's Headquarters, but upon a decision of the Board of Directors, meetings can be held in a different location. Members of the Board of Directors primarily attend meetings in person. However, it is also possible to utilize remote access technology. Written opinions of members who cannot attend the meetings in person are conveyed to the other members.

**16.4.** In order to perform the powers and responsibilities assumed, every year the Board of Directors identifies those from among its members who will be responsible for subjects requiring expertise; and makes duty allocation by designating executive directors who will assume a part of the Board's powers and a certain portion of Company business as well as observing the implementation of the decisions made, if required. Further, the Board carries on studies to delegate its powers, completely or partially, as allowed by the Turkish Commercial Code and the Capital Market Board, to senior managers by determining the methods and principles of assignment in accordance with the Turkish Commercial Code by issuing an internal directive.

**16.5.** Resumes of the Board Members are published in the Annual Report and on Company's website at [www.hurriyetkurumsal.com](http://www.hurriyetkurumsal.com)

**16.6.** Members of the Board of Directors are promptly provided all information they may need to adequately perform their duties. It is mandatory that the call for a meeting contains the agenda, is made at least 7 days prior the meeting and all information and documents related with the agenda items are attached thereto.

**16.7.** Members of the Board of Directors shall be elected from among individuals who have basic knowledge of the legal environment in the Company's line of business, are professional and experienced in management, can review financial statements and, preferably, hold relevant university degrees.

**16.8.** Members of the Board of Directors do not have weighted voting and/or veto rights.

**16.9.** Board of Directors meetings require the presence of at least one more than half of the full number of members and decisions require a simple majority of members present at the meeting. In case of equality of votes, the subject matter is added to the agenda of the next Board meeting and if it cannot be approved and decided upon by a majority of the votes at the next Board meeting, the relevant motion is deemed to have been disapproved. Each member is entitled to one vote, irrespective of their position and duties in the Board of Directors.

**16.10.** The Board's Secretariat Office, reporting to the Chairperson, is established to render services to all Board Members with the purpose to keep the documents of the Board meetings. The duties and responsibilities of the Board's Secretariat Office are set forth in the Articles of Association.

**16.11.** The Board of Directors makes a separate decision for the approval of financial statements and their notes as well as the Independent Audit Report, Corporate Governance Compliance Report and the Annual Report.

**16.12.** The Board Members may not attend any meeting where any subject involving its own interests as well as those of its spouse and relatives by blood and marriage up to third degree are discussed.

**16.13.** Meetings and travel expenses of the Board of Directors, special studies it may request in relation to its duties and related expenses are paid out of the general budget without any restriction.

### **17. Number, Structure and Independence of the Committees Constituted by the Board of Directors**

**17.1.** In line with the Company's current position, legal regulations and needs, four committees have been established to ensure that the Board of Directors properly fulfills its duties and responsibilities: Executive Committee (Executive Board), Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee

**17.2.** General principles applicable for the committees are given in the Company's Articles of Association.

**17.3.** Additionally, the charters of the Audit Committee and the Corporate Governance Committee have been approved by the Board of Directors and are available at [www.hurriyetkurumsal.com](http://www.hurriyetkurumsal.com). These charters have been carefully designed in light of the Capital Market Legislation, CMB Regulations and Resolutions, the Articles of Association as well as practices in other countries. The committees meet at least on quarterly basis.

**17.4.** The Committees meet at intervals as required by their activities and upon call by the Chairperson. The decisions made are kept in written and in a separate book. All correspondence and information by the Committees are performed by persons or a unit designated by the Board of Directors.

**17.5.** The Chief Executive does not serve on any committee.

**17.6. Executive Committee (Executive Board)**

**17.6.1.** Members of the Executive Committee are appointed to serve until first Board meeting to be held after the Ordinary General Assembly Meeting where the operating results for 2016 will be discussed. As per the Board resolution dated 20 April 2016, the Committee consists of the following members:

Name/Last Name	Title	Status
Çağlar Göğüş	Chairperson	Chairperson of Executive Committee
Sedat Ergin	Member	Editor in Chief
Özgür Tokgöz Altun	Member	Finance Director
Tuba Köseoğlu Okçu	Member	Human Resources Director
Zeynep Tandoğan	Member	Advertising Director
Umut Gökbayrak	Member	Information Technologies Director
Özlem Kutluay	Member	Sales and Strategic Planning Director

(\*) The individuals named below, who were appointed as Executive Committee Members by the Board of Directors Decision no. 2016/13 dated 29 April 2016, have left their respective posts as of the dates mentioned below:

- Birim Gönülşen Özyürekli, who was in charge of Marketing, as of 2 June 2016,
- Ediz Haşmet Kökyazıcı, who was in charge of Financial and Administrative Affairs, as of 18 August 2016,
- Özlem Kutluay, who was in charge of Sales and Planning, as of 28 February 2017,
- Sedat Ergin, who was in charge of Editorial Affairs (Editor in Chief), as of 1 March 2017.

**17.7. Corporate Governance Committee**

**17.7.1.** According to Board Decision No. 2015/14 dated 29 April 2016, the Corporate Governance Committee shall consist of the following chairperson and members:

Name/Last Name	Title	Status
Gündüz Kösemen	Chairperson	Independent Board Member/Non-Executive
Dr. Murat Doğu	Member	Non-Executive
Sema İpek Erhan	Member	Investor Relations Manager / Executive

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Additionally, it was resolved that the Corporate Governance Committee shall perform also the tasks of the "Nomination Committee" and the "Remuneration Committee", as set forth in the Corporate Governance Communiqué announced by the Capital Market Board (CMB).

**17.7.2.** Sema İpek Erhan who is a Committee Member, is an executive assuming duties as the Investor Relations Manager. Other Committee Members are non-executives. The Chairperson Gündüz Kösemen is an independent member of the Board of Directors.

**17.7.3.** Dr Murat Doğu, Member of Corporate Governance Member, is serving also as a member of the Corporate Governance Committee at DOHOL.

**17.7.4.** Since its inception, the Committee has been continuing its activities in a regular manner. Accordingly:

- Corporate governance rating studies were carried out,
- Corporate governance compliance reports prepared by the Company were reviewed,
- Annual reports prepared by the Company were reviewed,
- It was ensured that the Ordinary General Assembly Meeting, where the operations of 2014 were discussed, was held in compliance with related legislation and principles,
- It was ensured that relations with shareholders and investors are pursued in compliance with related legislation and principles,
- Public disclosures of the Company were reviewed,
- The website was regularly updated and improved.
- In September 2014, the revised corporate governance rating score was obtained from ICS, the world's reputable corporate governance rating agency, and disclosed to the public.
- The Corporate Governance Committee held four meetings during 2016.

### 17.8. Audit Committee

**17.8.1.** The Board of Directors convened on 29 April 2016 and resolved, taking into consideration the relevant provisions of the Articles of Association, that the Audit Committee shall consist of the following Chairperson and Members to serve until the General Assembly Meeting where the operating results will be discussed:

Name/Last Name	Title	Status
Gündüz Kösemen	Chairperson	Independent Board Member / Non-Executive
Béatrice de Clermont Tonnerre	Member	Independent Board Member / Non-Executive

**17.8.2.** The Chairperson of the Audit Committee is not an Independent Board member. Furthermore, the members' position complies with the provisions of the Capital Market Board Legislation because they are non-executive members.

**17.8.3.** The charters of the Audit Committee and the Corporate Governance Committee have been approved by the Board of Directors and are available at [www.hurriyetkurumsal.com](http://www.hurriyetkurumsal.com) These charters have been carefully designed in light of the Capital Market Legislation, CMB Regulations and Resolutions, the Articles of Association as well as practices in other countries. Within this framework, in 2016;

- The Company's financial statements and their footnotes, as well as the independent audit report of the previous year were reviewed prior to their public disclosure and meetings were held with the Independent Audit Firm;
- The Company's independent audit contract was revised;
- Results of the internal controls performed by the Internal Control Department and the measures taken have been reviewed.
- Studies on risk management activities were carried out;
- The Audit Committee held four meetings during 2016.

## 17.9. Early Detection of Risk Committee

**17.9.1.** The Board of Directors convened on 29 April 2016 and resolved, taking into consideration the relevant provisions of the Articles of Association, that the Early Detection of Risk Committee shall consist of the following Chairperson and Members to serve until the General Assembly Meeting where the operating results will be discussed:

Name/Last Name	Title	Status
Gündüz Kösemen	Chairperson	Independent Board Member /Non-Executive
Erem Turgut Yücel	Member	Doğan Şirketler Grubu Holding A.Ş. Chief Legal Officer / Non-Executive
Tolga Babalı	Member	Doğan Şirketler Grubu Holding A.Ş. Financial Affairs and Risk Management / Non-Executive
Özgür Tokgöz Altun	Member	Finance Director

**17.9.2.** Early Detection of Risk Committee met six times during 2016 and submitted six written notices to the Board of Directors.

**17.10.** The Company's committees act within their authority and responsibility and make recommendations to the Board of Directors. All final decisions are made by the Board of Directors.

**17.11.** A Board Member is serving at more than one committee, because the Board of Directors has two Independent Board Members.

## 18. Risk Management and Internal Control Mechanism

The Audit Committee and the Corporate Governance Committee communicate the risk management and internal control mechanism, the problems faced in these areas and their solutions with the Board of Directors, as the occasion arises. The Early Detection of Risk Committee, established on 18 March 2013, makes recommendations to the Board of Directors on determination and management of risks.

The Early Detection of Risk Committee carries out studies on early determination of risks that would jeopardize the existence, development and continuity of the Company, implementation of necessary measures as regards to risks determined and management of risks. Risk management systems are reviewed at least once a year.

In addition, the Chairperson and Members of the Committee, established as per the resolution 2013/25 dated 3 July 2013 and pursuant to Article 378 of the Turkish Commercial Code, were replaced in accordance with the Corporate Governance Communiqué announced by CMB.



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### 19. Strategic Objectives of the Company

**19.1.** The Company's mission is to provide news, content and services as a global media brand, on a 24/7 basis, in continuous interaction with its readers and customers, using all channels and in all formats, and to add value to their lives. To accomplish this objective, the main task of the executives of Hürriyet and its subsidiaries is to maintain the independence of both the Company and the newspaper and to manage the Company in a way that will protect its independency, the basis of this objective and to provide maximum value to shareholders.

As regards to Turkey's efforts to attain its modernization objective, the Company comes to the forefront with its qualified publishing, the value given to its employees and care for its social responsibilities. The support it gives to social benefit and the consistency of its leading role in this field will guide the objectives, as was in the past.

**19.2.** The vision and mission of the Company are disclosed to public on the corporate website and in the annual report.

**19.3.** The strategic objectives defined by the managers in line with the Company's plans are submitted to the Board of Directors for approval.

**19.4.** Whether the objectives are attained is evaluated during monthly meetings organized by the Board, and detailed reports on the Company's operating results and performance are examined and reviewed.

**19.5.** The Board of Directors and the management continuously review Hürriyet's position in line with its strategic objectives. At regular and frequent Board meetings, the Company reviews its position in the market and devises new targets and strategies responding to changing market conditions.

### 20. Financial Benefits

**20.1.** The Chairperson, Vice Chairperson and Members of the Board of Directors receive a remuneration to be determined in the General Meeting of Shareholders. Such decision for the remuneration amount is based on the time these individuals shall devote to meetings, the time involved in pre- and post-meeting preparations and in the performance of their respective duties, as well as the CEO's salary. In addition, the attendance fee to be paid to Board Members for each meeting is also determined in the General Meeting of Shareholders.

Whether the Head and Members of a Committee shall receive remuneration, and the amount and terms thereof, if applicable, shall be established by the Board of Directors in the Board resolution pertaining to the formation of the respective committee. In the event that the Head and Members of the Committee are also Chairperson or Member of the Board of Directors, the General Meeting of Shareholders shall decide whether these Committee members shall receive any remuneration, and the amount and terms thereof, if applicable.

**20.2.** At the Ordinary General Assembly Meeting held on 29 March 2016, it has been unanimously resolved that the monthly remuneration of the Chairperson, will be TL 10,000, net, of Kai George Diekmann, Béatrice de Clermont Tonnerre and Çağlar Göğüş TL equivalent of USD 5.000 each and of other Board Members TL 5.000, net.

**20.3.** No loans or credits are extended by the Company to any of its Board Members and executives, either directly or indirectly.

## 21. Current Status of the Company Regarding Corporate Governance Principles Compliance

**21.1.** Within the activity period between 01.01.2016 and 31.12.2016, apart from the compulsory principles stipulated in the Corporate Governance Communiqué (n. II-17.1) published by the Capital Markets Board, our company paid utmost attention in order to ensure conformity also with the non-compulsory principles.

**21.2.** Principles that are not implemented, and our evaluations are specified below. There are no conflicts of interest within the Company arising from such issues.

- **Article 1.5.2.** *With the articles of association, minority rights can also be granted to those who possess less than one twentieth of the capital. Making regulation in the articles of association, the scope of the minority rights can be expanded.*  
Although there is no special provision regarding minority rights in the Articles of Association of the Company, all articles regarding this issue stipulate compliance with CMB, TTK (Turkish Code of Commerce) and all other legislation and regulations.
- **Article 2.1.3.** *As per the Capital Markets Legislation, financial statements that must be publicly disclosed (except material matters and footnotes) are publicly announced in Turkish and in English (simultaneously) via Public Disclosure Platform. The English version will be consistent with the Turkish version and will be prepared as a summary that will be correct, complete, direct, comprehensible, and sufficient enough for the persons who will make use of the announcement to make a decision.*

As per the relevant legislation, our Company completely fulfills all obligations regarding public announcements on Public Disclosure Platform (KAP). Additionally, there is no practice in “KAP” regarding disclosure of English versions of the financial statements (except material matters and footnotes) that must be publicly announced as per the capital markets legislation. However, depending on the developments in the relevant legislation, public disclosure of English versions of the financial statements (except material matters and footnotes) may be available in the upcoming periods.

- **Article 3.1.2.** *In case of any breach of the stakeholders' rights that are protected under the legislation and agreements, effective and fast compensation will be provided. The Company facilitates using mechanisms like compensation provided to the stakeholders with the relevant legislation. Furthermore, the company creates the compensation policy for its employees and publicly announces it via its corporate website.*

We do not have yet a compensation policy for the Company employees. However, we act in compliance with the provisions of the Labor Law n. 4857 and Press Business Law n. 5953.

- **Article 3.2.1.** *Without disrupting the company activities, models are developed that will support the stakeholders and the company employees, in particular, to participate in the company management. These models, adopted by the company, are included in the internal regulations or Articles of Association of the company.*

In the Company's internal regulations and Article of Association, there is no specific model for supporting stakeholders' participation in the Company management. Company management - established in a manner that will protect the interests of all shareholders - is constituted from among the candidates according to their experience and expertise. Our Company's stakeholders, composed of shareholders, investors, financial institutions and suppliers, reach information regarding our Company via organized meetings, presentations, news shared with press and media, and via our Corporate Website, in compliance with the Capital Markets Legislation, Law, CMB regulations/decisions and Company's Information Policy.

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- **Article 4.2.8.** *Losses incurred in the company by the members of the Board of Directors as a result of their faults during their term of office, are insured with a policy that will have a value exceeding the company capital by 25% and this issue is publicly disclosed on the Public Disclosure Platform ("KAP").*

Losses incurred in the company by the members of the Board of Directors as a result of their faults during their term of office, are insured by our Company. Since the insurance value does not exceed 25% of the company capital, this issue was not publicly disclosed on the Public Disclosure Platform. However, depending on the developments in the relevant legislation, the Company may take into consideration the issue of increasing the insurance amount to the level that is equivalent to 25% of the company capital in the next coming periods.

- **Article 4.3.9.** *Company determines a target ratio (not less than 25%) and time for the female members in the Board of Directors and creates a policy in order to reach these targets. The Board of Directors annually evaluates the progress in reaching these targets.*

There are two female members in the Board of Directors of the Company. Among these members, Vuslat Doğan Sabancı assumes duties as the Chairperson of the Board of Directors. In the current situation, the 25% target was exceeded and there is no written policy on this issue.

- **Article 4.5.5.** *Company pays attention that the members of the Board of Directors do not assume tasks in more than one committee.*

In the Company, except the independent members, none of the members of the Board of Directors assume tasks in more than one committee.

- **Article 4.6.5.** *Remunerations and all other benefits granted to the Members of the Board of Directors and the executives with administrative responsibilities are publicly disclosed via annual report. The principle is to make the disclosure on an individual basis.*

Financial rights granted to the Members of the Board of Directors and executives managers are collectively disclosed in the Company's annual report. Due to the fact that the payment is not made to the Members of the Board of Directors (except independent members) regarding their memberships, and that the competition benefits are considered, disclosure is not made on individual basis.

## 10. BOARD OF DIRECTOR'S RESOLUTION ON THE APPROVAL OF THE FINANCIAL STATEMENTS, ANNUAL REPORT AND CORPORATE GOVERNANCE REPORT

### HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

#### RESOLUTION OF THE BOARD OF DIRECTORS

Date of resolution: 29 March 2017

Resolution no: 2017 /13

Hürriyet Gazetecilik ve Matbaacılık A.Ş. Board of Directors held a meeting participated by the undersigned Members and passed the following decisions:

- Having established that our Company's independently audited Consolidated Financial Report ("Consolidated Financial Report"), Annual Report ("Annual Report") and Corporate Governance Principles Compliance Report for the fiscal 1 January 2016 - 31 December 2016 have been approved by the Board of Directors resolution no. 2017/07 dated 3 March 2017; and that
- Following the said Board resolution, Consolidated Financial Report and Annual Report were revised as a result of additional checks and corrections performed by the expert employees responsible for the preparation of the Consolidated Financial Report, relevant executives and the Independent Audit Firm, the amounts under "Donations and Aid" account item was reclassified (Note 27); an explanation was supplemented to the note regarding proceeds from sale of property exempted from tax (Note 22), although the same did not result in any change in the bottom line totals of the Financial Statements included in the Consolidated Financial Report;

It has been decided by the unanimous votes of those who are present;

- To approve the attached comparative consolidated financial report for the fiscal 1 January 2016 - 31 December 2016, which was resubmitted to our Board of Directors upon incorporation of suggested adjustments of, and clearance from, the Company's Audit Committee and relevant executives and which was drawn up in conformity with 2016 TMS Taxonomy in the format, the presentation principles of which have been developed by the Public Oversight, Accounting and Auditing Standards Authority (in Turkish: KGK) based on Article 9(b) of the Statutory Decree no. 660 in accordance with the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) published by KGK under the Capital Markets Board of Turkey (CMB) Communiqué no. II-14.1 on Principles of Financial Reporting in Capital Markets, which principles have been determined and publicly disclosed by the KGK decision no. 30 dated 2 June 2016, and subsequently based in the CMB decision no. 22/805 dated 15 July 2016 and publicly disclosed by the CMB Weekly Bulletin no. 2016/22 dated 15 July 2016.
- To approve the attached Annual Report for the fiscal 01 January 2016 - 31 December 2016, which was resubmitted to our Board of Directors for approval upon incorporation of suggested adjustments of, and clearance from, the Corporate Governance Committee and relevant executives, which was drawn up in accordance with the Turkish Commercial Code (TCC), the Regulation on the Determination of the Minimum Content of Companies' Annual Reports published by the Ministry of Customs and Trade ("the Ministry"), and which was independently audited with respect to its conformity to the financial statements and the notes thereto.




Vuslat SABANCI  
(Chairperson)



Soner Gedik  
(Vice Chairperson)



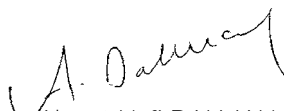
Çağlar GÖĞÜŞ  
(Executive Member)



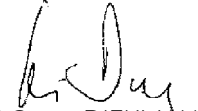
Ahmet TOKSOY  
(Member)



Ahmet ÖZER  
(Member)



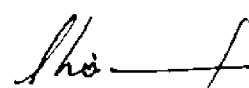
Ahmet Nafi DALMAN  
(Member)



Kai Georg DIEKMANN  
(Member)



Béatrice de Clermont TONNERRE  
(Independent Member)



Gündüz KÖSEMEN  
(Independent Member)

## BOARD OF DIRECTORS' ANNUAL REPORT FOR THE PERIOD FROM 01 JANUARY 2016 TO 31 DECEMBER 2016

### 11. CORPORATE GOVERNANCE COMMITTEE RESOLUTION

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

#### CORPORATE GOVERNANCE COMMITTEE RESOLUTION

DATE: 29 March 2017

RE.: Discussion and Evaluation of Corrections to  
the Annual Report for the Fiscal 1 January 2016 - 31 December 2016

In the Corporate Governance Committee meeting held on 1 March 2017, it has been stated that;

1- Upon obtaining the opinions of the executives who are responsible for the preparation of the Company's Annual Report and Corporate Governance Principles Compliance Report, a review was performed on the Annual Report for the fiscal 01 January 2016 - 31 December 2016, which was drawn up in accordance with the Turkish Commercial Code ("TCC"), Regulation on the Determination of the Minimum Content of Companies' Annual Reports published by the Ministry of Customs and Trade ("the Ministry"), and the Capital Markets Board of Turkey ("CMB") Communiqué II-14.1 on Principles of Financial Reporting in Capital Markets, and which was independently audited with respect to its conformity to the financial statements for the fiscal 1 January 2016 - 31 December 2016 and the notes thereto that have been drawn up in accordance with the provisions of applicable legislation, and also on the Corporate Governance Principles Compliance Report for the period 01 January 2016 - 31 December 2016 incorporated in the Annual Report, which was drawn up in accordance with the CMB's Corporate Governance Communiqué II-17.1, the presentation principles of which were determined as per the CMB Resolution 2/35 dated 27 January 2014 and announced by the CMB Weekly Bulletin 2014/02 dated 27 January 2014;

2- To the extent of our Committee's knowledge and the information provided to our Committee, our opinion regarding the said Annual Report and the Corporate Governance Principles Compliance Report has been submitted to the executives who are responsible for the preparation of the Annual Report and Corporate Governance Principles Compliance Report; it has been concluded that the said Annual Report and Corporate Governance Principles Compliance Report present a true view of the Company's operating results, that they do not contain any material omissions that may turn out to be misleading and that they are in conformity with the TCC, as well as the regulations of the Ministry and the CMB.

Hence, the Board of Directors passed a decision along the same lines.

It has been established that, following the said Board decision, as a result of additional checks and corrections performed by the expert employees responsible for the preparation of the Consolidated Financial Report for the fiscal 1 January 2016 - 31 December 2016 incorporated in the Annual Report, relevant executives and the Independent Audit Firm;

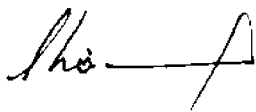
a) the amount under "Donations and Aid" account item under Note 27 titled "Other Operating Expenses" in the Consolidated Financial Report was erroneously entered as TL 3,202,993, and that the correct amount should have been TL 1,584,830, and the difference of TL 1,618,833 was reclassified under "Other" item in the same Note;

b) the relevant Note (Note 22) to the Consolidated Financial Report omitted, by mistake, the fact that, even for informative purposes, TL 1,779,004.44, which is the portion (75%) of "proceeds from sale of property" in the amount of TL 2,372,005.92 descended in the legal accounting records kept in accordance with the Uniform Chart of Accounts published by the T.R. Ministry of Finance, which arose from the sale of certain properties during 2016, that benefits from the exemption set out in Article 5-1/e of the Corporate Tax Law and that would be excluded from profit distribution in the fiscal 1 January 2016 - 31 December 2016 as per the tax legislation, Capital Market legislation and other applicable legislation and would be appropriated to a special fund account under liabilities;

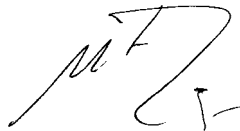
c) the said errors committed by mistake did not change the bottom line totals in the Consolidated Financial Statement, Consolidated Change of Equity Statement and Consolidated Cash Flow Statement as a result of the adjustments made between accounts, nor did it change the Loss for the Period amount in the Consolidated Profit/Loss Table, and

d) accordingly, the Profit Distribution Table and relevant sections incorporated in the Annual Report were revised.

Within this frame, it has been concluded to the extent of our knowledge and the information provided to us that upon the adjustments made, the Annual Report presents a true view of our Company's operating results, that it does not contain any material omissions that may turn out to be misleading, and it is in conformity with the CMB regulations.



Gündüz Kösemen  
Chairperson of the Corporate  
Governance Committee



Dr. Murat Doğu  
Member of the Corporate  
Governance Committee



Sema İpek Erhan  
Member of the Corporate  
Governance Committee



## 12. RESOLUTION OF THE AUDIT COMMITTEE

### HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

#### RESOLUTION OF THE AUDIT COMMITTEE

**DATE:** 29 March 2017

**RE.:** Discussion and Evaluation of Corrections to  
the Financial Report for the Fiscal 1 January 2016 - 31 December 2016

In the Audit Committee meeting held on 1 March 2017, it has been stated that;

1) Upon obtaining the opinions of the executives who are responsible for the preparation of the Company's financial reports, a review was performed on the independently audited comparative Consolidated Financial Report for the fiscal 1 January 2016 - 31 December 2016 ("Consolidated Financial Report"), which was drawn up in conformity with 2016 TMS Taxonomy in the format, the presentation principles of which have been developed by the Public Oversight, Accounting and Auditing Standards Authority (in Turkish: KGK) based on Article 9(b) of the Statutory Decree no. 660 in accordance with the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) published by KGK under the Capital Markets Board of Turkey ("CMB") Communiqué II-14.1 on Principles of Financial Reporting in Capital Markets and which have been determined and publicly disclosed by the KGK decision no. 30 dated 2 June 2016, and which have been subsequently based in the CMB decision no. 22/805 dated 15 July 2016 and publicly disclosed by the CMB Weekly Bulletin no. 2016/22 dated 15 July 2016,

2) To the extent of our Committee's knowledge and the information provided to our Committee, the Committee's opinion regarding the said Consolidated Financial Report has been submitted to the executives who are responsible for the preparation of the financial statements and the notes thereto that make up the Consolidated Financial Report; and that it has been concluded that the said Consolidated Financial Report presents a true view of the Company's operating results, that it does not contain any material omissions that may turn out to be misleading and that it is in conformity with the CMB regulations.

Hence, the Committee passed a decision along the same lines.

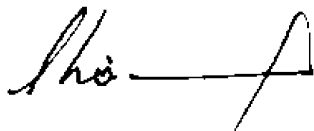
It has been established that, following our said decision, as a result of additional checks and corrections performed by the expert employees responsible for the preparation of the Consolidated Financial Report, relevant executives and the Independent Audit Firm;

a) the amount under "Donations and Aid" account item under Note 27 titled "Other Operating Expenses" in the Consolidated Financial Report was erroneously entered as TL 3,202,993, and that the right amount should have been TL 1,584,830, and the difference of TL 1,618,833 was reclassified under "Other" item in the same Note;

b) the relevant Note (Note 22) to the Consolidated Financial Report omitted, by mistake, the fact that, even for informative purposes, TL 1,779,004.44, which is the portion (75%) of "proceeds from sale of property" in the amount of TL 2,372,005.92 descended in the legal accounting records kept in accordance with the Uniform Chart of Accounts published by the T.R. Ministry of Finance, which arose from the sale of certain properties during 2016, that benefits from the exemption set out in Article 5-1/e of the Corporate Tax Law and that would be excluded from profit distribution in the fiscal 1 January 2016 - 31 December 2016 as per the tax legislation, Capital Market legislation and other applicable legislation and would be appropriated to a special fund account under liabilities;

c) the said errors committed by mistake did not change the bottom line totals in the Consolidated Financial Statement, Consolidated Change of Equity Statement and Consolidated Cash Flow Statement as a result of the adjustments made between accounts, nor did they change the Loss for the Period amount in the Consolidated Profit/Loss Table.

Within this frame, it has been concluded to the extent of our knowledge and the information provided to us that upon the adjustments made, the said Consolidated Financial Report presents a true view of our Company's operating results, that it does not contain any material omissions that may turn out to be misleading, and it is in conformity with the CMB regulations.



Gündüz Kösemen  
Chairperson of the Audit Committee



Béatrice de Clermont Tonnerre  
Member of the Audit Committee

**BOARD OF DIRECTORS' ANNUAL REPORT FOR THE PERIOD FROM  
01 JANUARY 2016 TO 31 DECEMBER 2016**

**13. FINANCIAL REPORT AND ANNUAL REPORT STATEMENT OF RESPONSIBILITY**

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

**BOARD OF DIRECTORS RESOLUTION REGARDING THE APPROVAL OF THE FINANCIAL REPORT AND THE  
ANNUAL REPORT**

**RESOLUTION DATE: 29 March 2017**

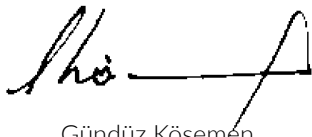
**RESOLUTION NUMBER: 2017/13**

**STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUE SERIAL: II-14.1,  
SECTION TWO, ARTICLE 9**

We have examined the independently audited Consolidated Financial Report of Hürriyet Gazetecilik ve Matbaacılık A.Ş. for the fiscal 1 January 2016 - 31 December 2016 ("Consolidated Financial Report"), which was drawn up in conformity with 2016 TMS Taxonomy in the format, the presentation principles of which have been developed by the Public Oversight, Accounting and Auditing Standards Authority (in Turkish: KGK) based on Article 9(b) of the Statutory Decree no. 660 in accordance with the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) published by KGK under the Capital Markets Board of Turkey ("CMB") Communiqué II-14.1 on Principles of Financial Reporting in Capital Markets and which have been determined and publicly disclosed by the KGK decision no. 30 dated 2 June 2016, and which have been subsequently based in the CMB decision no. 22/805 dated 15 July 2016 and publicly disclosed by the CMB Weekly Bulletin no. 2016/22 dated 15 July 2016, and the independently audited Annual Report for the fiscal 1 January 2016 - 31 December 2016 ("Annual Report"). Hence, it has been established that, to the extent of the information we have obtained in the scope of our duty and responsibility in the organization;

- Consolidated Financial Report and the Annual Report do not contain any misrepresentation of the facts on major issues or any omissions that may be construed as misleading as of the date of the disclosure;
- Consolidated Financial Report, drawn up in accordance with the applicable Financial Reporting Standards fairly represents the facts on the assets, liabilities, financial standing and profit and loss of our Company, and the Annual Report fairly represents the development and performance of the business as well as the financial standing, along with the significant risks and uncertainties the Company is exposed to.

The signatures under this Statement of Responsibility have been executed once again due to the fact that the Consolidated Financial Report and the Annual Report were revised because the amounts under "Donations and Aid" account item was reclassified (Note 27); an explanation was supplemented to the note (Note 22) regarding proceeds from sale of property exempted from tax, although the same did not result in any change in the bottom line totals of the Financial Statements.



Gündüz Kösemén  
Chairperson of the Audit Committee



Béatrice de Clermont Tonnerre  
Member of the Audit Committee



Özgür Tokgöz Altun  
Finance Director



Sema İpek Erhan  
Investor Relations Manager

## 14. BOARD OF DIRECTOR'S RESOLUTION ON DIVIDEND DISTRIBUTION AND DIVIDEND DISTRIBUTION TABLE

### HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

#### RESOLUTION OF THE BOARD OF DIRECTORS

**Date of resolution:** 29.03.2017

**Resolution no:** 2017/14

<b>Attending:</b>	Vuslat SABANCI (Chairperson)	Ahmet Nafi DALMAN (Member)
	Soner GEDİK (Vice Chairperson)	Kai Georg DIEKMANN (Member)
	Çağlar GÖÇÜŞ (Executive Member)	Gündüz KÖSEMEN (Independent Member)
	Ahmet ÖZER (Member)	Béatrice de Clermont TONNERRE (Independent Member)
	Ahmet TOKSOY (Member)	

This Resolution has been signed by the members of the Board of Directors pursuant to Article 390/IV of the Turkish Commercial Code. It has been established that, as a result of the discussions held,

- our Company's independently audited Consolidated Financial Report ("Consolidated Financial Report"), Annual Report ("Annual Report") and Corporate Governance Principles Compliance Report for the fiscal 1 January 2016 - 31 December 2016 have been approved by the Board of Directors resolution no. 2017/07 dated 3 March 2017; and that
- following our said resolution, the Consolidated Financial Report and the Annual Report were revised as a result of additional checks and corrections performed by the expert employees responsible for the preparation of the Consolidated Financial Report, relevant executives and the Independent Audit Firm, the amounts under "Donations and Aid" account item was reclassified (Note 27); an explanation was supplemented to the note (Note 22) regarding proceeds from sale of property exempted from tax, although the same did not result in any change in the bottom line totals of the Financial Statements included in the Consolidated Financial Report;

Hence, the Company's Board of Directors unanimously decided as follows:

- Recourse will be made to the Board of Directors' decision no. 2017/08 dated 3 March 2017;
- Profit Distribution Table for the fiscal 1 January 2016 - 31 December 2016 will be revised as attached, and accordingly;

In view of the provisions of the Turkish Commercial Code ("TCC"), Capital Market legislation and Capital Markets Board of Turkey ("CMB") regulations, Corporate Tax, Income Tax and other applicable legislation, as well as related provisions of the Company's Articles of Association and our publicly disclosed "Dividend Policy";

Based on the independently audited Consolidated Financial Statements for the period 1 January 2016- 31 December 2016, which have been drawn up in accordance with the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) published by the Public Oversight, Accounting and Auditing Standards Authority (in Turkish: KGK) as per the provisions of the CMB Communiqué (II.-14-1) on Principles of Financial Reporting in Capital Markets, and the presentation principles of which have been determined based on CMB's relevant decisions, a "Net Loss for the Period" in the amount of TL 72,463,833 arises when "Deferred Tax Income" and "Tax Expenses for the Period" and "Non-controlling Interests" are taken into account together; and that shareholders should be informed that no dividend distribution can be made for the fiscal 1 January 2016 - 31 December 2016 within the frame of the CMB's dividend distribution regulations, in view of the "Previous Year Losses" in the amount of TL 404,269,466 calculated as per the CMB Dividend Guide published in the CMB Weekly Bulletin no. 2014/2 dated 27 January 2014, General Legal Reserves in the amount of TL 2,267,990.19 that is mandatory to be set aside and Proceeds from Sales of Property in the amount of TL 1,779,004.44, which is exempt from tax under Article 5-1/e of Corporate Tax Law and which will be transferred to a special fund account as per this Decision, and that the same will be laid down for approval at the General Assembly;

**BOARD OF DIRECTORS' ANNUAL REPORT FOR THE PERIOD FROM  
01 JANUARY 2016 TO 31 DECEMBER 2016**

Our financial records for the fiscal 1 January 2016 - 31 December 2016, which are kept under the tax legislation and in accordance with the Uniform Chart of Accounts published by the T.R. Ministry of Finance, show a "Profit for the Period" in the amount of TL 58,320,430.68; after "Tax Expenses for the Period" in the amount of TL 5,656,355.17 is paid out of the aforementioned amount, "Net Profit for the Period" for 2016 is calculated as TL 52,664,075.51; "Previous Year Losses" in the amount of TL 7,304,271.73 be set off from TL 48,617,080,88, which is the aforementioned Net Profit for the Period less "General Legal Reserves" in the amount of TL 2,267,990.19 set aside as per Article 519(1) of the TCC less "Proceeds from Sales of Property" in the amount of TL 1,779,004.44, which is exempt from tax as per Article 5-1/e of the Corporate Tax Law and which will be transferred to Special Fund Account based on this decision; and the remaining "Net Profit for the Period" in the amount of TL 41,312,809.15 be transferred to the "Extraordinary Reserves" account and the same be laid down for approval at the General Assembly.



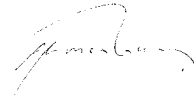
Vuslat SABANCI  
(Chairperson)



Soner Gedik  
(Vice Chairperson)



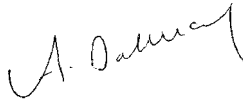
Çağlar GÖĞÜŞ  
(Executive Member)




Ahmet TOKSOY  
(Member)



Ahmet ÖZER  
(Member)



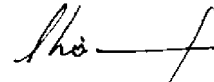
Ahmet Nafi DALMAN  
(Member)



Kai Georg DIEKMANN  
(Member)



Béatrice de Clermont TONNERRE  
(Independent Member)



Gündüz KÖSEMEN  
(Independent Member)

#### 14. APP. 1: PROFIT DISTRIBUTION TABLE

##### Hürriyet Gazetecilik ve Matbaacılık A.Ş. PROFIT DISTRIBUTION TABLE 2016 (TL)

1	Issued Capital		552,000,000.00
2	Total Legal Reserves (acc. to Legal Records) <sup>(1)</sup>		39,284,096.00
Information on privilege in dividend distribution, if there is any privilege pursuant to the Articles of Incorporation			None
		<b>According to CMB</b>	<b>According to legal records</b>
3	Profit/Loss for the Period (+)/(-) <sup>(2)</sup>	-93,192,444.00	58,320,430.68
4	Taxes (+/-) <sup>(3)</sup>	6,531,500.00	-5,656,355.17
	Non-Controlling Shares (-)	-14,197,111.00	-
5	Net Profit/Loss for the Period (+/-)	72,463,833	52,664,075.51
6	Previous Years' Losses (-) <sup>(4)</sup>	-404,269,466.00	-7,304,271.73
7	General Legal Reserves (-)	-2,633,203.78	-2,267,990.19
	"Proceeds from Sales of Property" to be Retained and Temporarily Held in "Special Fund Account" (According to Legal Records) (-) <sup>(5)</sup>	-1,779,004.44	-1,779,004.44
8	NET DISTRIBUTABLE PROFIT/LOSS FOR THE PERIOD (+/-)	-481,145,507.22	41,312,809.15
9	Donations Made during the Year (+)	1,584,829.53	
10	Net Distributable Profit/Loss for the Profit Including Donations (+/-) <sup>(6)</sup>	-479,560,677.69	
11	First Dividend To Shareholders	0.00	
	- Cash	0.00	
	- Bonus	0.00	
	- Total	0.00	
12	Dividend Distributed to Privileged Shareholders	0.00	
13	Other Dividend Distributed	0.00	
	- To Members of Board of Directors	0.00	
	- To Employees	0.00	
	- To Non-Shareholders	0.00	
14	Dividend Distributed to Holders of Dividend-Right Shares	0.00	
15	Second Dividend to Shareholders	0.00	
16	General Legal Reserves	0.00	
17	Statutory Reserves	0.00	0.00
18	Special Reserves	0.00	0.00
19	EXTRAORDINARY RESERVES	0.00	41,312,809.15
20	Other Sources for Distribution	0.00	0.00
	Previous Year Profit	0.00	0.00
	Extraordinary Reserves	0.00	0.00
	Distributable Reserves as per TCC and Articles of Association	0.00	0.00

<sup>(1)</sup> Excluding "Inflation Differences".

<sup>(2)</sup> Consists of total "Loss Before Tax from Operations".

<sup>(3)</sup> Consists of the sum of "Tax Expenses for the Period" and "Deferred Tax Income".

<sup>(4)</sup> Calculated according to the Dividend Guide published in the CMB Weekly Bulletin no. 2014/2 dated 27 January 2014. Consists of the portion remaining after "Share Premiums" and "General Legal Reserves" are added to "Previous Year Losses".

<sup>(5)</sup> The portion of "Proceeds from Sales of Property" to be transferred to the Special Fund Account, which is exempted from tax under Article 5-1/e of the Corporate Tax Law.

<sup>(6)</sup> No distributable profit for the period arises.

#### DIVIDEND RATIOS TABLE

Group	Total Dividends Distributed		Total Dividends Distributed / Net Distributable Profit for the Period	Dividend for Share with Nominal Value of TL 1	
	Cash (TL)	Bonus (TL)	Ratio (%)	Amount (TL)	Ratio (%)
NET	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00





# Deloitte.

To the Board of Directors of

Hürriyet Gazetecilik ve Matbaacılık A.Ş.

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Hürriyet Gazetecilik ve Matbaacılık A.Ş. ("the Company") and its subsidiaries (together will be referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS"), 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Deloitte.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hürriyet Gazetecilik ve Matbaacılık A.Ş. and its subsidiaries as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Turkish Accounting Standards.

## Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 3 March 2017

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2016 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Volkan Becerik, SMMM  
Partner  
İstanbul, 3 March 2017

İstanbul, 29 March 2017 (with amendments as to Notes 22 and 27)

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■ HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.  
**AUDITED CONSOLIDATED STATEMENT OF  
 FINANCIAL POSITION AS OF 31 DECEMBER 2016**  
 (AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Note references	(Audited) Current Period 31 December 2016	(Audited) Prior Period 31 December 2015
<b>ASSETS</b>			
<b>Current assets</b>		<b>286.251.146</b>	<b>315.814.507</b>
Cash and cash equivalents	5	24.295.720	86.987.420
Financial investment	6	111.500	-
Trade receivables			
- Trade receivables from related parties	33	32.593.103	26.372.328
- Trade receivables from non-related parties	8	204.353.838	181.683.764
Other receivables			
- Other receivables from non-related parties	9	2.106.069	993.681
Inventories	11	13.743.974	11.596.510
Prepaid expenses	20	4.519.587	2.726.015
Assets related with current tax	31	-	1.372.140
Other current assets	21	4.527.355	4.082.649
<b>Non-current assets</b>		<b>647.424.741</b>	<b>557.533.933</b>
Financial investments	6	1.343.821	1.393.257
Other receivables			
- Other receivables from non-related parties	9	3.440.787	1.444.690
Financial investments accounted for using the equity method	12	7.368.572	6.566.895
Investment properties	13	227.665.717	86.937.106
Tangible assets	14	130.076.762	186.969.110
Intangible assets			
- Other intangible assets	15	277.201.815	263.054.231
Deferred tax assets	31	327.267	10.005.631
Other non-current assets	21	-	1.163.013
<b>Total assets</b>		<b>933.675.887</b>	<b>873.348.440</b>

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



# AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Note references	(Audited) Current Period 31 December 2016	(Audited) Prior Period 31 December 2015
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>283.312.598</b>	<b>361.956.283</b>
Short-term borrowings	7	72.725.361	55.402.170
Short-term portion of long-term borrowings	7	75.259.960	198.263.511
Trade payables			
- Trade payables to related parties	33	26.164.835	24.120.290
- Trade payables to non-related parties	8	53.060.248	36.660.202
Employee benefit payables	10	6.592.014	6.021.343
Other payables			
- Other payables to non-related parties	9	8.891.934	8.595.760
Deferred income	20	18.224.955	5.590.682
Current income tax liabilities	31	1.006.854	261.684
Short-term provisions			
- Short-term provisions for employment benefits	17	13.686.035	12.181.762
- Other short-term provisions	17	5.779.785	12.735.687
Other short-term liabilities	21	1.920.617	2.123.192
<b>Non-current liabilities</b>		<b>233.768.358</b>	<b>158.172.934</b>
Long-term borrowings	7	139.729.311	62.343.476
Other payables		-	-
- Other payables to non-related parties	9	-	698.515
Long-term provisions			
- Long-term provisions for employment benefits	19	45.199.424	42.254.261
Deferred tax liability	31	48.839.623	52.652.797
Other long-term liabilities		-	223.885
<b>EQUITY</b>			
<b>Total equity</b>		<b>416.594.931</b>	<b>353.219.223</b>
<b>Equity attributable to equity holders of the parent company</b>		<b>411.479.219</b>	<b>372.470.271</b>
Share capital	22	552.000.000	552.000.000
Inflation adjustment to share capital	22	77.198.813	77.198.813
Share premiums		76.944	76.944
Other comprehensive income and expenses that will not be reclassified subsequently to profit or loss			
- Gains or (losses) on remeasurement			
- Gain or (loss) on revaluation of property	22	71.169.629	1.024.515
- Gain or (loss) on remeasurement of defined benefit plans	22	(17.590.552)	(15.355.484)
Other comprehensive income and expenses that may be reclassified subsequently to profit or loss			
- Currency translation differences	22	57.552.514	(15.308.843)
Restricted reserves	22	187.166.210	187.166.210
Retained earnings		(443.630.506)	(383.832.770)
Net loss for the period		(72.463.833)	(30.499.114)
<b>Non-controlling interests</b>		<b>5.115.712</b>	<b>(19.251.048)</b>
<b>Total liabilities</b>		<b>933.675.887</b>	<b>873.348.440</b>

These consolidated financial statements as at and for the period ended 31 December 2016 were approved by the Board of Directors on 29 March 2017.

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

■ HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.  
**AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**  
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Note References	(Audited) Current Period 1 January- 31 December 2016	(Audited) Prior Period 1 January- 31 December 2015
Sales	23	564.101.838	596.083.249
Cost of sales (-)	23	(336.026.239)	(340.677.814)
<b>Gross profit</b>		<b>228.075.599</b>	<b>255.405.435</b>
General administrative expenses (-)	24	(104.198.688)	(113.211.613)
Marketing expenses (-)	24	(123.738.030)	(140.893.050)
Other operating income	26	40.004.091	82.515.795
Other operating expenses (-)	27	(29.544.040)	(61.279.352)
<b>Operating profit</b>		<b>10.598.932</b>	<b>22.537.215</b>
Share of loss of investments accounted by the equity method	12	(391.280)	(2.729.188)
Income from investing activities	28	22.162.827	12.047.265
Expenses from investing activities (-)	29	(79.235.386)	(45.427.823)
<b>Operating (loss)/profit before finance expense</b>		<b>(46.864.907)</b>	<b>(13.572.531)</b>
Finance expenses (-)/income	30	(46.327.537)	(40.881.440)
<b>(Loss)/profit before tax</b>		<b>(93.192.444)</b>	<b>(54.453.971)</b>
<b>Tax income/(expense)</b>		<b>6.531.500</b>	<b>5.853.326</b>
Current tax (expense)/income	31	(5.829.511)	(10.069.347)
Deferred tax income	31	12.361.011	15.922.673
<b>Net loss for the period</b>		<b>(86.660.944)</b>	<b>(48.600.645)</b>
<b>Allocation of net loss for the period</b>			
Attributable to non-controlling interests		(14.197.111)	(18.101.531)
Attributable to equity holders of the parent company		(72.463.833)	(30.499.114)
<b>Loss per share (TL)</b>			
Attributable to equity holders of the parent company	32	(0,1313)	(0,0553)

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

**AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2016**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Note References	(Audited) Current Period 1 January- 31 December 2016	(Audited) Prior Period 1 January- 31 December 2015
<b>Other comprehensive (expense)/income</b>			
<b>Net loss for the period</b>		<b>(86.660.944)</b>	<b>(48.600.645)</b>
Other comprehensive income and expenses that will not be reclassified subsequently to profit and loss			
- Gain or (loss) on revaluation of property		73.699.081	1.024.515
- Gain or (loss) on remeasurement of defined benefit plans	19	(2.793.835)	(1.596.810)
Income tax relating to items that will not be reclassified subsequently to profit or loss			
- Gain or loss on revaluation of property, tax effect		(3.534.012)	-
- Revaluation and remeasurement gains		558.767	319.362
Other comprehensive income and expenses that may be reclassified subsequently to profit or loss			
- Currency translation differences		82.089.483	(34.523.493)
<b>Other comprehensive income/(expense) after income tax</b>		<b>150.019.484</b>	<b>(34.776.426)</b>
<b>Total comprehensive income/(expense)</b>		<b>63.358.540</b>	<b>(83.377.071)</b>
<b>Allocation of total comprehensive income/(expense)</b>			
Attributable to non-controlling interests		(4.968.985)	(30.682.613)
Attributable to equity holders of the parent company		68.327.525	(52.694.458)

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

# AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Note references	Share capital	Inflation adjustment to share capital	Share premiums	Other comprehensive income and (expenses) that may be reclassified subsequently to profit or loss	Currency translation differences	Revaluation and remeasurement gains	Other comprehensive income or (expenses) that may not be reclassified subsequently to profit or loss	Remeasurement gains/(losses) in defined benefit plan
<b>Balances at 1 January 2015</b>	<b>22</b>	<b>552.000.000</b>	<b>77.198.813</b>	<b>76.944</b>	<b>6.633.568</b>				<b>(15.331.957)</b>
Transfer		-	-	-	-	-	-	-	-
The effect of change in holdings on subsidiaries		-	-	-	-	-	-	-	-
Disposal of subsidiary (Note 35)		-	-	-	-	-	-	-	1.253.921
Rate change effect in non-controlling interest		-	-	-	-	-	-	-	-
Total comprehensive income/(expense)		-	-	-	(21.942.411)	1.024.515			(1.277.448)
- Other comprehensive income		-	-	-	(21.942.411)	1.024.515			(1.277.448)
- Net loss for the period		-	-	-	-	-	-	-	-
<b>Balances at 31 December 2015</b>		<b>552.000.000</b>	<b>77.198.813</b>	<b>76.944</b>	<b>(15.308.843)</b>	<b>1.024.515</b>			<b>(15.355.484)</b>
<b>Balances at 1 January 2016</b>	<b>22</b>	<b>552.000.000</b>	<b>77.198.813</b>	<b>76.944</b>	<b>(15.308.843)</b>		<b>1.024.515</b>		<b>(15.355.484)</b>
Transfer		-	-	-	-		(19.955)		-
Dividends									-
The effect of change in holdings on subsidiaries <sup>(1)</sup>									-
Total comprehensive income/(expense)		-	-	-	72.861.357	70.165.069			(2.235.068)
- Other comprehensive income					72.861.357	70.165.069			(2.235.068)
- Net loss for the period									
<b>Balances at 31 December 2016</b>	<b>22</b>	<b>552.000.000</b>	<b>77.198.813</b>	<b>76.944</b>	<b>57.552.514</b>	<b>71.169.629</b>			<b>(17.590.552)</b>

<sup>(1)</sup> By the existence of "non-controlling interests" which have not participated to the capital increase in TME, the effective ownership interest of the Group increased to 97,29% from 78,57%. The transaction was considered as equity transaction and due to the fact that any cash outflow from the Group did not occur, the change in non-controlling interests was accounted in accumulated losses under equity.

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

	Restricted reserves	Retained earnings/ accumulated losses	Net profit/ (loss) for the period	Equity attributable to equity holders of the parent company	Non- controlling interests	Total equity
	165.883.369	(201.896.442)	(168.672.590)	415.891.705	11.302.468	427.194.173
	21.282.841	(189.955.431)	168.672.590	-	-	-
	-	5.031.498	-	5.031.498	-	5.031.498
	-	2.987.605	-	4.241.526	71.809	4.313.335
	-	-	-	-	57.288	57.288
	-	-	(30.499.114)	(52.694.458)	(30.682.613)	(83.377.071)
	-	-	-	(22.195.344)	(12.581.082)	(34.776.426)
	-	-	(30.499.114)	(30.499.114)	(18.101.531)	(48.600.645)
	-	-	-	-	-	-
	187.166.210	(383.832.770)	(30.499.114)	372.470.271	(19.251.048)	353.219.223
	187.166.210	(383.832.770)	(30.499.114)	372.470.271	(19.251.048)	353.219.223
	-	(30.479.159)	30.499.114	-	(81.907)	(81.907)
	-	(29.318.577)	-	(29.318.577)	29.417.652	99.075
	-	-	(72.463.833)	68.327.525	(4.968.985)	63.358.540
	-	-	-	140.791.358	9.228.126	150.019.484
	-	-	(72.463.833)	(72.463.833)	(14.197.111)	(86.660.944)
	187.166.210	(443.630.506)	(72.463.833)	411.479.219	5.115.712	416.594.931



■ HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2016**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Note Reference	(Audited) Current Period 1 January- 31 December 2016	(Audited) Prior Period 1 January- 31 December 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>6.347.967</b>	<b>6.095.815</b>
<b>Net loss for the period</b>		(86.660.944)	(48.600.645)
Profit/(Loss) continuing operations		(86.660.944)	(48.600.645)
<b>Adjustments to reconcile profit/(loss) for the period</b>		<b>149.204.347</b>	<b>110.716.594</b>
Adjustments related to depreciation and amortization expenses	14, 15	46.927.995	56.817.268
Adjustments related to impairment/(reversal)		71.779.284	54.559.004
Adjustments related to impairment/(reversal) of receivables	27	8.670.491	13.241.930
Adjustments related to provision for impairment of inventories	11	1.960.907	3.755.706
Adjustments related to provision for impairment of intangible asset	29	77.148.188	44.962.304
Adjustments related to increase in value of investment property	13	(16.000.302)	(7.400.936)
Adjustments related to provisions		3.841.526	(2.178.972)
Adjustments related to (reversal) of provision for employment benefits	17, 29	10.472.985	8.834.693
Adjustments related to lawsuit/(reversal) of provision for lawsuit	17, 27	429.537	(9.413.866)
Adjustment related to reversal of provisions		(354.100)	(1.486.821)
Adjustments related to free provisions/(reversal) for probable risks	26	(2.544.556)	-
Adjustments related to other provisions/(reversals)		(4.162.340)	(112.978)
Adjustments related to interest (income)/expense		30.811.685	9.427.508
Adjustments related to interest income	26	(2.061.918)	(3.065.824)
Adjustments related to interest expense	30	37.915.112	20.586.984
Unearned finance income due to term purchases	26	(87.709)	(3.011.279)
Unearned finance income due to term sales	26, 27	(4.953.800)	(5.082.373)
Adjustments related to unrealized currency translation differences		333.500	(4.083.171)
Adjustments related to undistributed profits of investments accounted at equity method		391.280	2.729.188
Adjustments related to undistributed profits of associates	12	391.280	2.729.188
Adjustments related to tax (income)/expense	31	(6.531.500)	(5.853.326)
Other Adjustments related to non-cash items		2.042.970	(290.897)
Adjustments regarding to (gain)/loss on sale of fix assets		(392.393)	(410.008)
Adjustments regarding to (gain)/loss on sale of tangible assets	28, 29	(392.393)	(410.008)
<b>Changes in working capital</b>		<b>(37.619.555)</b>	<b>(33.010.588)</b>
Adjustments related to (increase)/decrease in trade receivables		(65.269.890)	(29.926.377)
(Increase)/decrease in trade receivables from related parties		(6.220.775)	2.514.082
(Increase)/decrease in trade receivables from third parties		(59.049.115)	(32.440.459)
Adjustments related to (increase)/decrease in inventories		(1.438.314)	(4.476.446)
(Increase)/decrease in prepaid expenses		(1.793.572)	410.235
Adjustments related to increase/(decrease) in trade payables		20.457.846	(11.718.526)
Increase/(decrease) in trade payables to related parties		2.044.545	(1.877.350)
Increase/(decrease) in trade payables to third parties		18.413.301	(9.841.176)
Increase/(decrease) in payables related to employee benefits	10	570.671	(99.960)
Increase/(decrease) in deferred income		12.804.252	(1.487.425)
Adjustments related to other increase/(decrease) in working capital		(2.950.548)	14.287.911
(Increase)/decrease in other assets related to operating activities		(1.648.051)	1.428.540
(Decrease)/increase in other liabilities related to operating activities		(1.302.497)	12.859.371

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

# AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Note Reference	(Audited) Current Period 1 January- 31 December 2016	(Audited) Prior Period 1 January- 31 December 2015
<b>Cash generated from operations</b>		<b>24.923.848</b>	<b>29.105.361</b>
Employment benefits paid	17, 19	(9.620.123)	(9.525.123)
Payments related to other provisions	17	(8.107.574)	(2.141.888)
Taxes returns/(payments)	31	(3.712.201)	(13.308.672)
Other cash inflows/(outflows)	8	2.864.017	1.966.137
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>1.654.691</b>	<b>6.544.296</b>
Proceeds from disposal of subsidiary resulting in loss of control	34	-	2.826.129
Cash inflows from sale of tangible and intangible assets		9.249.259	10.188.882
Proceeds from sales of property, plant and equipment	13, 14, 15	9.249.259	10.188.882
Cash outflows from purchase of tangible and intangible assets		(19.615.536)	(16.258.473)
Purchases of property, plant and equipment	14	(12.806.265)	(5.634.380)
Purchases of intangible assets	15	(6.809.271)	(10.624.093)
Dividends received	28	305.826	-
Interests received		11.715.142	9.787.758
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(67.861.113)</b>	<b>17.227.493</b>
Cash inflows from changes in ownership of an affiliate not resulting loss of control		99.075	-
Cash inflows from capital advances		-	6.289.373
Cash inflows from borrowing		253.336.233	168.506.109
Bank borrowings utilized		253.336.233	168.506.109
Cash outflow related to payments of debt		(283.054.948)	(136.837.087)
Bank borrowings paid		(283.054.948)	(134.697.450)
Cash outflows related to other financial liabilities		-	(2.139.637)
Dividends paid to non-controlling interests		(81.907)	-
Interests paid	30	(38.048.066)	(20.600.858)
Other cash inflows/(outflows)		(111.500)	(130.044)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES</b>		<b>(59.858.455)</b>	<b>29.867.604</b>
Effects of exchange rate changes on cash and cash equivalents		(2.833.245)	515.169
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(62.691.700)</b>	<b>30.382.773</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>5</b>	<b>86.987.420</b>	<b>56.604.647</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5</b>	<b>24.295.720</b>	<b>86.987.420</b>

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

## AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") 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 which undertakes journalism, printing, advertising and internet publishing activities operates seven printing plants in Turkey with locations in İstanbul, Ankara, İzmir, Adana, Antalya, Trabzon and Germany.

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

As of 31 December 2016, the Group's average personnel number is 1.988 (31 December 2015: 2.376).

The address of the registered office is as follows:  
100. Yıl Mahallesi, Matbaacılar Caddesi No: 1  
34204 Bağcılar/İstanbul  
Turkey

The Company is registered to 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 of CMB; according to the records of Central Registry Agency (CRA); shares representing 22,34% as of 31 December 2016 (31 December 2015: 22,31%) of Hürriyet are accepted as "in circulation". As of the date of the report, this ratio is 22,34% (Note 22).

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

## Subsidiaries

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

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

## AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### Joint Ventures

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

Joint Ventures	Registered country	Geographic segment	Nature of business
ASPM Holding B.V. ("ASPM")	Holland	Europe	Investment

### Associates

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

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

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 Basis of presentation

#### 2.1.1 Financial reporting standards

#### Statement of Compliance in TAS

The accompanying consolidated financial statements are prepared in accordance with 2016 TAS Taxonomy based on the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" and Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("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 maintain their books of account and prepare their statutory financial statements in TL in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

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

#### 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.

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

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

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

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

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

**2.1.3 Consolidation principles**

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

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

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

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

**(a) Subsidiaries**

Subsidiaries comprise entities which Hürriyet directly and indirectly controls. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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



## AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

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

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

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

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

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

The Subsidiaries and their effective ownership interests at 31 December 2016 and 31 December 2015 are as follows:

Subsidiaries	Proportion of voting power held by Hürriyet and its Subsidiaries (%)		Effective ownership interests (%)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Yenibiriş A.Ş.	100,00	100,00	100,00	100,00
Glokal <sup>(1)</sup>	100,00	-	100,00	-
Hürriyet Zweigniederlassung	100,00	100,00	100,00	100,00
Hürriyet Invest	100,00	100,00	100,00	100,00
TME <sup>(2)</sup>	97,29	78,57	97,29	78,57
ID Impress Media Marketing LLC	91,00	91,00	88,53	71,50
TCM Adria d.o.o.	100,00	100,00	97,29	78,57
Mirabridge International B.V.	100,00	100,00	97,29	78,57
ZAO Pronto Akzhol	80,00	80,00	77,83	62,86
TOO Pronto Akmola	100,00	100,00	97,29	78,57
OOO Pronto Atyrau	80,00	80,00	77,83	62,86
OOO Pronto Aktobe	64,00	64,00	62,26	50,29
OOO Pronto Aktau	80,00	80,00	77,83	62,86
OOO Pronto Baikal <sup>(3)</sup>	100,00	100,00	97,29	78,57
OOO Pronto DV <sup>(4)</sup>	-	100,00	-	78,57
OOO Pronto Kazan <sup>(5)</sup>	72,00	100,00	70,05	78,57
OOO Pronto Novosibirsk <sup>(6)</sup>	-	100,00	-	78,57
OOO Pronto Oka <sup>(7)</sup>	100,00	100,00	97,29	78,57
OOO Utro Peterburga <sup>(7)</sup>	55,00	55,00	53,51	43,21
OOO Pronto Samara	100,00	100,00	97,29	78,57
OOO Pronto Smolensk <sup>(8)</sup>	-	100,00	-	78,57
OOO Rukom <sup>(9)</sup>	100,00	100,00	97,29	78,57
OOO Pronto Vladivostok <sup>(10)</sup>	-	90,00	-	70,71
OOO Pronto Media Holding	100,00	100,00	97,29	78,57
LLC Pronto Soft <sup>(11)</sup>	-	90,00	-	70,71
OOO SP Belpronto	60,00	60,00	58,37	47,14
OOO Rektcentr	100,00	100,00	97,29	78,57
Publishing House Pennsylvania Inc	100,00	100,00	97,29	78,57
Pronto Ust Kamenogorsk <sup>(12)</sup>	80,00	80,00	77,83	62,86
Publishing International Holding BV	100,00	100,00	97,29	78,57
Impress Media Marketing LLC <sup>(13)</sup>	-	91,00	-	71,50

<sup>(1)</sup> The subsidiary was established on 26 May 2016.

<sup>(2)</sup> By the existence of Non-controlling Interests which have not participated the capital increase in TME, the effective ownership interest of the Group increased to 97,29% from 78,57%.

<sup>(3)</sup> The subsidiary is in the process of liquidation as of 5 October 2015.

<sup>(4)</sup> The subsidiary has been liquidated as of 23 June 2016.

<sup>(5)</sup> The subsidiary is in the process of liquidation as of November 2015.

<sup>(6)</sup> The subsidiary has been liquidated as of June 2016.

<sup>(7)</sup> Subsidiaries ceased its operations before 2010.

<sup>(8)</sup> The subsidiary is in the process of liquidation as of 18 October 2015.

<sup>(9)</sup> The subsidiary ceased its operations in 2012.

<sup>(10)</sup> The subsidiary has been liquidated as of April 2016.

<sup>(11)</sup> The subsidiary has been liquidated as of February 2016.

<sup>(12)</sup> The subsidiary is in the process of liquidation as of 28 December 2016.

<sup>(13)</sup> The subsidiary has been disposed as of March 2016

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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.

Unrealised gains on transactions between the 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) Investments in 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.

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

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

***(c) Non-controlling interests***

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

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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## (d) Financial investments

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

### 2.1.4 Offsetting

All items, significant in terms of content and amount, are stated separately in the consolidated financial statements even if they bear the same characteristics. Insignificant amounts or items displaying similar characteristics are stated collectively.

### 2.1.5 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. In order to maintain consistency, with current period consolidated financial statements. Comparative information is reclassified and significant changes are disclosed if necessary. Consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended are prepared comparatively with the financial statements prepared as at and the year then ended 31 December 2015. In the current period, in case of a necessity, prior period financial statements are reclassified in order to comply with the presentation of its current period consolidated financial statements and significant changes are explained.

### 2.1.6 Application of new and revised international financial reporting standards

#### a) Amendments to Standards affecting amounts reported and/or disclosures in the consolidated financial statements

None.

#### b) New and Revised Standards applied with no material effect on the consolidated financial statements

Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
Amendments to TFRS 11 and TFRS 1	<i>Accounting for Acquisition of Interests in Joint operations</i> <sup>1</sup>
Annual Improvements to 2011-2013 Cycle	<i>TFRS 1</i> <sup>2</sup>
Amendments to TAS 1	<i>Disclosure Initiative</i> <sup>2</sup>
Annual Improvements to 2012-2014 Cycle	<i>TFRS 5, TFRS 7, TAS 34, TAS 19</i> <sup>2</sup>
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements</i> <sup>2</sup>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>2</sup>
TFRS 14	<i>Regulatory Deferral Accounts</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 31 December 2015.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016.

**(c) New and revised TFRSs in issue but not yet effective**

The Group has not applied the following new and revised TAS that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 15 <sup>1</sup>	<i>Revenue from Contracts with Customers</i>

<sup>1</sup> Effective for annual periods beginning on or after 31 December 2018.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated 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:
- has control or joint control over the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- 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).
  - 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).
  - Both entities are joint ventures of the same third party.
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - 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.
  - The entity is controlled or jointly controlled by a person identified in (a).
  - 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).

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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.

For the purpose of accompanying consolidated financial statements, related parties are referred to as legal entities in which Hürriyet directly or indirectly has participation, including any entities under joint control; real persons and/or legal entities that have direct or indirect control or joint control over the Company and their close family members (immediate family members) and legal entities having direct or indirect control or joint control by them and legal entities having significant effect over the Company or their key management personnel; Company's affiliates, subsidiaries and members of the BOD, key management and their close family members (immediate family members) and real persons and/or legal entities that are directly or indirectly controlled individually or jointly (Note 33).

**2.2.2 Financial assets**

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

Financial assets classified by the Group as "available for sale financial assets" that do not have any control power or significant effect have no fair value. When fair value cannot be reliably measured as other fair value estimation methods are not applicable to measure the fair value or applicable methods, where exists, are not properly maintained; the carrying value of the financial asset is measured at cost less any impairment loss (Note 6).

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

**2.2.3 Trade receivables and provision for doubtful receivables**

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

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

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



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

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

### 2.2.5 Inventories

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

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

#### *Promotion materials*

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

### 2.2.6 Investment properties

Land and buildings that are held to earn rentals and/or for capital appreciation are classified as investment property. Investment properties are carried at cost less transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the year which they arise (Note 13).

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

## AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

### 2.2.7 Property, plant and equipment and depreciation

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

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

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

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

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

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

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

### 2.2.8 Financial leases

Leases are classified as finance leases by the Group whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest.

Principal lease payments are treated as liabilities and reduced with their payments. Interest charges are charged directly against income statement over the financial lease period. Capitalized leased assets are depreciated over the estimated useful life of the asset.

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### 2.2.9 Intangible assets

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

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

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

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

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

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

#### 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.

### 2.2.10 Critical accounting estimates and judgements

#### *Useful lives of intangible assets*

Useful lives of some trademarks are expected to be indefinite by the Group management. Where useful life is definite, in case of useful lives of 20 years, such intangible assets' amortization would have increased by TL 10.797.005 (31 December 2015: TL 7.282.541) and their loss before tax would have increased by TL 10.797.005 (31 December 2015: TL 7.282.541).

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Group amortizes trade names, customer lists and domain names with definite useful lives specified in Note 2.2.9.

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

- Had the useful lives been higher by 10%, amortization charges would have decreased by TL 1.425.248 and loss before tax would have decreased by TL 1.425.248 (31 December 2015: TL 1.078.652) or
- Had the useful lives been lower by 10%, amortization charges would have increased by TL 1.741.970 and loss before tax would have increased by TL 1.741.970 (31 December 2015: TL 1.318.352).

## Impairment of intangible assets

The Group conducted intangible asset impairment analysis as of 31 December 2016 and 31 December 2015 according to the details occurred as explained below:

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

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

	31 December 2016		31 December 2015	
	EBITDA margin rate (%)	Discount rate (%)	EBITDA margin rate (%)	Discount rate (%)
TME	42,9	18	40	18,4

The Group has set an impairment on intangible assets in consolidated financial statements as of 31 December 2016 in the amount of TL 77.148.188 (31 December 2015: TL 44.962.304) (Note: 15). Impairment of intangibles occurred because of the under budget performance of TME.

If after-tax discount rate applied to cash flow projection on cash generating units is 1% more than management's estimates, the Group would account an additional impairment amounting to TL 21.970.366 (31 December 2015: TL 16.429.252) to its financial statements and net loss before tax would increase by TL 21.970.366 (31 December 2015: TL 16.429.252).

If the cash generating units to cash flow projections applied to EBITDA ratio is 5% lower than management's estimates, the Group would account an additional provision amounting to TL 31.081.948 (31 December 2015: TL 19.898.894) to its financial statements and net loss before tax would increase by TL 31.081.948 (31 December 2015: TL 19.898.894).

## 2.2.11 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.

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

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

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

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).

**2.2.12 Financial borrowings and borrowing costs**

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

**2.2.13 Employment termination benefits**

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

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

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

**2.2.14 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.

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

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

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

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

### 2.2.15 Share capital and dividends

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

### 2.2.16 Foreign currency transactions

#### Functional currency

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

#### Foreign currency transactions and balances

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

#### Foreign group companies

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

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



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A significant portion of the Group's foreign operations are performed in Russia, Europe and Eastern Europe countries (Note 4). Foreign currencies and exchange rates at 31 December 2016 and 31 December 2015 are summarized below:

Country	Currency	31 December 2016	31 December 2015
Russia	Ruble	0,0573	0,0396
Eurozone	Euro	3,7099	3,1776
United States of America	Dollar	3,5192	2,9076
Romania	New Leu	0,8131	0,7055
Kazakhstan	Tenge	0,0106	0,0291

### 2.2.17 Revenue recognition

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

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

The difference between the fair value and the nominal amount of the consideration is recognized as financing income on the related periods (Note 23).

#### Revenues from advertisement

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

#### Revenues from newspaper sales

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

#### Revenues from printing services

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

#### Interest income

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

#### Rental income

Rental income is recognized on an accrual basis.

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### Other income

Other income is recognized on an accrual basis.

#### **2.2.18 Barter agreements**

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

#### **2.2.19 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 22).

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 32).

In case of dividend payment, earnings per share are determined on existing number of shares rather than the weighted average numbers of shares.

#### **2.2.20 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 5).

#### **2.2.21 Subsequent events**

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

In the case that events not requiring a correction to be made occur subsequent to the balance sheet date, those events are disclosed in the notes of consolidated financial statement (Note 38).

#### **2.2.22 Reporting of cash flows**

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

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

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

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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 bears no risk of change in present value and highly liquid with 3 months or less to maturity (Note 5).

**2.2.23 Financial liabilities to non-controlling interests put options**

Under the certain terms of acquisition agreements, the Group is committed to acquire the interests owned by non-controlling shareholders in consolidated subsidiaries, upon the request of non-controlling interest holders. Related subsidiaries subjected option agreements has been sold, however there was controversy between TCM Adria d.o.o, a subsidiary of the Group, which has 70% shares of Oglasnik d.o.o and owners of remaining 30% and non controlling interests about put option of non controlling interest's shares to TCM Adria d.o.o and/or to the Group. As a result of the negotiations parties agreed that the amount to be paid to non-controlling interests and related amount has been classified as a litigation provision in the accompanying financial statements as of 31 December 2015 (Note 17). As of 31 December 2016, any outstanding balance did not remain and the obligation ended.

**2.2.24 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 (Note 34).

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

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

**2.2.25 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 4).

**2.2.26 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.

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

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

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

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

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

**NOTE 3 - BUSINESS COMBINATIONS**

There are no business combinations as of 31 December 2016 and 31 December 2015 regarding to "IFRS 3 Business Combination".

**NOTE 4 - SEGMENT REPORTING**

a) Segmental analysis for the period between 1 January - 31 December 2016:

	Turkey	Russia and EE	Europe	Total
Sales	501.541.510	29.478.708	33.081.620	564.101.838
Cost of sales (-)	(282.541.249)	(18.847.754)	(34.637.236)	(336.026.239)
<b>Gross operating profit</b>	<b>219.000.261</b>	<b>10.630.954</b>	<b>(1.555.616)</b>	<b>228.075.599</b>
Marketing expenses (-)	(115.961.951)	(7.776.079)	-	(123.738.030)
Losses from investments accounted by the equity method (-)	(391.280)	-	-	(391.280)
<b>Net segment result</b>	<b>102.647.030</b>	<b>2.854.875</b>	<b>(1.555.616)</b>	<b>103.946.289</b>
General administrative expenses (-)				(104.198.688)
Other operating income				40.004.091
Other operating expenses (-)				(29.544.040)
Finance expenses (-)				(46.327.537)
Income from investing activities				22.162.827
Expense from investing activities (-)				(79.235.386)
<b>Loss before tax</b>				<b>(93.192.444)</b>
Tax expenses for the period				(5.829.511)
Deferred tax income				12.361.011
<b>Loss for the period</b>				<b>(86.660.944)</b>

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## b) Segmental analysis for the period between 1 January - 31 December 2015:

	Turkey	Russia and EE	Europe	Total
Sales	502.575.464	58.060.942	35.446.843	596.083.249
Cost of sales (-)	(273.428.389)	(31.982.054)	(35.267.371)	(340.677.814)
<b>Gross operating profit</b>	<b>229.147.075</b>	<b>26.078.888</b>	<b>179.472</b>	<b>255.405.435</b>
Marketing expenses (-)	(125.861.865)	(15.031.185)	-	(140.893.050)
Losses from investments accounted by the equity method (-)	(583.818)	(2.145.370)	-	(2.729.188)
<b>Net segment result</b>	<b>102.701.392</b>	<b>8.902.333</b>	<b>179.472</b>	<b>111.783.197</b>
General administrative expenses (-)				(113.211.613)
Other operating income				82.515.795
Other operating expenses (-)				(61.279.352)
Finance expenses (-)				(40.881.440)
Income from investing activities				12.047.265
Expense from investing activities (-)				(45.427.823)
<b>Loss before tax</b>				<b>(54.453.971)</b>
Tax expenses for the period				(10.069.347)
Deferred tax income				15.922.673
<b>Loss for the period</b>				<b>(48.600.645)</b>

## c) Segment assets:

	31 December 2016	31 December 2015
Turkey	574.755.125	551.345.555
Russia and EE	312.480.102	265.585.458
Europe	37.201.440	38.147.110
	<b>924.436.667</b>	<b>855.078.123</b>
Unallocated assets <sup>(i)</sup>	1.870.648	11.703.422
Investments accounted by the equity method	7.368.572	6.566.895
<b>Total assets per consolidated financial statements</b>	<b>933.675.887</b>	<b>873.348.440</b>

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



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**d) Segment liabilities:**

	31 December 2016	31 December 2015
Turkey	82.300.721	54.160.051
Russia and EE	10.750.931	108.243.241
Europe	15.602.255	20.700.692
	<b>108.653.907</b>	<b>183.103.984</b>
Unallocated liabilities <sup>(i)</sup>	408.427.049	337.025.233
<b>Total liabilities per consolidated financial statements</b>	<b>517.080.956</b>	<b>520.129.217</b>

<sup>(i)</sup> Group's liabilities other than other segments liabilities is composed of financial borrowings (Note 7), other provisions (Note 17), employee termination benefits (Note 19), VAT payable (Note 21) and unused vacation provision (Note 17), current tax liability and deferred tax liabilities (Note 31).

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

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

	1 January - 31 December 2016	1 January - 31 December 2015
Turkey	34.327.881	10.206.647
Russia and EE	4.082.128	6.631.885
Europe	1.259.256	1.618.879
<b>Total</b>	<b>39.669.265</b>	<b>18.457.411</b>

**Depreciation and amortization charges:**

	1 January - 31 December 2016	1 January - 31 December 2015
Turkey	32.587.677	36.250.206
Russia and EE	11.274.510	17.818.531
Europe	3.065.808	2.748.531
<b>Total</b>	<b>46.927.995</b>	<b>56.817.268</b>

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**f) Non-cash other expenses:**

	1 January - 31 December 2016			
	Turkey	Russia and EE	Europe	Total
Impairment of intangible assets (Note 15)	-	77.148.188	-	77.148.188
Provision for impairment of investment property (Note 29)	2.087.198	-	-	2.087.198
Provision of retirement pay and unused vacation (Note 17, 19)	7.884.573	1.862.652	725.760	10.472.985
Provision for doubtful receivables (Note 8, 27)	7.081.424	1.589.067	-	8.670.491
Provision of legal claims (Note 17)	1.555.124	-	-	1.555.124
Provision of inventory impairment (Note 11)	1.960.907	-	-	1.960.907
	<b>20.569.226</b>	<b>80.599.907</b>	<b>725.760</b>	<b>101.894.893</b>

	1 January - 31 December 2015			
	Turkey	Russia and EE	Europe	Total
Impairment of intangible assets (Note 15)	-	44.962.304	-	44.962.304
Provision of retirement pay and unused vacation (Note 17, 19)	6.975.409	1.859.284	-	8.834.693
Provision for doubtful receivables (Note 8,27)	10.654.166	2.587.764	-	13.241.930
Provision of legal claims (Note 17)	5.864.079	-	-	5.864.079
Provision of inventory impairment (Note 11)	3.755.706	-	-	3.755.706
	<b>27.249.360</b>	<b>49.409.352</b>	<b>-</b>	<b>76.658.712</b>

## NOTE 5 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Cash	3.867.744	275.621
Banks		
- time deposits	17.233.880	81.007.641
- demand deposits	3.194.096	5.704.158
<b>Total</b>	<b>24.295.720</b>	<b>86.987.420</b>

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

	31 December 2016	31 December 2015	31 December 2014
Cash and banks	24.295.720	86.987.420	56.604.647
<b>Total</b>	<b>24.295.720</b>	<b>86.987.420</b>	<b>56.604.647</b>

The maturity analysis of time deposits is as follows:

	31 December 2016	31 December 2015
0-1 months		
1-3 months	17.233.880	81.007.641
	<b>17.233.880</b>	<b>81.007.641</b>

There are no time deposits with variable interest rates at 31 December 2016 and 31 December 2015. The gross interest rate for TL time deposits is 9,50% as of 31 December 2016 (31 December 2015: 13,55%).

There are no time deposits with foreign currencies (31 December 2015: 0,25% for US Dollar).

## NOTE 6 - FINANCIAL INVESTMENTS

### Short-term financial investments:

	31 December 2016	31 December 2015
Restricted bank balances	111.500	-
<b>Total</b>	<b>111.500</b>	<b>-</b>

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## Non-current financial investments:

The details of available for sale financial assets available for sales as of 31 December 2016 and 31 December 2015 are as presented below:

	Share %	31 December 2016	Share %	31 December 2015
Doğan Faktoring A.Ş. ("Doğan Faktoring")	5,11	1.029.898	5,11	1.029.898
Coats İplik Sanayi A.Ş.	0,50	257.850	0,50	257.850
Other	<1	56.073	<1	105.509
<b>Total</b>		<b>1.343.821</b>		<b>1.393.257</b>

Financial investments are carried at cost less provision for impairment since they are not traded in an active market.

## NOTE 7 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

The details of financial liabilities at 31 December 2016 and 31 December 2015 are as follows:

<b>Short-term borrowings:</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Short-term bank borrowings	72.725.361	55.402.170
	<b>72.725.361</b>	<b>55.402.170</b>
Short term portion of long-term financial liabilities	75.259.960	198.263.511
<b>Total</b>	<b>147.985.321</b>	<b>253.665.681</b>
<b>Long-term borrowings:</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Long-term bank borrowings	139.729.311	62.343.476
<b>Total</b>	<b>139.729.311</b>	<b>62.343.476</b>

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**Bank borrowings:**

The details of bank borrowings at 31 December 2016 and 31 December 2015 are as follows:

	Effective interest rate (%)		Original foreign currency		TL	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Short-term bank borrowings</b>						
- TL	12,65	13,33	57.530.221	48.173.097	57.530.221	48.173.097
- Russian Ruble	13,20	19,43	265.093.164	181.205.912	15.195.140	7.229.073
<b>Sub-total</b>			<b>57.530.221</b>	<b>229.379.009</b>	<b>72.725.361</b>	<b>55.402.170</b>
			(15.195.140)			
<b>Short-term portion of long-term bank borrowings</b>						
- US Dollar	-	3,75	-	35.215.000	-	102.391.134
- TL	13,50	11,01	73.601.778	61.875.532	73.601.778	61.875.532
- Euro	3,75	3,35	446.961	10.698.907	1.658.182	33.996.845
<b>Sub-total</b>					<b>75.259.960</b>	<b>198.263.511</b>
<b>Total short-term bank borrowings</b>					<b>147.985.321</b>	<b>253.665.681</b>
<b>Long-term bank borrowings</b>						
- Euro	3,75	3,75	133.186	580.147	494.106	1.843.476
- TL	13,25	13,50	139.235.205	60.500.000	139.235.205	60.500.000
<b>Total long-term bank borrowings</b>					<b>139.729.311</b>	<b>62.343.476</b>

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

Year	31 December 2016	31 December 2015
2017	-	61.920.264
2018	99.563.489	423.212
2019	40.165.822	-
<b>Total</b>	<b>139.729.311</b>	<b>62.343.476</b>

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

Period	31 December 2016	31 December 2015
Up to 6 months	286.415.196	315.373.636
6-12 months	1.299.436	635.521
<b>Total</b>	<b>287.714.632</b>	<b>316.009.157</b>

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

Group borrows loans on fixed and floating interest rates. Distribution of variable and fixed interest loans are presented in Note 35.1 (i).

The Group's bank borrowings is none with variable interest rate as of 31 December 2016 (31 December 2015: TL 41.248.822) (Note 35.1).

## NOTE 8 - TRADE RECEIVABLE AND PAYABLES

Short-term trade receivables net off of unearned finance income at 31 December 2016 and 31 December 2015 are as follows:

### Short-term receivables from third parties:

	31 December 2016	31 December 2015
Trade receivables	240.202.004	226.971.486
Notes and cheques receivable	7.071.215	2.084.896
Credit cards receivables	3.665.493	2.764.704
Income accruals	2.216.013	1.861.913
Unearned finance income due from term sales	(2.780.744)	(1.639.561)
Less: Provision for doubtful receivables	(46.020.143)	(50.359.674)
<b>Short-term trade receivables</b>	<b>204.353.838</b>	<b>181.683.764</b>

According to a revocable factoring agreement signed with Doğan Factoring Hizmetleri A.Ş., trade receivables resulting from advertisements, amounting to TL 137.135.478 (31 December 2015: TL 130.206.124) are followed up by Doğan Factoring Hizmetleri A.Ş. ("Doğan Factoring"). Group has not transferred the risk of default of the above mentioned receivables and has continued to recognize its balance sheet. These receivables are related to commercial advertisements and classifieds. Weighted average maturity of the Group's sales followed up by Doğan Factoring is 111 days (31 December 2015: 106 days). The unearned finance income due from term sales related with the receivables followed up by Doğan Factoring is TL 1.081.406 (31 December 2015: TL 811.732) and the compound interest rate is 12,68% per annum (31 December 2015: 12,68%).



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The movements of provision for doubtful receivables are as follows:

	2016	2015
<b>1 January</b>	<b>(50.359.674)</b>	<b>(53.178.972)</b>
Additions during the period (Note 27)	(8.670.491)	(13.241.930)
Collections during the period (Note 26)	2.864.017	1.966.137
Disposal of subsidiary (Note 34)	-	1.398.192
Write-off provisions <sup>(1)</sup>	9.148.330	12.205.602
Reversal provisions (Note 26)	2.544.556	-
Currency translation differences	(1.546.881)	491.297
<b>31 December</b>	<b>(46.020.143)</b>	<b>(50.359.674)</b>

<sup>(1)</sup> The Company has excluded the receivables recorded in the previous periods as doubtful receivables from the Trade Registry in accordance with Temporary Article 7 of the Turkish Commercial Code and the companies that have completed the liquidation process in the normal way and the receivables from companies whose liquidation proceedings are completed by the bankruptcy desk And that the receivables which are determined not to be collected have not been followed in the balance sheet.

## Short term payables to third parties:

Trade payables at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Short-term trade payables	48.999.963	33.240.750
Expense accruals	4.258.964	3.696.166
Unrealized financial expenses due to term purchases	(198.679)	(276.714)
<b>Total</b>	<b>53.060.248</b>	<b>36.660.202</b>

As of 31 December 2016, average turn over date of Group's trade payables is 38 days (31 December 2015: 39 days).  
As of 31 December 2016, unrealized financial expense due to term purchases is TL 198.679 (31 December 2015: TL 216.714) and the compound interest rate is 12,68% per annum (31 December 2015: 12,68%).

Explanations about the nature and level of risks related to trade receivable and payables are provided in Note 35.

## NOTE 9 - OTHER RECEIVABLE AND PAYABLES

Other short-term receivables at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Other receivables related sale of investment property <sup>(1)</sup>	1.449.526	-
Deposits and guarantees given	607.786	502.824
Due from personnel	48.757	-
Other receivables	-	490.857
<b>Total</b>	<b>2.106.069</b>	<b>993.681</b>

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Other long-term receivables at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Other receivables related sale of investment property <sup>(1)</sup>	1.878.291	-
Deposits and guarantees given	1.562.496	1.444.690
<b>Total</b>	<b>3.440.787</b>	<b>1.444.690</b>

<sup>(1)</sup> The receivables arisen from the sale of the building located in Güvenevler Neighborhood in Çankaya County of Ankara.

Other short-term payables at 31 December 2016 and 31 December 2015 are as follows:

**Short term trade payables to third parties:**

	31 December 2016	31 December 2015
Taxes payable	8.118.486	8.030.535
Deposits and guarantees received	636.625	565.225
Other payables	136.823	-
<b>Total</b>	<b>8.891.934</b>	<b>8.595.760</b>

Other long-term payables at 31 December 2016 and 31 December 2015 are as follows:

**Long term trade payables to third parties:**

	31 December 2016	31 December 2015
Deposits and guarantees received	-	157.160
Due to personnel	-	541.355
<b>Total</b>	<b>-</b>	<b>698.515</b>

**NOTE 10 - EMPLOYEE BENEFIT PAYABLES**

Employee benefit payables as of 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Social security premiums	5.376.706	3.154.627
Due to personnel	1.215.308	2.866.716
<b>Total</b>	<b>6.592.014</b>	<b>6.021.343</b>

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## NOTE 11 - INVENTORIES

	31 December 2016	31 December 2015
Raw materials and supplies	9.123.753	8.888.948
Finished goods and merchandise	3.225.408	1.785.337
Promotion materials <sup>(1)</sup>	1.394.813	922.225
<b>Total</b>	<b>13.743.974</b>	<b>11.596.510</b>

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

Provision for impairment of promotion inventories, raw materials and supplies and finished goods and merchandise goods amounting to TL 7.220.465 (31 December 2015: TL 9.421.898) and their movement during the period are as follows:

	2016	2015
<b>1 January</b>	<b>(9.421.898)</b>	<b>(5.779.170)</b>
Provision for promotion inventories	(413.681)	(3.575.343)
Reversal of provision for promotion materials	2.840.765	31.540
Provision for raw materials and supplies	(1.547.226)	(180.363)
Reversal of provision for raw materials and supplies	1.321.575	81.438
<b>31 December</b>	<b>(7.220.465)</b>	<b>(9.421.898)</b>

## NOTE 12 - INVESTMENTS ACCOUNTED BY THE EQUITY METHOD

As of 31 December 2016 and 31 December 2015, 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 2016 percentage of shares, directly or indirectly owned by Hürriyet and its Subsidiaries (%)	31 December 2015 percentage of shares, directly or indirectly owned by Hürriyet and its Subsidiaries (%)
Doğan Media International GmbH ("Doğan Media")	42,42	42,42
Joint Venture	31 December 2016 percentage of shares, directly or indirectly owned by Hürriyet and its Subsidiaries (%)	31 December 2015 percentage of shares, directly or indirectly owned by Hürriyet and its Subsidiaries (%)
ASPM Holding B.V.	49,62	40,07

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

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As of 31 December 2016, the Group's share of financial statements which are valued by equity method, are as follows:

31 December 2016	Total assets	Total liabilities	Net assets	Net sales	Net loss for the period
Doğan Media	8.579.485	1.210.913	7.368.572	14.744.115	(391.280)
	<b>8.579.485</b>	<b>1.210.913</b>	<b>7.368.572</b>	<b>14.744.115</b>	<b>(391.280)</b>

The summary of Group's share of the financial statements of the investments accounted by the equity method at 31 December 2015 is as follows:

31 December 2015	Total assets	Total liabilities	Net assets	Net sales	Net loss for the period
Doğan Media	8.155.344	1.588.449	6.566.895	15.628.819	(583.818)
	<b>8.155.344</b>	<b>1.588.449</b>	<b>6.566.895</b>	<b>15.628.819</b>	<b>(583.818)</b>

The investments accounted by the equity method as of 31 December 2016 and 31 December 2015 are as follows:

Share (%)	31 December 2016	Share (%)	31 December 2015
Doğan Media	42,42	42,42	6.566.895
	<b>7.368.572</b>		<b>6.566.895</b>

The summary of Group's share in the financial statements of the investments accounted by the equity method at 31 December 2016 and 2015 is as follows:

	2016	2015
<b>1 January</b>	<b>6.566.895</b>	<b>9.013.738</b>
Provision of impairment <sup>(1)</sup>	-	(2.145.370)
Loss from associates	(391.280)	(583.818)
Currency translation differences	1.192.957	282.345
<b>31 December</b>	<b>7.368.572</b>	<b>6.566.895</b>

<sup>(1)</sup> The Group has reassessed its investments accounted by equity method. Based on the assessment; impairment loss has been recognised for SP Pronto Kiev, ASPM Holding BV and TOV E-Prostir.

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## NOTE 13 - INVESTMENT PROPERTY

The movements in investment property as of 31 December 2016 are as follows:

Fair value:	Lands	Buildings	Total
<b>1 January</b>	<b>65.940.285</b>	<b>20.996.821</b>	<b>86.937.106</b>
Additions <sup>(1)</sup>	-	20.053.729	20.053.729
Disposal <sup>(1)</sup>	-	(9.897.002)	(9.897.002)
Change in fair value adjustment <sup>(2)</sup>	18.087.500	(302.310)	17.785.190
Currency translation differences	-	802.471	802.471
Transfer <sup>(3)</sup>	88.655.119	23.329.104	111.984.223
<b>31 December</b>	<b>172.682.904</b>	<b>54.982.813</b>	<b>227.665.717</b>

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

<sup>(2)</sup> Group Management has considered effect of upward currency exchange rates on unit prices of land and residences, current valuation reports of investment properties has received and necessary fair value adjustment has been accounted (Note 28).

<sup>(3)</sup> The Group classified its building where locate in Izmir Alsancak in investment property in current period which was classified as fixed assets prior periods.

The Group's rent income from investment properties amounted to TL 3.338.246 as of 31 December 2016 (31 December 2015: TL 112.123). The Group's direct operating expenses arising from the investment properties in the period amounted to TL 181.546 (31 December 2015: TL 166.943).

The movements in investment property as of 31 December 2015 are as follows:

Fair value:	Lands	Buildings	Total
<b>1 January</b>	<b>59.592.785</b>	<b>23.324.425</b>	<b>82.917.210</b>
Additions <sup>(1)</sup>	-	2.198.938	2.198.938
Disposal <sup>(1)</sup>	-	(6.953.292)	(6.953.292)
Change in fair value adjustment (Note 28)	6.347.500	1.053.436	7.400.936
Transfer	-	1.373.314	1.373.314
<b>31 December</b>	<b>65.940.285</b>	<b>20.996.821</b>	<b>86.937.106</b>

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

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The information and fair value hierarchy level classification of lands and buildings are as follows 31 December 2016 and 31 December 2015:

	31 December 2016	Fair value as at Reporting Date		
		Level 1 TL	Level 2 TL	Level 3 TL
Land	172.682.904	-	-	172.682.904
Building	54.982.813	-	-	54.982.813

	31 December 2015	Fair value as at Reporting Date		
		Level 1 TL	Level 2 TL	Level 3 TL
Land	65.940.285	-	-	65.940.285
Building	20.996.821	-	-	20.996.821

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

As of reporting date the Group has not used different valuation technique.



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## NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment and related accumulated depreciation for the period ended 31 December 2016 are as follows:

	1 January 2016	Currency translation differences	Additions	Disposals	Transfers <sup>(1)</sup>	Adjustments <sup>(2)</sup>	31 December 2016
<b>Cost</b>							
Land and land improvements	18.228.354	1.503.831	-	(3.017)	5.857.380	100.919	25.687.467
Buildings	173.155.205	5.679.682	1.116.621	(1.950.904)	(76.590.965)	(2.321.595)	99.088.044
Machinery and equipment	568.761.000	12.271.599	2.168.101	(2.661.759)	-	32.254	580.571.195
Motor vehicles	320.021	-	5.692.636	-	-	1.652.142	7.664.799
Furnitures and fixtures	48.449.446	2.538.179	2.068.793	(2.745.160)	-	(1.669.953)	48.641.305
Leasehold improvements	12.545.794	69.036	233.717	-	-	522.562	13.371.109
Other intangible assets	1.205.571	312.858	993.965	-	-	-	2.512.394
Construction in progress	198.845	72.854	532.432	(55.584)	-	-	748.547
	<b>822.864.236</b>	<b>22.448.039</b>	<b>12.806.265</b>	<b>(7.416.424)</b>	<b>(70.733.585)</b>	<b>(1.683.671)</b>	<b>778.284.860</b>
<b>Accumulated amortization</b>							
Land and land improvements	(728.959)	-	(36.337)	-	-	160.605	(604.691)
Buildings	(75.052.003)	(2.489.871)	(3.482.942)	903.704	31.527.762	321.205	(48.272.145)
Machinery and equipments	(513.868.610)	(12.001.136)	(20.923.145)	1.584.911	-	(157.564)	(545.365.544)
Motor vehicles	(1.699.363)	-	(481.864)	-	-	(1.228)	(2.182.455)
Furnitures and fixtures	(37.766.267)	(2.264.873)	(3.791.346)	2.078.216	-	(162.534)	(41.906.804)
Leasehold improvements	(5.965.091)	(76.007)	(2.226.729)	-	-	(415.391)	(8.683.218)
Other intangible assets	(814.833)	(159.619)	(241.909)	23.120	-	-	(1.193.241)
	<b>(635.895.126)</b>	<b>(16.991.506)</b>	<b>(31.184.272)</b>	<b>4.589.951</b>	<b>31.527.762</b>	<b>(254.907)</b>	<b>(648.208.098)</b>
<b>Net book value</b>	<b>186.969.110</b>						<b>130.076.762</b>

<sup>(1)</sup> The Group classified its building which locate in Izmir Alsancak to investment property in the current period which was followed in tangible asset prior periods. TL 74.860.169 of fair value increase in relation to the classification is accounted in gain on revaluation of property under equity and TL 2.081.768 of loss on fair value change is accounted in profit or loss.

<sup>(2)</sup> The Group has reviewed its tangible assets and made some adjustments.

At 31 December 2016, net book value of the property, plant and equipment included in machinery and equipments and acquired through financial leases is amounting to TL 0 (31 December 2015: TL 1.280.026).

At 31 December 2016, there are mortgages on property, plant and equipment amounting to TL 24.114.350 (31 December 2015: TL 20.654.400) (Note 18).

At 31 December 2016 depreciation expense amounting to TL 25.579.099 (31 December 2015: TL 29.259.881) is added to cost of sales (Note 23), amounting to TL 5.605.173 (31 December 2015: TL 6.714.047) is added to marketing, selling and distribution and general administrative expenses (Note 24).

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The movements of property, plant and equipment and related accumulated depreciation for the period ended 31 December 2015 are as follows:

	1 January 2015	Currency translation differences	Additions	Disposals	Transfers	Disposal of subsidiary <sup>(1)</sup>	Adjustments <sup>(2)</sup>	31 December 2015
<b>Cost</b>								
Land and land improvements	17.417.750	1.023.053	-	-	-	-	(212.449)	18.228.354
Buildings	151.297.483	3.945.666	27.966	(594.303)	(1.373.314)	-	19.851.707	173.155.205
Machinery and equipment	572.733.793	5.063.965	1.986.380	(56.195)	90.456	(188.715)	(10.868.684)	568.761.000
Motor vehicles	3.631.525	835.637	172.900	(149.806)	-	(2.518.090)	(1.652.145)	320.021
Furnitures and fixtures	63.875.312	(2.066.274)	2.539.920	(3.123.159)	-	(12.779.022)	2.669	48.449.446
Leasehold improvements	36.951.025	(264.083)	235.948	-	-	(232)	(24.376.864)	12.545.794
Other intangible assets	960.143	69.940	175.902	-	-	-	(414)	1.205.571
Construction in progress	3.523.100	(799.421)	495.364	(1.019.585)	(314.445)	-	(1.686.168)	198.845
	<b>850.390.131</b>	<b>7.808.483</b>	<b>5.634.380</b>	<b>(4.943.048)</b>	<b>(1.597.303)</b>	<b>(15.486.059)</b>	<b>(18.942.348)</b>	<b>822.864.236</b>
<b>Accumulated amortization</b>								
Land and land improvements	(481.664)	-	(51.683)	-	-	-	(195.612)	(728.959)
Buildings	(45.296.842)	(5.587.821)	(3.576.753)	314.935	-	-	(20.905.522)	(75.052.003)
Machinery and equipment	(495.630.326)	(7.406.623)	(24.213.123)	48.926	-	84.464	13.248.072	(513.868.610)
Motor vehicles	(5.095.633)	-	(261.556)	149.806	-	2.518.090	989.929	(1.699.364)
Furnitures and fixtures	(53.998.412)	5.890.420	(5.584.978)	3.107.461	-	10.994.940	1.824.303	(37.766.266)
Leasehold improvements	(28.556.991)	204.731	(2.169.167)	-	-	230	24.556.106	(5.965.091)
Other intangible assets	(1.538.590)	595.220	(116.668)	-	-	-	245.205	(814.833)
	<b>(630.598.458)</b>	<b>(6.304.073)</b>	<b>(35.973.928)</b>	<b>3.621.128</b>	<b>-</b>	<b>13.597.724</b>	<b>19.762.481</b>	<b>(635.895.126)</b>
<b>Net book value</b>	<b>219.791.673</b>							<b>186.969.110</b>

<sup>(1)</sup> The Group has sold its shares of Doğan Haber Ajansı in 2015 (Note 34).

<sup>(2)</sup> The Group Management has reviewed its fixed assets in terms of cost, amortization and reclassification differences. As a result of the review, the Group has adjusted net book value of its fixed assets in amount of TL 497.409.

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

## NOTE 15 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortization for the period ended 31 December 2016 are as follows:

	1 January 2016	Currency translation differences	Additions	Disposals	Adjustments <sup>(1)</sup>	Impairment <sup>(2)</sup>	31 December 2016
<b>Cost</b>							
Trade names and licenses	176.420.551	76.049.970	-	(5.477)	-	-	252.465.044
Customer list	204.506.950	68.265.082	-	-	-	-	272.772.032
Computer software and rights	69.630.856	10.086.935	3.280.756	(756.479)	(1.144.375)	-	81.097.693
Internet domain names	22.228.391	7.807.500	3.524.846	(2.158.036)	-	-	31.402.701
Other intangible assets	2.613.046	(590.241)	3.669	-	625.547	-	2.652.021
Construction in progress	529.392	(61.060)	-	-	-	-	468.332
	<b>475.929.186</b>	<b>161.558.186</b>	<b>6.809.271</b>	<b>(2.919.992)</b>	<b>(518.828)</b>	<b>-</b>	<b>640.857.823</b>
<b>Accumulated amortization</b>							
Trade names and licenses	(21.127.428)	(4.123.870)	(731.964)	-	-	(10.543.052)	(36.526.314)
Customer list	(119.747.127)	(44.098.758)	(7.812.716)	-	-	(61.279.360)	(232.937.961)
Computer software and rights	(58.796.023)	(9.811.738)	(5.744.090)	654.361	1.139.675	-	(72.557.815)
Internet domain names	(10.795.038)	(3.188.867)	(1.304.873)	1.617.951	-	(5.325.776)	(18.996.603)
Other intangible assets	(2.409.339)	647.343	(150.080)	-	(725.239)	-	(2.637.315)
	<b>(212.874.955)</b>	<b>(60.575.890)</b>	<b>(15.743.723)</b>	<b>2.272.312</b>	<b>414.436</b>	<b>(77.148.188)</b>	<b>(363.656.008)</b>
<b>Net book value</b>	<b>263.054.231</b>						<b>277.201.815</b>

<sup>(1)</sup> The Group has reviewed its intangible assets and made some adjustments.

<sup>(2)</sup> As explained in note 2.2.11, Group Management has reassessed the intangible asset and recognized a provision.

Amortization expense amounting to TL 15.743.723 has been included in marketing, selling and distribution and general administrative expenses as of 31 December 2016 (Note 24) (31 December 2015: TL 20.843.340).

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

The movements in intangible assets and related accumulated amortization for the period ended 31 December 2015 are as follows:

	1 January 2015	Currency translation differences	Additions	Disposals	Transfers	Provision for Intangible asset <sup>(1)</sup>	Disposal of subsidiary <sup>(2)</sup>	Adjust- ments <sup>(3)</sup>	31 December 2015
<b>Cost</b>									
Trade names and licenses	213.303.490	(6.152.511)	-	-	-	(30.730.428)	-	-	176.420.551
Customer list	224.106.445	(5.367.619)	-	-	-	(14.231.876)	-	-	204.506.950
Computer software and rights	61.486.358	5.710.418	6.366.543	(3.779.549)	223.989	-	(130.904)	(245.999)	69.630.856
Internet domain names	21.622.274	(2.509.411)	4.175.977	(1.060.449)	-	-	-	-	22.228.391
Other intangible assets	2.823.911	111.314	81.573	(403.951)	-	-	(94.735)	94.934	2.613.046
Construction in progress	614.423	(85.031)	-	-	-	-	-	-	529.392
	<b>523.956.901</b>	<b>(8.292.840)</b>	<b>10.624.093</b>	<b>(5.243.949)</b>	<b>223.989</b>	<b>(44.962.304)</b>	<b>(225.639)</b>	<b>(151.065)</b>	<b>475.929.186</b>
<b>Accumulated amortization</b>									
Trade names and licenses	(20.342.902)	322.418	(1.106.944)	-	-	-	-	-	(21.127.428)
Customer list	(111.356.948)	3.448.782	(11.838.961)	-	-	-	-	-	(119.747.127)
Computer software and rights	(50.870.558)	(6.396.322)	(4.397.178)	3.050.830	-	-	85.614	(268.409)	(58.796.023)
Internet domain names	(9.986.916)	2.117.629	(3.211.257)	285.506	-	-	-	-	(10.795.038)
Other intangible assets	(2.944.819)	245.889	(289.000)	403.951	-	-	77.890	96.750	(2.409.339)
	<b>(195.502.143)</b>	<b>(261.604)</b>	<b>(20.843.340)</b>	<b>3.740.287</b>	<b>-</b>	<b>-</b>	<b>163.504</b>	<b>(171.659)</b>	<b>(212.874.955)</b>
<b>Net book value</b>	<b>328.454.758</b>								<b>263.054.231</b>

<sup>(1)</sup> As explained in note 2.2.11, Group Management has reassessed the intangible asset and recognized a provision.

<sup>(2)</sup> In 2015, the Group has disposed of its entire shares of Doğan Haber Ajansı (Note 34).

<sup>(3)</sup> The Group Management has reviewed its fixed assets in terms of cost, amortization and reclassification differences. As a result of the review, the Group has adjusted net book value of its fixed assets in amount of TL 497.409.

The cost of trade names and licenses with indefinite useful lives amounted to TL 215.940.100 as of 31 December 2016 (31 December 2015: TL 145.650.818). The utilization period of the assets with indefinite useful lives is determined based on the stability of the industry, changes in market demands as to the products and services provided through assets, control period over the assets and legal or similar restrictions on their utilization.

**NOTE 16 - GOVERNMENT GRANTS**

None.

**NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

As of 31 December 2016 and 31 December 2015, short term provisions are as follows:

	31 December 2016	31 December 2015
Provision for unused vacation rights	13.686.035	12.181.762
Provisions for lawsuit and compensation	5.473.663	12.735.687
Provisions for promotion	306.122	-
<b>Total</b>	<b>19.465.820</b>	<b>24.917.449</b>

*i. Provision for unused vacation rights*

**Short Term Provisions of Employment Termination Benefits:**

Movements of provision for unused vacation rights during the periods ended at 31 December 2016 and 2015 are as follows:

Provision for unused vacation	2016	2015
<b>1 January</b>	<b>(12.181.762)</b>	<b>(15.696.372)</b>
Additions during the period	(3.741.713)	(2.132.463)
Payments related to provisions	3.040.179	3.014.723
Sale of subsidiary (Note 34)	-	2.246.170
Currency translation differences	(802.739)	386.180
<b>31 December</b>	<b>(13.686.035)</b>	<b>(12.181.762)</b>

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## ii. Provision for lawsuit and compensation

The lawsuits against the Group amounted to TL 14.402.645 (31 December 2015: TL 19.812.336). The Group recognises provision related to cases when there is a legal or valid liability resulting from past event and it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimation can be made of the amount of the obligation. As a result of these analyses, as of 31 December 2016 the Group has set a provision of TL 5.473.663 for lawsuits (31 December 2015: TL 12.735.687).

As at 31 December 2016 and 31 December 2015, the Group's ongoing lawsuits are as follows:

	31 December 2016	31 December 2015
Legal lawsuits	13.632.489	18.330.337
Commercial lawsuits	765.156	1.476.999
Labor lawsuits	5.000	5.000
<b>Total</b>	<b>14.402.645</b>	<b>19.812.336</b>

Movements of provision for lawsuits for the periods ending 31 December 2016 and 2015 are as follows:

	2016	2015
<b>1 January</b>	<b>(12.735.687)</b>	<b>(23.673.992)</b>
Currency translation differences	(416.013)	(2.498.767)
Additions during the period (Note 27)	(1.555.124)	(5.864.079)
Sale of subsidiaries (Note 34)	-	1.881.318
Reversal of provisions (Note 26)	1.125.587	-
Income from reversal of lawsuit provision related to the put option (Note 26)	-	15.277.945
Payments related to provisions	8.107.574	2.141.888
<b>31 December</b>	<b>(5.473.663)</b>	<b>(12.735.687)</b>





# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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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 2016, the Group has unused publication of advertisements commitment amounting to TL 6.362.724 (31 December 2015: TL 9.425.760) within these barter contracts. The Group has TL 14.739.254 amounted receivables (31 December 2015: TL 12.159.564) which were invoiced and recognized to financial statements but not yet goods or services were received.

## NOTE 19 - EMPLOYMENT TERMINATION BENEFITS

Provision for employment termination benefits at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Provision for employment termination benefits	45.199.424	42.254.261
<b>Total</b>	<b>45.199.424</b>	<b>42.254.261</b>

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

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires. The amount payable maximum equals to one month of salary is TL 4.297,21 (31 December 2015: TL 3.828,37 TL) for each year of service.

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

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

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

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 2015, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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

Discount rate is applied as 10,72% (31 December 2015: 10,72%), inflation rate applied as 5,90% (31 December 2015: 5,90%) and rate of increase in wages applied as 5,90% (31 December 2015: 5,90%) in the calculation.

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

<sup>(1)</sup> The discount rate used in the calculation of severance pay determined as 11,20 which is long term government bond's compound interest rate.

<sup>(2)</sup> The maximum range of inflation rate which is declared by Central Bank of Turkey has been used in retirement pay provision calculation.

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate

- If the discount rate had been 1% higher, provision for employee termination benefits would decrease by TL 2.347.795 and If the discount rate had been 1% lower, provision for employee termination benefits would increase by TL 2.765.873
- If other assumptions remain unchanged while the possibility rate of resignation was not used in calculations, provision for employee termination benefits would increase by TL 274,890.

The movements in provision for employment termination benefits during the periods ended at 31 December 2016 and 2015 are as follows:

	2016	2015
<b>1 January</b>	<b>(42.254.261)</b>	<b>(46.429.651)</b>
Actuarial gain or/(loss)	(2.793.835)	(1.596.810)
Service cost during the period	(2.274.964)	(2.964.961)
Interest cost during the period	(3.335.767)	(2.543.573)
Net interest expense due to the defined benefit obligation	(1.120.541)	(1.193.696)
Payments and reversal of provisions during the period	6.579.944	6.510.400
Disposal of subsidiary (Note 34)	-	5.964.030
<b>31 December</b>	<b>(45.199.424)</b>	<b>(42.254.261)</b>

Total costs resulting from employee termination benefits with the exception actuarial losses have been included in the consolidated statement of income as of 31 December 2016.

For the period ended total expense of amounting TL 4.173.042 (2015: TL 4.793.262), TL 920.679 (2015: TL 976.088) and TL 1.637.551 (2015: TL 932.880) respectively is added to cost of sales, general administrative expenses and marketing expenses.

## NOTE 20 - PREPAID EXPENSES

Short term prepaid expenses at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Prepaid expenses <sup>(*)</sup>	4.519.587	2.726.015
<b>Total</b>	<b>4.519.587</b>	<b>2.726.015</b>

<sup>(\*)</sup> Prepaid expenses are mostly composed of the prepaid rents and insurance expenses.

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	31 December 2016	31 December 2015
Deferred revenue <sup>(1)</sup>	18.224.955	5.590.682
<b>Total</b>	<b>18.224.955</b>	<b>5.590.682</b>

<sup>(1)</sup> Deferred income amounting to TL 18.224.955 is regarding with services provided as subscription and they will be recognize as revenue when they are used (31 December 2015: 5.590.682).

## NOTE 21 - OTHER ASSETS AND LIABILITIES

### Other Current Assets

Other current assets at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Advances given to personnel	2.197.130	2.189.585
Value added tax ("VAT") receivables	903.626	325.651
Prepaid taxes and funds	639.755	-
Job advances	-	402.444
Advances given	-	254.743
Blocked deposits	-	152.089
Other	786.844	758.137
<b>Total</b>	<b>4.527.355</b>	<b>4.082.649</b>

### Other Non-Current Assets

Other non-current assets at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Prepaid expenses	-	1.147.125
Restricted deposit	-	15.888
<b>Total</b>	<b>-</b>	<b>1.163.013</b>

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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## Other Short-Term Liabilities

Other short-term liabilities at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2015	31 December 2015
Advances received	1.446.189	1.369.845
VAT payable	-	703.639
Payables within the law no. 6736	298.326	-
Other	176.102	49.708
<b>Total</b>	<b>1.920.617</b>	<b>2.123.192</b>

## 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 TL 1. There are no privileged shares. The Company's historical authorised and paid-in share capital at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2015	31 December 2015
Registered share capital	800.000.000	800.000.000
Paid-in share capital	552.000.000	552.000.000

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

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

Shareholders	31 December 2016	Share (%)	31 December 2015	Share (%)
Doğan Holding <sup>(1)</sup>	428.616.468	77,65	428.616.468	77,65
Other shareholders (BİAŞ and other shareholders)	123.383.532	22,35	123.383.532	22,35
<b>Issued share capital</b>	<b>552.000.000</b>	<b>100,00</b>	<b>552.000.000</b>	<b>100,00</b>
Adjustment to share capital	77.198.813		77.198.813	
<b>Total</b>	<b>629.198.813</b>	<b>100,00</b>	<b>629.198.813</b>	<b>100,00</b>

In accordance with the Capital Markets Board's (the "CMB") Resolution No: 21/655 issued on 23 July 2010, it is regarded that 22,34% of the shares are in circulation in accordance with CSD as of 31 December 2016 (31 December 2015: 22,31%). Shares in circulation rate is 22,34% as of reporting date.

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

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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## Premium/(discounts) on shares

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

## Restricted reserves

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

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

In accordance with the CMB Financial Reporting Standards, Company's restricted reserves amounting to TL 187.166.210 as of 31 December 2016 (31 December 2015: TL 187.166.210 TL) consist of legal reserves and gain on sales of real estate.

Restricted reserves	31 December 2016	31 December 2015
Composition restricted reserves	39.284.095	39.284.095
Gain on sales of real estate <sup>(1)</sup>	147.517.827	147.517.827
Gain on sale of subsidiary	364.288	364.288
<b>Total</b>	<b>187.166.210</b>	<b>187.166.210</b>

<sup>(1)</sup> With the decision taken by the Group management, the real estate profit with the amount of TL 196.690.436 occurred in statutory records in 2012 from the sale of lands located in Gazimir and Esenyurt amounting to TL 147.517.827 that benefits from the exemption (75%) referred to in Article 5-1/e of the Corporate Tax Law will not be involved in allocation of profits for periods 1 January 2012 - 31 December 2012 in compliance with the Tax Legislation, Capital Market Legislation and any other fiscal legislations, and will be deposited in a special fund account in liabilities.

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

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

	31 December 2016	31 December 2015
Revaluation gains of property	71.169.629	1.024.515
Remeasurement losses in defined benefit plans	(17.590.552)	(15.355.484)
<b>Total</b>	<b>53.579.077</b>	<b>(14.330.969)</b>

## Revaluation and remeasurement gain/(losses)

Land and buildings which has been followed as a tangible asset can be transferred to investment properties when the purpose of use changes. During the year of 2016, the Group has reclassified their land and buildings as investment properties and carried at fair value method. With the first transfer in 31 December 2016, the Group had fair value increase amounting to TL 71.169.629 (31 December 2015: TL 1.024.515) and this amount, after cleared of related tax effect, is accounted under the equity as gain on revaluation of property.



## AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### *Remeasurement Gains/(Losses) in Defined Benefit Plans*

Provision for employment benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group. Group recognized all actuarial gains and losses in other comprehensive income. Remeasurement loss recognized under equity in the balance sheet amounts to TL 17.590.552 (31 December 2015: TL 15.355.484).

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

	31 December 2016	31 December 2015
Foreign exchange differences	57.552.514	(15.308.843)
<b>Total</b>	<b>57.552.514</b>	<b>(15.308.843)</b>

### **Capital Reserves and Retained Earnings**

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

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

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

Capital adjustment differences can only be included to capital.

### **Dividend distribution**

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

On the other hand,

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

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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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.

The CMB's requires the disclosure of total amount of net profit in the statutory records and other resources which may be subject to profit distribution in the financial statements and to be announced to public. The total gross amount that can be subject to profit distribution according to legal records is TL 158,646.831. The total gross amount that can be subject to profit distribution according to legal records is TL 2.372.006. The real estate sale profit recognized in the statutory records in 2016 from the sale of some real estates is TL 1.779.004. The Group management has decided to submit the decision for recognizing the 75% of the sale profit under a special fund account and not to include in the profit distribution for fiscal year 2016 for approval of the general assembly in accordance with Article 5-1/e of the Corporate Tax Code.

Resolutions of the Ordinary General Assembly Meeting of the Company, considering TCC, Capital Market Statutes, Capital Market Law (CML), Capital Market Board (CMB) and other relevant statute provisions and relevant provisions in our Company's Articles of Association and our "Dividend Policy" announced to the public; according to the financial statements for the 1 January 2016 - 31 December 2016 financial period prepared in accordance with "Statement on Principles Regarding Financial Reporting on Capital Market" (II - 14.1) provisions of CMB and according to Turkish Accounting Standards and Turkish Financial Reporting Standards published by "Public Oversight, Accounting and Auditing Standards Institute;" its principles of presentation defined according to CMB decisions on the subject, passed through independent auditing; when considering "Current Tax Expense for the Period", "Deferred Tax Income" and "Consolidated Equity of Participations" all together, subtracting a TL 168.672.590 section of this amount for "Net profit for the year" and seeing that TL 32.147.070 is "net profit for the period", in accordance with the regulations of CMB regarding profit distribution; informing shareholders that no profit distribution shall be made for the 1 January 2015 - 31 December 2015 financial period and submitting this matter to General Meeting for approval, as our legal records held in the scope of TCC and TPL reveal that "Net Period Profit" for the 1 January 2015 - 31 December 2015 financial period; informing General Meeting that legal reserves in the scope of TCC shall be allocated and transferring this amount to previous years losses.

## NOTE 23 - SALES AND COST OF SALES

### Sales:

	2016	2015
	1 January - 31 December	1 January - 31 December
Advertisement sales	361.025.899	383.394.802
Circulation and publishing sales	186.323.083	181.982.150
Other	16.752.856	30.706.297
<b>Net sales</b>	<b>564.101.838</b>	<b>596.083.249</b>
Cost of sales	(336.026.239)	(340.677.814)
<b>Gross profit</b>	<b>228.075.599</b>	<b>255.405.435</b>

### Cost of Sales:

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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The details of cost of sales for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
	1 January - 31 December	1 January - 31 December
Raw material	142.464.740	119.736.260
<i>Paper</i>	85.672.819	76.406.398
<i>Printing and ink</i>	33.269.668	20.087.577
<i>Other</i>	23.522.253	23.242.285
Personnel expenses	113.723.580	120.326.536
Amortization (Note 14)	25.579.099	29.259.881
News agency expenses	11.096.173	10.340.980
Fuel, electricity, water and office expenses	7.010.766	6.738.641
Distribution, storage and travel expenses	5.581.880	5.058.434
Commissions	4.982.527	7.450.334
Maintenance and repair expenses	3.970.093	3.639.969
Outsourced services	3.221.834	5.135.559
Communication	2.759.145	2.154.427
Rent expenses	2.665.003	3.262.578
Packaging expenses	1.722.850	1.891.703
Other	11.248.549	25.682.512
<b>Total</b>	<b>336.026.239</b>	<b>340.677.814</b>

## NOTE 24 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES

### a) General administrative expenses:

	2016	2015
	1 January - 31 December	1 January - 31 December
Personnel expenses	37.658.643	38.407.774
Depreciation and amortization charges (Notes 14,15)	20.429.769	27.258.396
Rent expenses	12.011.139	
Consultancy expenses	11.535.473	11.673.621
Maintenance and repair expenses	4.650.181	10.810.778
Fuel, electricity, water and office expenses	4.094.734	4.422.612
Transportation, storage and travel expenses	2.839.433	5.228.609
Communication expenses	1.853.306	2.986.859
Other	9.126.010	2.008.958
<b>Total</b>	<b>104.198.688</b>	<b>113.211.613</b>

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

## b) Marketing expenses:

	2016	2015
	1 January - 31 December	1 January - 31 December
Personnel expenses	36.614.335	36.701.241
Advertisement expenses	27.481.555	47.731.694
Transportation, storage and travel expenses	26.292.012	23.108.292
Promotion expenses	16.300.392	17.882.552
Sponsorship expenses	4.708.538	4.023.883
Consultancy expenses	4.141.793	4.229.310
Outsourced services	2.226.825	1.776.203
Depreciation and amortization charges (Notes 14,15)	919.127	298.991
Other	5.053.453	5.140.884
<b>Total</b>	<b>123.738.030</b>	<b>140.893.050</b>

## NOTE 25 - EXPENSES BY NATURE

	2016	2015
	1 January - 31 December	1 January - 31 December
Payroll expenses	187.996.558	195.435.551
Depreciation and amortization charges	46.927.995	56.817.268
<b>Total</b>	<b>234.924.553</b>	<b>252.252.819</b>

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

## NOTE 26 - OTHER OPERATING INCOME

The details of other operating income for the periods ended at 31 December 2016 and 2015 are as follows:

	2016	2015
	1 January - 31 December	1 January - 31 December
Foreign exchange gains	18.308.645	42.834.232
Finance income due from term sales	6.539.822	6.721.934
Finance income from trade and other receivables	3.113.402	-
Terminated provisions (Note 8)	2.864.017	1.966.137
Income due from doubtful trade receivables (Note 8)	2.544.556	-
Interest income on bank deposits	2.061.918	3.065.824
Profit of promotional merchandise	1.162.878	-
Reversal of provisions (Note 17)	1.125.587	-
Unrealized finance expense due from term purchases	87.709	3.011.279
Income related reversal of litigation liability arising from put option (Note 17)	-	15.277.945
Compensation income as a result of tax lawsuit	-	3.948.857
Other	2.195.557	5.689.587
<b>Total</b>	<b>40.004.091</b>	<b>82.515.795</b>

## NOTE 27 - OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended at 31 December 2016 and 2015 are as follows:

	2016	2015
	1 January - 31 December	1 January - 31 December
Foreign exchange losses	10.320.966	35.702.637
Provision expense for doubtful receivables (Note 8)	8.670.491	13.241.930
Aids and donations	1.584.830	863.858
Unrealized finance income due from term sales	1.586.022	1.639.561
Fines and compensation expense	1.561.643	3.290.708
Provision for lawsuits (Note 17)	1.555.124	5.864.079
Other	4.264.964	676.579
<b>Total</b>	<b>29.544.040</b>	<b>61.279.352</b>

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

## NOTE 28 - INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the periods ended at 31 December 2016 and 2015 are as follows:

	2016	2015
	1 January - 31 December	1 January - 31 December
Gain on fair value changes of the investment property (Note 13)	18.087.500	7.400.936
Rent and building service income	3.350.337	3.746.352
Dividend income	392.393	875.527
Gain on sale of fixed assets	305.826	-
Foreign exchange gains	26.771	24.450
<b>Total</b>	<b>22.162.827</b>	<b>12.047.265</b>

## NOTE 29 - EXPENSE FROM INVESTING ACTIVITIES

The details of expenses from investing activities for the periods ended at 31 December 2016 and 2015 are as follows:

	2016	2015
	1 January - 31 December	1 January - 31 December
Provision for impairment of intangible asset (Note 15)	77.148.188	44.962.304
Loss on change in fair value of investment properties (Note 13)	2.087.198	-
Loss on sale of property, plant and equipments	-	465.519
<b>Total</b>	<b>79.235.386</b>	<b>45.427.823</b>

## NOTE 30 - FINANCIAL EXPENSES

The details of financial expenses for the periods ended at 31 December 2016 and 2015 are as follows:

	2016	2015
	1 January - 31 December	1 January - 31 December
Interest expense on bank loans	37.915.112	20.586.984
Foreign exchange losses	4.420.341	16.975.125
Credit commission, banking and factoring expenses	2.186.654	3.008.634
Expenses of held for trading derivative instruments	700.891	-
Other	1.104.539	310.697
<b>Total</b>	<b>46.327.537</b>	<b>40.881.440</b>



# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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## NOTE 31 - INCOME TAXES

	31 December 2016	31 December 2015
Corporate and income tax payable	5.656.355	10.108.139
(Less): Prepaid taxes	(4.649.501)	(11.218.595)
<b>Tax payables/(receivables)</b>	<b>1.006.854</b>	<b>(1.110.456)</b>

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

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

### Turkey:

In accordance with Turkish Corporate Tax Law has been amended by Law No. 5520 dated 13 June 2006, corporation tax is 20% for 2016 (2015: 20%). Corporation tax is payable on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (gain from associates' exemption, investment allowances etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is to be declared by the 14<sup>th</sup> day of the second month following each calendar quarter end and is payable by the 17<sup>th</sup> 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 in the years 2013 and 2014.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25<sup>th</sup> 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

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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 2011 and subsequent periods.

As of 31 December 2016, the Company has offset its financial losses attributable to the calculation of offsetting of tax asset against deductible financial losses or current tax provision in accordance with the above-mentioned principles.

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

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.

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.

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

The income of corporations arising from their offices or permanent representatives abroad (except for corporations whose principal activity is financial leasing or investment of marketable securities) for at least a 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 and provided that the foreign office or permanent representative must be subject to corporate income tax, or alike, in the country it is located at the rate of at least 15% (at corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

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

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

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

## AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### Russian Federation

The corporate tax rate effective in Russian Federation is 20% (2015: 20%).

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 28<sup>th</sup> 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. These changes deal with the following tax accounting matters: 1) tax losses may now be carried forward for an unlimited period, not for 10 years maximum as was the case previously; 2) in 2017-2020, taxable profits of any given year may be reduced by accumulated tax losses carried forward by no more than 50%.

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% (2015: 18%).

The tax period is the calendar year. Profit tax is calculated as progressive total. Advance payments are made quarterly, on the basis of either the previous year results or expected current year profits.

The annual corporate tax declaration is due by 20 March of the following year. Tax loss carry forward is not allowed.

Tax refunds are possible. Tax consolidations of tax reporting/payments by different legal entities (or grouping) are not permitted in Belarus at present. Generally, dividend income payable to a foreign organization is subject to withholding tax at 12%. This standard rate may, however, be reduced under the provisions of applicable double tax treaty.

The Belarus tax regulations change frequently.

### Kazakhstan

Under the Tax Code of the Republic of Kazakhstan companies shall pay the CIT on taxable income at a 20% rate (2015: 20%).

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

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

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

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

The tax rates at 31 December 2016, which are used in the calculation of deferred tax, taking each country's tax legislations into consideration are as follows:

Country	Tax Rate (%)
Germany	28,0
Belarus	18,0
Russia	20,0
Kazakhstan	20,0
Holland	25,0

## Deferred Tax

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

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

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

	31 December 2016	31 December 2015
Deferred tax liabilities	(48.839.623)	(52.652.797)
Deferred tax assets	327.267	10.005.631
<b>Deferred tax liabilities, net</b>	<b>(48.512.356)</b>	<b>(42.647.166)</b>

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

The temporary differences and deferred tax assets/(liabilities) using the enacted tax rates as of 31 December 2016 and 31 December 2015 are as follows:

	Total temporary differences		Deferred tax assets/ (liabilities)	
	2016	2015	2016	2015
Provision for retirement benefits and unused vacation rights	58.159.699	54.436.023	11.631.940	10.887.205
Difference between tax base and carrying value of trade receivables	19.828.019	21.359.086	3.965.604	4.271.817
Investing properties valuation differences	(146.744.326)	(58.842.740)	(7.337.216)	(2.942.134)
Deferred income	2.525.842	2.146.243	505.168	429.249
Difference between tax bases and carrying value of property, plant and equipment and intangibles	(312.400.555)	(302.838.414)	(62.480.111)	(59.112.035)
Other, net	26.011.297	26.520.838	5.202.259	3.818.732
<b>Total</b>	<b>(352.620.024)</b>	<b>(257.218.964)</b>	<b>(48.512.356)</b>	<b>(42.647.166)</b>

As of 31 December 2016, carry forward tax losses for which no deferred income tax asset was recognized amounted to TL 201.181.600 (31 December 2015: TL 278.461.083).

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

	31 December 2016	31 December 2015
2016	1.895.260	26.944.782
2017	5.972.388	10.845.505
2018	2.215.343	8.167.515
2019	512.814	9.826.695
2020	-	8.887.201
2021	15.836.400	20.042.557
2022	3.519.200	6.336.104
2023	32.376.640	25.287.224
2024	105.224.080	56.889.891
2025	33.080.480	105.233.609
2026	548.995	-
<b>Total</b>	<b>201.181.600</b>	<b>278.461.083</b>

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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The movements of net deferred tax liabilities for the periods ended 31 December 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
<b>1 January</b>	<b>(42.647.166)</b>	<b>(58.815.481)</b>
Deferred tax income in consolidated income statements	12.361.011	15.922.673
Accounted in equity	(2.975.245)	319.362
Currency translation differences	(15.250.956)	2.170.828
Disposal of subsidiary (Note 34)	-	(2.244.548)
<b>31 December</b>	<b>(48.512.356)</b>	<b>(42.647.166)</b>

The analysis of the tax expense/(income) for the periods ended at 31 December 2016 and 2015 are as follows:

	2016 1 January - 31 December	2015 1 January - 31 December
Current tax expense	(5.829.511)	(10.069.347)
Deferred tax income/(expense)	12.361.011	15.922.673
<b>Total</b>	<b>6.531.500</b>	<b>5.853.326</b>

The reconciliation of the current period tax expense in the consolidated statement of income for the periods ended at 31 December 2016 and 2015 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:

	31 December 2016	31 December 2015
Loss before taxes and non-controlling interests	(93.192.444)	(54.453.971)
Current period tax calculated at the effective tax rates of countries	(18.638.489)	(12.441.381)
Expenses not deductible for tax purposes	4.670.813	2.361.845
Effect of share in losses of the investments accounted by the equity method	78.256	545.838
Carry forward losses utilized	-	(470.553)
Effect of unrecognized deferred tax assets for carry forward losses	3.305.553	3.689.746
Effect of adjustments unaccounted deferred tax	2.789.084	-
Income not deductible for tax purposes	(708.095)	(1.158.494)
Other, net	1.971.378	1.619.673
<b>Tax (income)/expense</b>	<b>(6.531.500)</b>	<b>(5.853.326)</b>



■ HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.  
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**NOTE 32 - EARNINGS/(LOSS) PER SHARE**

Loss per share as of 31 December 2016 and 2015 is as follows:

	2016	2015
	1 January - 31 December	1 January - 31 December
<b>Net loss for the period</b>	<b>(72.463.833)</b>	<b>(30.499.114)</b>
Number of ordinary shares in issue (with nominal value of TL 1 each)	552.000.000	552.000.000
<b>Loss per share from continued and discontinued operations</b>	<b>(0,1313)</b>	<b>(0,0553)</b>

**NOTE 33 - RELATED PARTY DISCLOSURES**

**i) Balances of related parties:**

**Short term receivables due from related parties:**

	31 December 2016	31 December 2015
<b>Trade receivables from related parties</b>		
Doğan İnternet Yayıncılığı ve Yatırım A.Ş. ("Doğan İnternet Yayıncılığı") <sup>(1)</sup>	16.782.647	13.357.138
Doğan Gazetecilik A.Ş. ("Doğan Gazetecilik") <sup>(2)</sup>	9.949.419	7.703.561
Doğan Dağıtım Satış ve Pazarlama A.Ş. ("Doğan Dağıtım") <sup>(3)</sup>	2.160.233	2.034.769
Doğan TV Holding A.Ş. ("Doğan TV Holding") <sup>(4)</sup>	1.105.193	1.142.928
Doğan Haber Ajansı A.Ş. ("DHA") <sup>(5)</sup>	542.280	-
DTV Haber ve Görsel Yayıncılık A.Ş. ("Kanal D") <sup>(5)</sup>	499.699	-
Doğan Müzik Kitap Mağazacılık ve Pazarlama A.Ş. ("D&R") <sup>(5)</sup>	476.499	165.828
Doğan Media <sup>(6)</sup>	178.641	1.193.282
Other	898.492	774.822
	<b>32.593.103</b>	<b>26.372.328</b>

<sup>(1)</sup> The balance is arising from sales of internet commercials to Doğan İnternet Yayıncılığı ve Yatırım A.Ş. through websites.

<sup>(2)</sup> Receivable arising from printing newspapers of Doğan Gazetecilik in the Group's printing houses.

<sup>(3)</sup> Receivables arising from the daily distribution of newspapers of the Group.

<sup>(4)</sup> The balance arising from expenses invoiced to Hürriyet Gazetecilik ve Matbaacılık A.Ş. by Doğan TV Holding as a result of that Hürriyet share the same building with Doğan TV Holding.

<sup>(5)</sup> Receivables arising from commercial advertising services.

<sup>(6)</sup> Receivables arising from printing of Doğan Media newspapers in the Hürriyet Frankfurt Germany plants and selling advertisement services.

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

**Short term payables to related parties:**

	31 December 2016	31 December 2015
<b>Trade payables to related parties</b>		
Doğan Media <sup>(1)</sup>	15.024.033	13.584.901
Doğan Dış Ticaret ve Mümessillik A.Ş. ("Doğan Dış Ticaret") <sup>(2)</sup>	4.660.436	1.880.094
Milta Turizm İşletmeleri A.Ş. ("Milta") <sup>(3)</sup>	2.473.919	1.907.577
DTES Elektrik Enerji Toptan Satış A.Ş. ("DTES") <sup>(4)</sup>	1.428.241	1.441.065
Doğan TV Dijital Platform İşl. A.Ş. (Doğan TV Digital") <sup>(5)</sup>	677.029	913.055
Ortadoğu Otomotiv Ticaret A.Ş. ("Ortadoğu Otomotiv") <sup>(6)</sup>	439.169	399.968
Doğan Faktoring Hizmetleri A.Ş. ("Doğan Faktoring") <sup>(7)</sup>	408.654	1.543.361
Doruk Televizyon ve Radyo Yayıncılık ("Doruk Televizyon") <sup>(8)</sup>	404.243	388.349
Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding") <sup>(9)</sup>	324.254	153.886
Kanal D <sup>(10)</sup>	-	1.010.264
D Yapım Reklamcılık ve Dağıtım A.Ş. ("D Yapım Reklamcılık") <sup>(11)</sup>	-	60.467
Other	324.857	837.303
	<b>26.164.835</b>	<b>24.120.290</b>

<sup>(1)</sup> Arising from the cash paid by Doğan Media International for the printing service.<sup>(2)</sup> The Group's raw materials are provided by Doğan Dış Ticaret.<sup>(3)</sup> The balance is arising renting car services from Milta.<sup>(4)</sup> The balance is arising from electricity energy provided for the Hürriyet building and printing houses in regions.<sup>(5)</sup> The Company provides internet access services.<sup>(6)</sup> The balance is arising from the services of rental office.<sup>(7)</sup> The balance is arising from the commissions of collection service and factoring debts.<sup>(8)</sup> Arising from sales of news and commercial advertisement of the Group.<sup>(9)</sup> The balance consists of legal, information technology and other consultancy services together with other services.<sup>(10)</sup> The balance is arising advertisement services.<sup>(11)</sup> The balance is arising from advertisement films and production services for Hürriyet newspaper.

■ HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.  
**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**ii) Significant transactions with related parties:**

Transactions in related parties for the periods ended as of 31 December 2016 and 2015 are as follows:

**Significant service and product sales to related parties:**

	2016	2015
	1 January - 31 December	1 January - 31 December
Doğan Dağıtım <sup>(1)</sup>	105.068.859	96.097.321
Doğan İnternet Yayıncılığı <sup>(3)</sup>	32.728.675	27.273.922
Doğan Gazetecilik <sup>(3)</sup>	28.404.163	25.016.835
Doğan Media <sup>(4)</sup>	4.683.195	6.406.479
Kanal D <sup>(5)</sup>	1.203.254	1.342.466
Mozaik İletişim Hizmetleri A.Ş. <sup>(5)</sup> ("Mozaik")	1.095.457	1.421.903
D&R <sup>(5)</sup>	524.164	494.797
Doğan Egmont Yayıncılık ve Yapımcılık A.Ş. ("Doğan Egmont") <sup>(5)</sup>	477.211	544.173
D- Market Elektronik Hizmetler ve Tic. A.Ş. ("D Market") <sup>(5)</sup>	414.770	1.284.405
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda") <sup>(5)</sup>	183.873	145.516
Doruk Televizyon <sup>(6)</sup>	162.966	502.543
Other	546.909	716.050
	<b>175.493.496</b>	<b>161.246.410</b>

<sup>(1)</sup> The group makes the sales of daily newspapers to Doğan Dağıtım.

<sup>(2)</sup> The sales of internet commercials of the Group are carried out through Doğan İnternet.

<sup>(3)</sup> The newspapers owned by Doğan Gazetecilik are printed in the Group's printing houses.

<sup>(4)</sup> The sale and the commercial of Hürriyet Europe are carried out by Doğan Media.

<sup>(5)</sup> The balance is arising from the Group's commercial advertisement sales.

<sup>(6)</sup> The balance is arising from the Group's news and commercial advertisement sales.

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

## Significant service and product purchases from related parties:

	2016	2015
	1 January - 31 December	1 January - 31 December
Doğan Dış Ticaret <sup>(1)</sup>	91.029.831	85.423.935
Doğan Dağıtım <sup>(2)</sup>	22.417.357	18.924.190
Doğan Haber Ajansı A.Ş. ("DHA") <sup>(3)</sup>	7.940.152	8.353.860
DTES <sup>(4)</sup>	6.162.263	7.953.417
Milta <sup>(5)</sup>	4.695.850	3.695.496
Doğan İnternet Yayıncılığı <sup>(6)</sup>	4.179.718	5.931.969
Doğan Holding <sup>(7)</sup>	4.064.565	4.602.568
Ortadoğu Otomotiv <sup>(8)</sup>	3.704.742	4.451.124
Doğan Gazetecilik <sup>(9)</sup>	3.249.227	3.366.603
Doğan TV Digital <sup>(10)</sup>	2.564.034	2.925.702
Kanal D <sup>(11)</sup>	1.197.355	2.216.102
Mozaiik <sup>(12)</sup>	967.381	908.371
Doruk Televizyon <sup>(13)</sup>	956.826	451.300
Dogan Burda <sup>(14)</sup>	265.814	895.224
D Yapım Reklamcılık <sup>(15)</sup>	13.070	275.889
D&R	-	24.096
Other	5.094.986	2.835.673
	<b>158.503.171</b>	<b>153.235.519</b>

<sup>(1)</sup> The Group's raw materials are provided by Doğan Dış Ticaret.<sup>(2)</sup> Doğan Dağıtım provides newspaper distribution services to the Group.<sup>(3)</sup> Doğan Haber Ajansı provides news services. The related subsidiary has been sold to Doğan Şirketler Holding on 27 March 2015.<sup>(4)</sup> The balance is arising from electricity energy provided for the Hürriyet building and printing houses in regions.<sup>(5)</sup> The balance consists of flight tickets, accommodation and rental cars used for operation purposes.<sup>(6)</sup> Group's online advertisement sales and utility service are done by Doğan İnternet.<sup>(7)</sup> Financial, legal, information technology and other consultancy services together with other services received from Doğan Holding A.Ş.<sup>(8)</sup> The balance is arising from rental office and purchase of services from the company.<sup>(9)</sup> The balance is arising from rent, security and other expenses of the Group's building, which is rented as headquarter.<sup>(10)</sup> The Company provides services of internet access to the Group.<sup>(11)</sup> Arising from the advertisement services.<sup>(12)</sup> The balance is arising from service expense of call-center, internet and commercial services<sup>(13)</sup> The company provides news and advertisement services.<sup>(14)</sup> The balance is arising from Group's advertisement sales.<sup>(15)</sup> The balance is arising from Group production service taken for the advertisement videos.

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	2016	2015
	1 January - 31 December	1 January - 31 December
<b>Other income</b>		
Doğan Dış Ticaret	1.507.905	1.160.068
Doğan Dağıtım	895.348	541.421
Doğan Gazetecilik	450.977	77.990
Doğan Media	328.847	526.586
DHA	230.969	-
D&R	130.705	-
Milta	61.994	-
Doruk Televizyon	19.204	-
Doğan Holding <sup>(1)</sup>	16.945	460.334
Doğan TV Digital	11.250	-
Doğan Egmont	7.150	-
Others	494.288	197.984
	<b>4.155.582</b>	<b>2.964.383</b>

<sup>(1)</sup> The amount is related to sales of Doğan Haber Ajansı and Doğan Dış Ticaret. Group has sold its subsidiary namely and its financial investment namely Doğan Dış Ticaret to its shareholders, Doğan Holding.

Amounting to TL 3.338.246 of other income which totally amounts to TL 3.900.082 consists of rent income which Hürriyet gathers from the Group companies. (1 January-31 December 2015: TL 2.174.292)

	2016	2015
	1 January - 31 December	1 January - 31 December
<b>Purchase of property, plant and equipment and intangible assets</b>		
Doğan Holding	-	1.834
D-Market	369	32.737
	<b>369</b>	<b>34.571</b>

	2016	2015
	1 January - 31 December	1 January - 31 December
<b>Financial income:</b>		
DHA	7.963	74.168
	<b>7.963</b>	<b>74.168</b>

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(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	2016	2015
	1 January - 31 December	1 January - 31 December
<b>Financial expense:</b>		
Doğan Faktoring <sup>(1)</sup>	636.760	668.727
Doğan Dış Ticaret	368.091	33.237
Milta	43.017	151.742
Doğan Holding	-	959.000
Others	-	139.541
	<b>1.047.868</b>	<b>1.952.247</b>

<sup>(1)</sup> Invoicing and controlling of Group's commercial advertisement and collection of these commercial advertisement receivables are made by Doğan Faktoring, commissions paid for these services are accounted in financial expenses. The trade receivables resulting from in accordance with the revocable commitment agreement which is signed between Group and Doğan Faktoring has been followed by Doğan Faktoring.

## iii) Key Management Personnel:

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

	2016	2015
	1 January - 31 December	1 January - 31 December
Salaries and other short term benefits	11.020.947	10.207.573
Post-employment benefits	1.481.326	237.539
	<b>12.502.273</b>	<b>10.445.112</b>



# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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## NOTE 34 - DISPOSAL OF SUBSIDIARY

### Doğan Haber Ajansı

- On 27 March 2015, the Group transferred its subsidiary Doğan Haber Ajansı for TL 3.466.492 to the Doğan Şirketler Grubu Holding A.Ş.

Book value of net assets disposed of	31 December 2015
Current assets	
Cash and cash equivalents	640.363
Trade receivables	6.838.442
Other receivables	1.887.118
Non-current assets	
Other receivables	408.839
Property, plant and equipment	1.888.333
Intangible assets	62.135
Deferred tax assets	2.244.548
Short-term liabilities	
Trade payables	3.005.168
Other payables	688.172
Other short term provisions	4.127.488
Other short-term liabilities	1.031.763
Long-term liabilities	
Provision for employee termination benefits	5.964.030
<b>Net assets disposed of</b>	<b>(846.843)</b>
<b>Excess of disposal recognized under equity as a result of transaction with majority owner</b>	
Consideration:	3.466.492
Consideration paid in cash and cash equivalents	
Net cash inflow on disposal:	
(Less) cash and cash equivalent disposed of	(640.363)
Total cash inflow	2.826.129
<b>Excess of disposal recognized under equity as a result of transaction with majority owner</b>	<b>4.313.335</b>

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") 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 2016	31 December 2015
<b>Financial instruments with fixed interest rate</b>		
Bank deposits (Note 5)	17.233.880	81.007.641
Financial liabilities (Note 7)	287.714.632	274.760.335
<b>Financial instruments with floating interest rate</b>		
Financial liabilities (Note 7)	-	41.248.822

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 2016 and 31 December 2015, the Group's borrowings at floating rates are predominantly denominated in US Dollars and Euros.

At 31 December 2016, had the interest rates on US Dollars and Euro denominated borrowings been 100 basis point higher/lower with all other variables held constant, mainly as a result of higher/lower interest expense on floating rate borrowings; the net profit for the period before tax and non-controlling interests would have been the same. (31 December 2015: would have been TL 120.578 higher/lower).

## AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### (ii) Liquidity risk

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

31 December 2016	Carrying value	Total contractual cash outflow	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
<b>Financial liabilities</b>						
Financial payables (Note 7)	287.714.632	337.009.430	21.027.783	159.635.951	156.345.696	-
Trade payables						
- Related party (Note 33)	26.164.835	26.164.835	26.164.835	-	-	-
- Other (Note 8)	53.060.248	53.258.927	53.258.927	-	-	-
Other payables						
- Other (Note 9)	8.891.934	8.891.934	8.891.934	-	-	-
Payables within employee benefits						
- Due to personnel (Note 10)	1.215.308	1.215.308	1.215.308	-	-	-
31 December 2015	Carrying value	Total contractual cash outflow	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
<b>Financial liabilities</b>						
Financial payables (Note 7)	316.009.157	323.735.343	16.014.698	244.577.211	63.143.434	-
Trade payables						
- Related party (Note 33)	24.120.290	24.120.290	24.120.290	-	-	-
- Other (Note 8)	36.660.202	36.936.916	36.936.916	-	-	-
Other payables						
- Other (Note 9)	9.294.275	9.294.275	8.595.760	-	698.515	-
Payables within employee benefits						
- Due to personnel (Note 10)	2.866.716	2.866.716	2.866.716	-	-	-

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.

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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 2016, the Group has long-term bank borrowings amounting to TL 139.729.311 (31 December 2015: TL 62.343.476) (Note 7).

### (iii) Credit Risk

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

#### Aging analysis for trade receivables:

As of 31 December 2016 there are past due trade receivables amounting to TL 113.109.561 which are not considered as doubtful receivables (31 December 2015: TL 100.759.992). 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 2016, the amount of mortgage and indemnity received is TL 10.369.175 for the related receivables (31 December 2015: TL 9.549.566).

As of 31 December 2016 and 31 December 2015, aging analysis for trade receivables that are past due but not impaired are as follows:

	31 December 2016		31 December 2015	
	Related party	Other receivables	Related party	Other receivables
0-1 month	527.247	22.830.197	783.160	22.016.950
1-3 month	135.912	29.975.180	5.720.794	26.149.943
3-6 month	63.624	33.454.176	2.938.670	19.564.300
6-12 month	1.194.712	14.429.179	344.921	18.758.692
1-2 years	-	10.499.334	127.422	4.355.140
	<b>1.921.495</b>	<b>111.188.066</b>	<b>9.914.967</b>	<b>90.845.025</b>

As of 31 December 2016 and 31 December 2015, aging analysis for trade receivables that are past due and impaired is as follows:

<i>Impaired</i>	31 December 2016	31 December 2015
Past due 0 - 3 months	2.479.033	206.440
Past due 3 - 6 months	138.420	273.314
Past due 6 months and over	43.402.690	50.678.924
Less: Provision for impairment (Note 8, 33.i)	(46.020.143)	(51.158.678)

## AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

The balance of related party receivables that are past due and impaired as of 31 December 2016 is none (31 December 2015: TL 799.004). There is no trade receivable which is not over due and impaired as of 31 December 2016 (31 December 2015: None).

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

31 December 2016	Trade receivables		Other receivables		Bank deposits	Other assets
	Related party	Other	Related party	Other		
<b>Maximum credit risk exposure as of balance sheet date</b>	<b>32.593.103</b>	<b>204.353.838</b>	<b>-</b>	<b>5.546.856</b>	<b>20.427.976</b>	<b>111.500</b>
- <i>The part of maximum credit risk under guarantee with collateral</i>	-	<b>13.126.721</b>	-	-	-	-
A. Net book value of financial assets that are not past due/impaired	30.671.608	93.165.772	-	5.546.856	20.427.976	111.500
- <i>The part under guarantee with collateral</i>	-	2.757.546	-	-	-	-
B. Net book value of financial assets that are renegotiated if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	1.921.495	111.188.066	-	-	-	-
- <i>The part under guarantee with collateral</i>	-	10.369.175	-	-	-	-
D. Net book value of impaired asset						
- Past due (gross carrying amount)	-	46.020.143	-	-	-	-
- Impairment (-)	-	(46.020.143)	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-	-
- Not over due (gross carrying value)						
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

The Group's credit risk of financial instruments as of 31 December 2015 is as follows:

31 December 2015	Trade receivables		Other receivables		Bank deposits	Other assets
	Related party	Other	Related party	Other		
Maximum credit risk exposure as of balance sheet date	26.372.328	181.683.764	-	2.438.371	86.711.799	167.977
- <i>The part of maximum credit risk under guarantee with collateral</i>	-	15.578.264	-	-	-	-
A. Net book value of financial assets that are not past due/impaired	16.457.361	90.838.739	-	2.438.371	86.711.799	167.977
- <i>The part under guarantee with collateral</i>	-	6.028.698	-	-	-	-
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	9.914.967	90.845.025	-	-	-	-
- <i>The part under guarantee with collateral</i>	-	9.549.566	-	-	-	-
D. Net book value of impaired asset						
- Past due (gross carrying amount)	799.004	50.359.674	-	-	-	-
- Impairment (-)	(799.004)	(50.359.674)	-	-	-	-
- 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	-	-	-	-	-	-

## AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

### (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 TL. 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.

TL equivalents of assets and liabilities denominated in foreign currencies at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Assets	1.747.982	70.627.040
Liabilities	(2.333.503)	(150.618.593)
<b>Net foreign currency position</b>	<b>(585.521)</b>	<b>(79.991.553)</b>

Following exchange rates have been used in the translation of foreign currency denominated balance sheet items as of 31 December 2016: 3,5192 TL= 1 US Dollar and 3,7099 TL=1 Euro (31 December 2015: 2,9076 TL= 1 US Dollar and 3,1776 TL=1 Euro).



# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

The table summarizes the foreign currency position risk as of 31 December 2016 and 31 December 2015. The carrying amount of foreign currency denominated assets and liabilities of the Group are as follows:

31 December 2016	TL Equivalent	USD	Euro	Other
1. Trade receivables	1.663.342	37.085	413.174	-
2a. Monetary Financial Assets (Cash, Banks included)	54.551	7.833	7.274	-
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	30.089	8.550	-	-
<b>4. Current Assets (1+2+3)</b>	<b>1.747.982</b>	<b>53.467</b>	<b>420.448</b>	<b>-</b>
5. Trade receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>1.747.982</b>	<b>53.467</b>	<b>420.448</b>	<b>-</b>
10. Trade Payables	1.753.365	97.219	375.146	19.478
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Financial Liabilities	580.138	160.000	4.600	-
12b. Other Non-Monetary Financial Liabilities	-	-	-	-
<b>13. Current Liabilities (10+11+12)</b>	<b>2.333.503</b>	<b>257.219</b>	<b>379.746</b>	<b>19.478</b>
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>2.333.503</b>	<b>257.219</b>	<b>379.746</b>	<b>19.478</b>
<b>19. Net asset/liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-
<b>20. Net foreign currency asset liability position (9-18+19)</b>	<b>(585.521)</b>	<b>(203.752)</b>	<b>40.702</b>	<b>(19.478)</b>
<b>21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(615.610)</b>	<b>(212.302)</b>	<b>40.702</b>	<b>(19.478)</b>
<b>22. Fair value of foreign currency hedged financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

31 December 2015	TL Equivalent	USD	Euro	Other
1. Trade receivables	5.856.990	90.876	1.653.914	337.282
2a. Monetary Financial Assets (Cash, Banks included)	64.217.366	21.001.731	925.923	210.520
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	536.796	144.550	-	116.502
<b>4. Current Assets (1+2+3)</b>	<b>70.611.152</b>	<b>21.237.157</b>	<b>2.579.837</b>	<b>664.304</b>
5. Trade receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	15.888	-	5.000	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>15.888</b>	<b>-</b>	<b>5.000</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>70.627.040</b>	<b>21.237.157</b>	<b>2.584.837</b>	<b>664.304</b>
10. Trade Payables	5.625.457	269.909	875.632	2.058.261
11. Financial Liabilities	136.435.825	35.231.455	10.698.907	-
12a. Other Monetary Financial Liabilities	6.713.836	98.160	1.768.666	808.313
12b. Other Non-Monetary Financial Liabilities	-	-	-	-
<b>13. Current Liabilities (10+11+12)</b>	<b>148.775.118</b>	<b>35.599.524</b>	<b>13.343.205</b>	<b>2.866.574</b>
14. Trade Payables	-	-	-	-
15. Financial Liabilities	1.843.475	-	580.149	-
16a. Other Monetary Financial Liabilities	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>1.843.475</b>	<b>-</b>	<b>580.149</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>150.618.593</b>	<b>35.599.524</b>	<b>13.923.354</b>	<b>2.866.574</b>
<b>19. Net asset/liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-
<b>20. Net foreign currency asset liability position (9-18+19)</b>	<b>(79.991.553)</b>	<b>(14.362.367)</b>	<b>(11.338.517)</b>	<b>(2.202.270)</b>
<b>21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(80.544.237)</b>	<b>(14.506.917)</b>	<b>(11.343.517)</b>	<b>(2.318.772)</b>
22. Fair value of foreign currency hedged financial assets	-	-	-	-

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

31 December 2016	Profit/Loss	
	Foreign currency appreciation	Foreign currency depreciation
<b>If the US dollar had changed by 10% against the TL</b>		
USD net (liabilities)/assets	(71.704)	71.704
Hedging amount of USD	-	-
<b>USD net effect on (loss)/income</b>	<b>(71.704)</b>	<b>71.704</b>
<b>If the EUR had changed by 10% against the TL</b>		
Euro net (liabilities)/assets	15.100	(15.100)
Hedging amount of Euro	-	-
<b>Euro net effect on (loss)/income</b>	<b>15.100</b>	<b>(15.100)</b>
<b>If other foreign currency had changed by 10% against the TL</b>		
Other foreign currency net (liabilities)/assets	(1.948)	1.948
Hedging amount of other foreign currency	-	-
<b>Other foreign currency net effect on (loss)/income</b>	<b>(1.948)</b>	<b>1.948</b>
31 December 2015	Profit/Loss	
	Foreign currency appreciation	Foreign currency depreciation
<b>If the US dollar had changed by 10% against the TL</b>		
USD net (liabilities)/assets	(1.436.237)	1.436.237
Hedging amount of USD	-	-
<b>USD net effect on (loss)/income</b>	<b>(1.436.237)</b>	<b>1.436.237</b>
<b>If the EUR had changed by 10% against the TL</b>		
Euro net (liabilities)/assets	(1.133.852)	1.133.852
Hedging amount of Euro	-	-
<b>Euro net effect on (loss)/income</b>	<b>(1.133.852)</b>	<b>1.133.852</b>
<b>If other foreign currency had changed by 10% against the TL</b>		
Other foreign currency net (liabilities)/assets	(220.227)	220.227
Hedging amount of other foreign currency	-	-
<b>Other foreign currency net effect on (loss)/income</b>	<b>(220.227)</b>	<b>220.227</b>

## AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

### 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 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Total liability <sup>(1)</sup>	287.714.632	316.009.157
Less: Cash and cash equivalents (Note 5)	(24.295.720)	(86.987.420)
Net liability	263.418.912	229.021.737
Equity	416.594.931	353.219.223
Net liability and Equity	680.013.843	582.240.960
<b>Net liability/Total equity ratio</b>	<b>0,39</b>	<b>0,39</b>

<sup>(1)</sup> It is calculated by subtracting long-term and short-term liabilities.

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

31 December 2016	Loans and receivables (including cash and cash equivalents)	Financial Assets	Financial liabilities at amortized cost	Carrying Value	Note
Financial assets					
Cash and cash equivalents	24.295.720	-	-	24.295.720	5
Trade receivables from non- related parties	204.353.838	-	-	204.353.838	8
Trade receivables from related parties	32.593.103	-	-	32.593.103	33
Other receivables from non- related parties	5.546.856	-	-	5.546.856	9
Financial investments	-	1.343.821	-	1.343.821	6
Financial liabilities					
Financial borrowings	-	-	287.714.632	287.714.632	7
Trade payables to non-related parties	-	-	53.060.248	53.060.248	8
Trade payables to related parties	-	-	26.164.835	26.164.835	33
Employee benefit payables	-	-	1.215.308	1.215.308	10
Other payables to non-related parties	-	-	8.891.934	8.891.934	9
Other short-term liabilities	-	-	1.920.617	1.920.617	21

<sup>(1)</sup> The Group management considers the carrying amount of financial assets approximate their fair values.

# AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

31 December 2015	Loans and receivables (including cash and cash equivalents)	Financial Assets	Financial liabilities at amortized cost	Carrying Value	Note
Financial assets					
Cash and cash equivalents	86.987.420	-	-	86.987.420	5
Trade receivables from non- related parties	181.683.764	-	-	181.683.764	8
Trade receivables from related parties	26.372.328	-	-	26.372.328	33
Other receivables from non- related parties	2.438.371	-	-	2.438.371	9
Financial investments	-	1.393.257	-	1.393.257	6
Financial liabilities					
Financial borrowings	-	-	316.009.157	316.009.157	7
Trade payables to non-related parties	-	-	36.660.202	36.660.202	8
Trade payables to related parties	-	-	24.120.290	24.120.290	33
Employee benefit payables	-	-	2.866.716	2.866.716	10
Other payables to non-related parties	-	-	9.294.275	9.294.275	9
Other short-term liabilities	-	-	2.347.077	2.347.077	21

<sup>(1)</sup> The Group management considers the carrying amount of financial assets approximate their fair values.

## 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.

## AUDITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

### NOTE 37 - INTERESTS IN OTHER ENTITIES

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

	<u>31 December 2016</u>
Current assets	10.088.139
Non current assets	263.750.903
Current liabilities	34.009.563
Non current liabilities (*)	50.897.822
Total Equity	188.931.657
	<u>1 January- 31 December 2016</u>
Revenue	29.478.708
Costs	(18.847.754)
<b>Gross profit</b>	<b>10.630.954</b>
	<hr/>
<b>Net loss for the period</b>	<b>(94.741.616)</b>

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

### NOTE 38 - SUBSEQUENT EVENTS AFTER REPORTING PERIOD

Approval letter and "Announcement Text" of which annex has also been approved, for the process of transfer of "Hürriyet Emlak Şubesi" Service Establishment operating under the structure of Hürriyet to direct affiliate company "Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş." which the Group holds 100% of the shares available in its capital within the process of "Partial Demerger in Simplified Procedure Through Participation Model", which the Group has previously released to public through KAP/Material Disclosure Notice under the title of "Disclosure Regarding The Demerger Processes" dated 30 November 2016, have been received by the Group on 26 January 2017.

The process of "Partial Demerger in Simplified Procedure Through Participation Model" regarding to "Hürriyet Emlak Şubesi" Service Establishment operating under the structure of Hürriyet to direct affiliate company and "Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş." which the Group holds 100% of the shares, was approved in the General Assembly which assembled at 2 March 2017.

Compliance of the amendment proposals for 5<sup>th</sup>, 9<sup>th</sup>, 11<sup>th</sup> and 27<sup>th</sup> articles and cancelation proposal for 26<sup>th</sup> article of the main agreement, was announced by CMB with the 2017/8 numbered announcement at 3 March 2017.

#### Approval of Financial Statements

The consolidated financial statements for the period ended 31 December 2016 were approved by the Board of Directors on 29 March 2017. Other than Board of Directors has no authority to change financial statements.





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