

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**BOARD OF DIRECTORS' ANNUAL REPORT
FOR THE PERIOD
JANUARY 1 – DECEMBER 31, 2017**

MARCH 5, 2018



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR’S REPORT
ON THE BOARD OF DIRECTORS’ ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH**

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

1. Opinion

We have audited the annual report of Hürriyet Gazetecilik ve Matbaacılık A.Ş. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the 1 January - 31 December 2017 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group’s position in the Board of Directors’ Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor’s report dated 5 March 2018 on the full set consolidated financial statements for the 1 January - 31 December 2017 period.



4. Board of Director’s Responsibility for the Annual Report

Group management’s responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code (“TCC”) No. 6102 and Capital Markets Board’s (“CMB”) Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” the “Communiqué”) are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Company’s Group’s operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Group’s research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor’s Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.



Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

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

ORIGINALLY SIGNED AND ISSUED IN TURKISH

Gökhan Yüksel, SMMM
Partner

Istanbul, 5 March 2018

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"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 June 13 2013, and it is intended to provide an assessment of the Company's activities in the fiscal January 1 - December 31, 2017 and to inform our investors on the same."

1- GENERAL INFORMATION

1.A. Accounting Period of the Report

This activity report relates to the activities of the accounting period of January 1, 2017 - December 31, 2017.

1.B. Trade Name, Trade Registry Number of the Company Including Contact Information for Its Headquarters And Branches



Trade Name:	Hürriyet Gazetecilik ve Matbaacılık A.Ş. (hereinafter to be referred to as "Hürriyet" or "Company")
Trade Registry Office:	Istanbul Chamber of Commerce
Trade Registration Number:	78044/19200
Address:	Hürriyet Dünyası 100. Yıl Mah. 2264. Sokak No:1 34204 Bağcılar İstanbul/Türkiye
Telephone:	0(212) 677 00 00
Fax :	0(212) 677 01 82
Corporate Website:	http://www.hurriyetkurumsal.com

PRINTING FACILITIES IN TURKEY



Istanbul DPC



Ankara DPC



Izmir DPC



Adana DPC



Antalya DPC



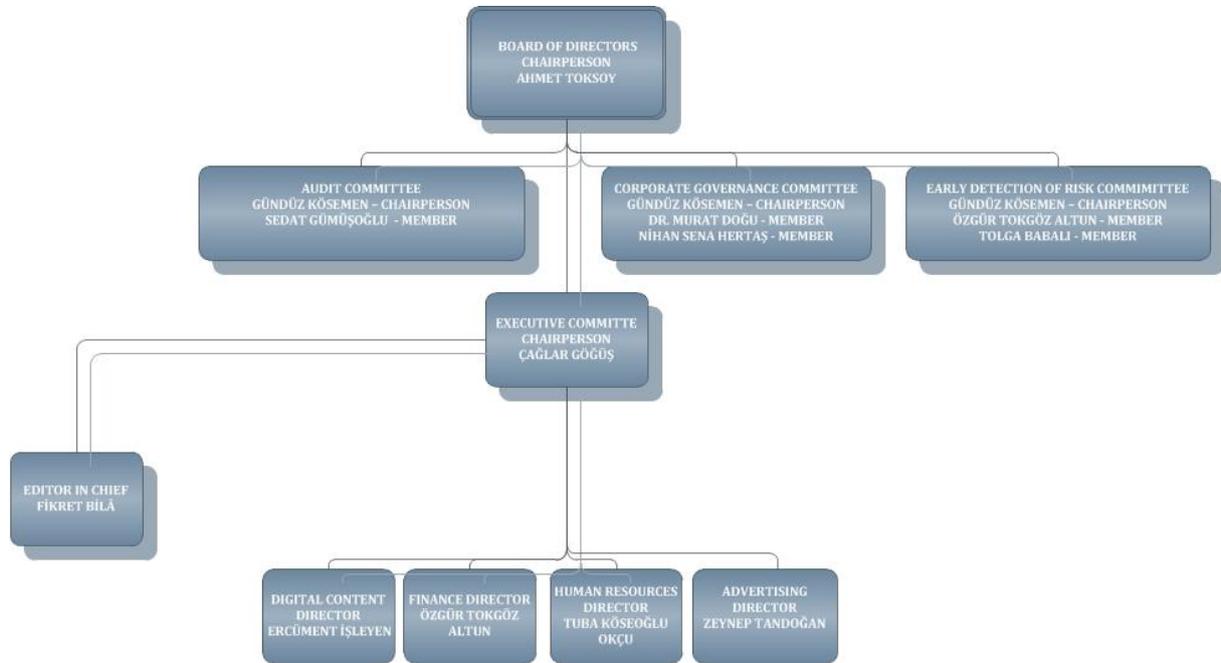
Trabzon DPC

	Print Facilities, Regional Offices	Telephone
Istanbul (Center)	Hürriyet Dünyası 100. Yıl Mah. 2264. Sokak No:1 34204, Bağcılar İstanbul/Türkiye	0212 6770000
Istanbul Print Facility (DPC)	Orhangazi Mahallesi, 1650 Sokak, No:2 Doğan Medya Tesisleri 34850 Esenyurt/İstanbul	0212 6222800
Ankara Print Facility (DPC)	Osmangazi Mahallesi, Özal Bulvarı, No:120, Esenboğa Yolu Üzeri 15. Km 06150 Sarayköy Pursaklar/Ankara	0312 3069100
Ankara Regional Office	Söğütözü Mah. Dumlupınar Bulvarı No:102, Çankaya/Ankara	0312 2070000
Izmir Regional Office	Şehitler Cad. No:16/1 35230 Alsancak/İzmir	0232 4886500
Izmir Print Facility (DPC)	Fatih Mahallesi Ege Cad. No: 36 35414 Gaziemir Sarnıç/İzmir	0232 2982200
Bursa Regional Office	Odunluk Mahallesi Akpınar Caddesi Green White Plaza No:5 Kat:6 D:16 Nilüfer / Bursa	0224 2500252
Adana Print Facility (DPC) Regional Office	Yenidoğan Mahallesi Girne Bulvarı No:275/A Adana-Ceyhan Karayolu 5. Km. 01260 Yüreğir / Adana	0322 3461600
Antalya Print Facility (DPC) Regional Office	Yenigöl Mah., Serik Cad., No:80 Havalimanı Yolu 8. Km 07300 Muratpaşa / Antalya	0242 3403838
Trabzon Print Facility (DPC) Regional Office	Nuroğlu Mah. Organize Sanayi Bölgesi, 10. Cad, No:1 Arsin Yolu 61900 Arsin / Trabzon	0462 7112500
Frankfurt Print Facility	An Der Brücke 20-22 D-64546 Mörfelden - Walldorf Frankfurt / Deutschland	496105327130

1.C. Organizational, Capital and Partnership Structures of the Company and Changes Within the Accounting Period Regarding Its Capital and Partnership Structure

1.C.1 Organizational Structure of the Company

The general organizational structure of the Company as of December 31, 2017 is as follows:



1.C.2 Capital and Shareholder Structure

The upper limit of the authorized capital of the Company as of December 31, 2017 is TRY 800.000.000 while its issued capital is TRY 552.000.000.

Pursuant to the CMB Resolution dated July 23, 2010 and no. 21/655 amended by its Resolution dated October 30, 2017 and no. 31/1059; it is considered that shares corresponding to 22.34% of Hürriyet's capital (December 31, 2016: 22.34%) are in free float as of December 31, 2017 according to the records of the Central Registry Agency (in Turkish: MKK).

These shares are traded in Borsa İstanbul A.Ş. under HURGZ trading symbol.

	December 31, 2017 (Turkish Lira)	Share (%)	December 31, 2016 (Turkish Lira)	Share (%)
Doğan Şirketler Grubu Holding A.Ş.	428,616,468	77.65	428,616,468	77.65
Shares Traded In BIST (Borsa İstanbul Stock Exchange) and Other	123,383,532	22.35	123,383,532	22.35
Total	552,000,000	100.00	552,000,000	100.00

1.D. Statements Regarding Privileged Shares and Voting Rights of Shares

Each share has one voting right in the Company. No upper limit has been given to the voting right of any shareholders. Practices making it difficult to use voting rights are avoided and each share has the opportunity to use the right to vote in the easiest and most convenient way possible. No privilege is granted for the shares of the Company.

1.E. Direct or Indirect Subsidiaries of the Company and Shares

Subsidiaries

Percentages of Subsidiaries and their Partnership percentages as of December 31, 2017 and December 31, 2016 are indicated below:

Subsidiaries	Proportion of voting power held by Hürriyet and its Subsidiaries (%)		Effective ownership interest (%)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Yenibiriş	100.00	100.00	100.00
Glokal	92.00	100.00	92.00	100.00
Hürriyet Zweigniederlassung	100.00	100.00	100.00	100.00
Hürriyet Invest	100.00	100.00	100.00	100.00
TME	97.29	97.29	97.29	97.29
SporArena ⁽¹⁾	100.00	-	100.00	-
ID Impress Media LLC	91.00	91.00	88.53	88.53
TCM Adria d.o.o. ⁽²⁾	100.00	100.00	97.29	97.29
Mirsbridge International B.V.	100.00	100.00	97.29	97.29
ZAO Pronto Akzhol ⁽³⁾	80.00	80.00	77.83	77.83
TOO Pronto Akmola ⁽⁴⁾	100.00	100.00	97.29	97.29
OOO Pronto Atyrau ⁽⁵⁾	-	80.00	-	77.83
OOO Pronto Aktobe ⁽⁶⁾	-	64.00	-	62.26
OOO Pronto Aktau ⁽⁷⁾	-	80.00	-	77.83
OOO Pronto Baikal ⁽⁸⁾	-	100.00	-	97.29
OOO Pronto Kazan ⁽⁹⁾	-	72.00	-	70.05
OOO Pronto Oka ⁽¹⁰⁾	-	100.00	-	97.29
OOO Utro Peterburga ⁽¹¹⁾	-	55.00	-	53.51
OOO Pronto Samara	100.00	100.00	97.29	97.29
OOO Ruikom ⁽¹²⁾	100.00	100.00	97.29	97.29
OOO Pronto Media Holding ⁽¹³⁾	100.00	100.00	97.29	97.29
OOO SP Belpronto	60.00	60.00	58.37	58.37
OOO Rektcentr	100.00	100.00	97.29	97.29
Publishing House Pennsylvania Inc	100.00	100.00	97.29	97.29
Pronto Ust Kamenogorsk ⁽¹⁴⁾	-	80.00	-	77.83
Publishing International Holding BV	100.00	100.00	97.29	97.29

⁽¹⁾ The subsidiary was registered on 6 October 2017.

⁽²⁾ The subsidiary is in the process of liquidation as of 12 June 2017.

⁽³⁾ The subsidiary is in the process of liquidation as of 30 September 2017.

⁽⁴⁾ The subsidiary is in the process of liquidation as of 1 May 2017.

⁽⁵⁾ The subsidiary was liquidated as of 16 November 2017.

⁽⁶⁾ The subsidiary was liquidated as of 7 June 2017.

⁽⁷⁾ The subsidiary was liquidated as of 29 September 2017.

⁽⁸⁾ The subsidiary was liquidated as of 5 September 2017.

⁽⁹⁾ The subsidiary was liquidated as of 15 November 2017.

⁽¹⁰⁾ The subsidiary was liquidated as of 9 June 2017.

⁽¹¹⁾ The subsidiary was liquidated as of 14 August 2017.

⁽¹²⁾ The subsidiary ceased its operations in 2012.

⁽¹³⁾ The subsidiary decided to discontinue its digital platform operations with the board of decision minute dated 22 November 2017.

⁽¹⁴⁾ The subsidiary was liquidated as of 23 March 2017.

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

Company does not possess any shares acquired by itself within the accounting period of January 1, 2017 - December 31, 2017.

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

1.G.1 Board of Directors and Committees

Board Members are elected to perform their duties during the Ordinary General Meeting where activities and accounts for the accounting period of January 1, 2017 - December 31, 2017 will be discussed in the Extraordinary General Meeting held on August 23, 2017. Pursuant to the resolution of Board of Directors dated September 27, 2017 under 2017/33 number, Ahmet Toksoy is elected as the Board Chairperson, Beatricé de Clermont Tonnerre be elected as Deputy Chairperson and Çağlar Göğüş be elected as Executive Board Member as a result of distribution of assignments. Detailed resumes of our Board of Directors are available in our corporate website www.hurriyetkurumsal.com.

Board of Directors and their positions are as in the following:

Name / Lastname	Title	Duties Besides The Partnership:	Remarks
Ahmet Toksoy	Chairperson	Executive Board Member in Group Companies / Chief Financial Officer / Chief Executive Officer and Board Member in group companies of Doğan Şirketler Grubu Holding A.Ş..	Not Assigned In The Executive Board
Beatricé de Clermont Tonnerre	Deputy Chairperson / Independent Board Member	-	Not Assigned In The Executive Board
Çağlar Göğüş	Executive Board Member	Chairperson of the Executive Board in Group Companies	Assigned In The Executive Board
Fikret Bilâ	Member	-	Assigned In The Executive Board
Vuslat Sabancı	Member	Doğan Şirketler Grubu Holding A.Ş. Executive Board Member in Group Companies	Not Assigned In The Executive Board
Sedat Ergin	Member	-	Not Assigned In The Executive Board
Kai Georg Diekmann	Member	-	Not Assigned In The Executive Board
Gündüz Kösemen	Independent Board Member	-	Not Assigned In The Executive Board
Değerhan Usluel	Independent Board Member	Board Member Outside the Group Companies	Not Assigned In The Executive Board
Sedat Gümüšoğlu	Independent Board Member	Independent Board Member in group companies of Doğan Şirketler Grubu Holding A.Ş. / Head of Corporate Governance Committee / Head of Early Detection of Risk Committee / Member of the Audit Committee	Not Assigned In The Executive Board

The applications of Gündüz Kösemen, Değerhan Usluel, Sedat Gümüšoğlu and Béatrice de Clermont Tonnerre to be a member in the Independent Board of Directors with their independence statements on July 24-25-26, 2017 were evaluated by the Board of Directors on July 27, 2017 it was announced to the public on the same date. No condition causing Independent Board Members to lose their independent characteristics is in question within our knowledge as of date of the report. Board of Directors meetings are held with 60% (6/10) attendance in minimum.

43 Board Resolutions were taken in 2017 and such resolutions were unanimously taken and there was no Board Member objecting to the resolutions taken. The members of the Board of Directors of the Company are not bound to any specific rules and / or are not restricted to take other duties or duties outside the Company.

Independence statements of the Independent Board Members are provided below:

Date: 26.07.2017

STATEMENT OF INDEPENDENCE

To the Chairperson of the Board of Directors,

I, as a member of the Board of Directors of HÜRRİYET GAZETECİLİK VE MATBAACILIK 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 I shall immediately notify the Chairmanship 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

BCT

Tarih: 24.07.2017

BAĞIMSIZLIK BEYANI

Hürriyet Gazetecilik ve Matbaacılık A.Ş. Yönetim Kurulu Başkanlığı'na,

Hürriyet Gazetecilik ve Matbaacılık A.Ş. Bağımsız Yönetim Kurulu Üyesi adayı olarak Sermaye Piyasası Kanunu, Sermaye Piyasası Kurulu'nun II-17.1 sayılı Kurumsal Yönetim Tebliği, Sermaye Piyasası Kurulu İlke Kararları ve sair düzenlemeler ile Şirketiniz Esas Sözleşmesi ile belirlenen "bağımsız yönetim kurulu üyeliği" koşullarını taşıdığımı; seçilmem durumunda, söz konusu bağımsızlık koşullarının ortadan kalktığını öğrendiğim andan itibaren ivedilikle Yönetim Kurulu Başkanlığınızı bilgilendireceğimi ve Kurulunuzun Kararı doğrultusunda hareket ederek gerek görüldüğü takdirde istifa edeceğimi beyan ederim.

Saygılarımla,

GÜNDÜZ KÖSEMEN

GKö.

1.G.1 Board of Directors and Committees (Continued)

Tarih: 25.07.2017

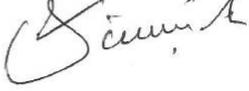
BAĞIMSIZLIK BEYANI

Hürriyet Gazetecilik ve Matbaacılık A.Ş. Yönetim Kurulu Başkanlığı'na,

Hürriyet Gazetecilik ve Matbaacılık A.Ş. Bağımsız Yönetim Kurulu Üyesi adayı olarak Sermaye Piyasası Kanunu, Sermaye Piyasası Kurulu'nun II-17.1 sayılı Kurumsal Yönetim Tebliği, Sermaye Piyasası Kurulu İlke Kararları ve sair düzenlemeler ile Şirketiniz Esas Sözleşmesi ile belirlenen "bağımsız yönetim kurulu üyeliği" koşullarını taşıdığımı; seçilmem durumunda, söz konusu bağımsızlık koşullarının ortadan kalktığını öğrendiğim andan itibaren ivedilikle Yönetim Kurulu Başkanlığınızı bilgilendireceğimi ve Kurulunuzun Kararı doğrultusunda hareket ederek gerek görüldüğü takdirde istifa edeceğimi beyan ederim.

Saygılarımla,

SEDAT GÜMÜŞOĞLU



Tarih: 25.07.2017

BAĞIMSIZLIK BEYANI

Hürriyet Gazetecilik ve Matbaacılık A.Ş. Yönetim Kurulu Başkanlığı'na,

Hürriyet Gazetecilik ve Matbaacılık A.Ş. Bağımsız Yönetim Kurulu Üyesi adayı olarak Sermaye Piyasası Kanunu, Sermaye Piyasası Kurulu'nun II-17.1 sayılı Kurumsal Yönetim Tebliği, Sermaye Piyasası Kurulu İlke Kararları ve sair düzenlemeler ile Şirketiniz Esas Sözleşmesi ile belirlenen "bağımsız yönetim kurulu üyeliği" koşullarını taşıdığımı; seçilmem durumunda, söz konusu bağımsızlık koşullarının ortadan kalktığını öğrendiğim andan itibaren ivedilikle Yönetim Kurulu Başkanlığınızı bilgilendireceğimi ve Kurulunuzun Kararı doğrultusunda hareket ederek gerek görüldüğü takdirde istifa edeceğimi beyan ederim.

Saygılarımla,

DEĞERHAN USLUEL



1.G.1 Board of Directors and Committees (Continued)

Our Board of Directors has approved the committees established, except for the Corporate Governance Committee, through the Board Resolution dated April 13, 2017, have been founded in order to serve until the Ordinary General Meeting where activity results for 2017 will be discussed and the committees established pursuant to the Board Resolution dated April 13, 2017 continue in its resolution dated September 27, 2017 under 2017/34 number.

Executive Committee (Executive Board)	
Name / Last Name	Title
Çağlar Göğüş	Chairperson
Fikret Bilâ	Member In Charge of Publishing Works
Ercüment İşleyen	Member In Charge Of Digital Content
Özgür Tokgöz Altun	Member In Charge Of Financial and Administrative Affairs
Tuba Köseoğlu Okçu	Member In Charge Of Human Resources
Zeynep Tandoğan	Member In Charge of Advertising Works

The Executive Committee has been established in accordance with Article 16 of Articles of Association of the Company and the Committee convene once a week as a matter of principle.

Audit Committee		
Name / Last Name	Title	Remarks
Gündüz Kösemen	Chairperson	Independent Board Member / Not Assigned In Executive Board
Sedat Gümüšoğlu	Member	Independent Board Member / Not Assigned In Executive Board

The Audit Committee execute its activities in accordance with the "Regulations of Audit Committee" where working procedure and principles have been determined as well as applicable regulations/resolutions of Capital Markets Legislation, Capital Markets Law, communique and CMB and it convenes at least 4 times in a year and it delivers the resolutions of the meeting to the Board of Directors. Audit Committee convened for 5 times in 2017. Duties and working principles of the Audit Committee are available in the corporate website of Hürriyet Gazetecilik (www.hurriyetkurumsal.com). The Audit Committee notified the Board of Directors for 6 times in written within the year 2017.

1.G.1 Board of Directors and Committees (Continued)

Corporate Governance Committee

With decision n. 2017/34 (date: 27/09/2017) 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 January 1, 2017 - December 31, 2017 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	Remarks
Gündüz Kösemen	Chairperson	Independent Board Member, Not Assigned In Executive Board
Dr. Murat Doğu	Member	Not Assigned In The Executive Board
Nihan Sena Hertaş	Member	Department Manager For Investors Relations / Not Assigned In The Executive Board

The Corporate Committee execute its activities in accordance with the "Regulations of Corporate Committee" where working procedure and principles have been determined as well as applicable regulations/resolutions of Capital Markets Legislation, Capital Markets Law, communique and CMB and it convenes at least 4 times in a year and it delivers the resolutions of the meeting to the Board of Directors.

The Corporate Governance Committee convened for 7 times and notified the Board of Directors for 8 times again in written within the year 2017. Duties and working principles of the Corporate Committee are available in the corporate website of Hürriyet Gazetecilik (www.hurriyetkurumsal.com).

Early Detection Of Risk Committee

In accordance with Article 378 of Turkish Code of Commerce and "Corporate Governance Communique" of CMB, our Board of Directors has approved the committees established, except for the Corporate Governance Committee, through the Board Resolution dated April 13, 2017, have been founded in order to serve until the Ordinary General Meeting where activity results for 2017 will be discussed and the committees established pursuant to the Board Resolution dated April 13, 2017 continue in its resolution dated September 27, 2017 under 2017/34 number.

The Early Detection of Risk Committee execute its activities in accordance with the "Regulations of Early Detection of Risk Committee" where working procedure and principles have been determined as well as applicable regulations/resolutions of Capital Markets Legislation, Capital Markets Law, communique and CMB and it convenes at least 6 times in a year and it delivers the resolutions of the meeting to the Board of Directors. Duties and working principles of the Early Detection of Risk Committee are available in the corporate website of Hürriyet Gazetecilik (www.hurriyetkurumsal.com). The Early Detection of Risk Committee convened for 6 times and notified the Board of Directors for 6 times again in written within the year 2017.

Name / Last Name	Title	Remarks
Gündüz Kösemen	Chairperson	Independent Board Member / Not Assigned In Executive Board
Özgür Tokgöz Altun	Member	Finance Director / Executive Committee Member
Tolga Babalı	Member	Not Assigned In The Executive Board

1.G.1 Board of Directors and Committees (Continued)

Working Principles of Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee and Board Assessment Regarding Its Efficiency

In accordance with relevant provisions of Turkish Code of Commerce, Capital Markets Law, CMB regulations and Principle Resolutions of Capital Market Board as well as relevant provisions of the Articles of Association of the Company, our Board of Directors has approved the committees established, except for the Corporate Governance Committee, to provide assistance to the activities of Board of Directors through the Board Resolution dated April 13, 2017, have been founded in order to serve until the Ordinary General Meeting where activity results for 2017 will be discussed and the committees established pursuant to the Board Resolution dated April 13, 2017 continue in its resolution dated September 27, 2017 under 2017/34 number. Through this resolutions, it is resolved that Gündüz Kösemen, Independent Board Member, be elected as the Head of Audit Committee, and Sedat Gümüőođlu be elected as the Committee Member and Gündüz Kösemen, Independent Board Member, be elected as the Head of Corporate Governance Committee while Dr. Murat Dođu, CFO of Dođan Őirketler Grubu Holding A.Ő., and Nihan Sena HertaŐ, Department Head of Investors Relations, be elected as the Committee Member, and Gündüz Kösemen, Independent Board Member, be elected as the Head of Early Detection of Risk Committee while Özgür Tokgöz Altun, Finance Director and Executive Board Member, and Tolga Babalı, Executive Board Member in Dođan Őirketler Grubu Holding A.Ő., be elected as the Committee Members.

Committees of Board of Directors duly executed their duties and responsibilities in accordance with Corporate Governance Principles within January 1, 2017 - December 31, 2017 accounting period and they actively operated. Meetings were held for the efficiency of studies conducted during January 1, 2017 - December 31, 2017 accounting period and the resolutions taken during such meetings were submitted to the Board of Directors in written.

Accordingly, the "Audit Committee", which is responsible for the effective implementation of the internal control system as well as taking all necessary measures to ensure that all kinds of internal control and independent audit are perspicuously carried out, has submitted all the recommendations it is responsible for, including opinions and recommendations on internal audit and internal control system, to the Board of Directors. The "Corporate Governance Committee" established to monitor compliance with the Corporate Governance Principles of the Company, to exert improvement efforts in this respect as well as making proposals to the Board of Directors, has determined whether the Corporate Governance Principles have been implemented, reason if not, and conflicts of interest arising due to the failure to fully comply with these Principles, and it has also advised the Board of Directors on improving Corporate Governance practices and observed the studies of the Investor Relations Department. The "Early Detection of Risk Committee", which is responsible for the early detection of the risks that could jeopardize the company's existence, development and continuation, and for the implementation of the necessary measures and risks management for the detected risks, has reviewed the risk management systems of the Company in accordance with the Corporate Governance Principles and the Regulations of the Early Detection of Risk Committee. The Committee also reports to the Board of Directors through Committee Resolutions, which are held bi-monthly, which must be prepared in accordance with Article 378 of the Turkish Code of Commerce No. 6102.

1.G.2 Senior Executives

Senior executives of the Company as of December 31, 2017 are as follow:

Name and Surname	Position	Date of Start	Degree	Total Experience
Çağlar Göğüş	Executive Director of the Management Board / Chief Executive Officer	10.02.2016	Bilkent University Department of Business	20
Fikret Bilâ	Executive Member / Chief Editor	01.03.2017	Gazi University, Faculty of Economic and Administrative Sciences	40
Ercüment İşleyen	Executive Member / Digital Broadcasting Editor	01.03.2016	Belgium American High School	37
Özgür Tokgöz Altun	Executive Member / Finance Director	19.08.2016	Middle East Technical University, Department of Business	20
Tuba Köseoğlu Okçu	Executive Member / Human Resources Director	15.03.2012	Boğaziçi University, Department of Translation Studies	24
Zeynep Tandoğan	Executive Member / Advertising Director	03.03.2014	Mimar Sinan University, Department of Statistics	20

1.G.3 Number of the Personnel

Personnel number of the Company and its subsidiaries is 1.521 as of December 31, 2017 (December 31, 2016: 2.050).

1.H. Information About The Operations Performed by the Members of the Managing Body with the Company on their behalf or others and their Activities within Non-Competition under the Permission Granted by the General Assembly of the Company

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, during the period January 1, 2017 – December 31, 2017, Board Members did not conduct any commercial activities on their own behalf in the Company's line of business.

1.I. Administrative or Judicial Sanctions Imposed On The Members Of The Company And The Management Body Due To Practices Contrary To The Provisions Of The Legislation.

During the period, there are no administrative or judicial sanctions imposed on the Company or Board Members due to practices contrary to the provisions of the legislation

1.J. Amendments Made in the Articles of Association within Period and Its Reasons

The amendment of Article 5 of our Articles of Association reading "Joint Stock Company and Branches" and Article 9 of our Articles of Association of our Company reading "Registered and Issued Capital" and Article 11 of the same Articles reading "Shares" as well as Article 26 reading "Arbitrator Clause" and Article 27 reading "Corporate Governance Principles" of the Articles of Association of the Company were submitted to the approval of the Shareholders during Ordinary General Meeting held on March 30, 2017 and it was unanimously approved and results of the Ordinary General Meeting were registered by Istanbul Trade Registry on April 12, 2017.

The amendment of Article 7 of our Articles of Association reading "Capital Increase" and Article 13 of our Articles of Association of our Company reading "Board of Directors", Article 14 reading "Duties and Powers of Board of Directors" of the Articles of Association of the Company were submitted to the approval of the Shareholders during Extraordinary General Meeting held on August 23, 2017 and it was unanimously approved and results of the Extraordinary General Meeting were registered by Istanbul Trade Registry on August 29, 2017.

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

Any kind of financial right, benefit and payments provided to the Board Members are determined during the Ordinary General Meeting of the Company ever year. Company has designated its key managerial personnel as Board and Executive Committee Members. Benefits provided to key managerial personnel consist of payment, premiums, health insurance, transportation and benefits provided after leaving the work.

At the Ordinary General Meeting held on August 23, 2017, it was resolved with the majority of the votes that the Chairperson of the Board of Directors be paid a monthly net fee of TRY 10,000 and Board Members a monthly net fee of TRY 5,000 each.

	January 1 - December 31, 2017	January 1 - December 31, 2016
Salaries and other short term benefits	11,442,218	11,020,947
Post-employment benefits	286,466	1,481,326
	11,728,683	12,502,273

3. RESEARCH AND DEVELOPMENT ACTIVITIES

Our Company made an application with the project of "Development of Analytical Measuring and Estimation Engine of User Behavioural Movement through Machinery Learning and Techniques" registered under 3170089 Project number within the scope of 1501 - TUBITAK Industrial R&D Projects Support Program and the approval of this application was notified to our Company with Project Support Decision Letter dated August 24, 2017 and numbered 58820078/115.02.01/87217. Additionally, the R&D Center of our company has been approved by the Ministry of Science, Industry and Technology, General Directorate of Science and Technology with the approval numbered 63413363 - 206.99E.4177 dated October 30, 2017, and in this respect, a total of TRY 634,833.50 were invested in research / development during the accounting period of January 1, 2017 - December 31, 2017.

4. COMPANY OPERATIONS AND RELATED MAJOR DEVELOPMENTS

4.A. Company's Area of Activity, Sector of Business and Position In this Sector

PRINTED MEDIA

HÜRRİYET NEWSPAPER

Since its foundation in 1948, Hürriyet has become a symbol of fair journalism and credibility in the Turkish press with its contemporary publishing approach based on ethical rules. Hürriyet brand has been a powerful and leading publisher for 69 year in printed media and in digital world for 20 years with hurriyet.com.tr.

It leads the sector through its innovative characteristics by interpreting the developments and needs of the sector and closely following innovations, thus leading in many platforms. The application of innovative technologies, anticipating social changes and changing in a timely manner and leading the change and accessing any content through any means any time make it a powerful player in the digital world.

Rapidly integrating its developments in digital broadcasting technologies with its know-how and vision in the media sector, Hürriyet has become the fastest growing player in digital platforms and has proved its competence.

Adding its superior competence in web and mobile platforms to unrivalled power in printed media, Hürriyet collects all kinds of content related to news, magazines, sports and life under the roof of "the World of Hürriyet". News and content creating behaviours of the advancing technology is used in compliance with the social media in the World of Hürriyet and as result of correct and efficient processing of large data, any content can be generated 24/7 focused on personal preferences and needs and expectations of the readers and advertisers are fulfilled with a perfect customer experience.

Hürriyet Newspaper continues to use this world where it is created by its deep-rooted experience and vision. By diversifying content distribution channels, it continues to track trends by offering specific products and content to target masses.

In 2016 and 2017, Hürriyet continued its leadership in printed media with an understanding of journalism that researches, follows, and touches humanity and heart.

It created an agenda with special news called "Hayatın İçinden" and shared examples of effective and responsible journalism with "Hürriyet Takipte" news stories with their readers. "Hürriyet Olay Yerinde" stories were widely spoken and broke reading records. It was the voice of those who wanted to be heard with the news of "Hürriyete Ses Ver", and it contributed to the solution of social problems and received serious support from their readers.

Getting mixed into the life with "Hürriyet 360, Hürriyet'in Objektifinden, Hürriyet 360, Hukuk Herkese Lazım" news, Hürriyet continues to keep the pulse of the news to be a brand that creates the agenda.



4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)

HÜRRİYET İK YENİ EKONOMİ

Turkey's only human resources newspaper distributed every Sunday with Hürriyet in its Turkish print for over 21 years now, Hürriyet İK has been the very name of the change in the new world order where changes have been discussed and innovations are highlighted. Developing new world dynamics and economic transformation experienced with digital innovations, Hürriyet İK, Turkey's only human resources newspaper, has brought about a great change. Renewed with the name of "Hürriyet İK & Yeni Ekonomi", the newspaper started to set its agenda on Sunday with important contents about human resources and new economy.



HÜRRİYET KİTAP SANAT

Hürriyet Kitap Sanat supplement full of new and content that will keep the pulse of the world of literature and art, started to be published on February 3, 2017. Introducing and assessing new books, the latests art works of the literature world every Friday, Hürriyet Kitap Sanat has become a substantial source closely followed by both common readers and dominant figures and organizations of the literature-art world from the very first day it was published, covering every area of art and creativity ranging from music to ballet, painting to sculpture, and from photography to architecture.

It has proven its unique characteristic in a relatively short amount of time by delivering all the colours of the art world to their readers, from newly-published books to exhibitions and from theatres to concerts by its competent team.

The most important values of Hürriyet Kitap Sanat is to keep the reliability, richness and news/advertisement ratio in the content of the editorial works in an optimum level. It has once again proven its contribution to the newspaper with its circulation all over Turkey.

4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)

HÜRRİYET KELEBEK

Magazine and daily newspaper "Kelebek" has been offering content that will color Hürriyet's readers for the past 44 years by removing the stress of everyday life. Kelebek, gathering master columnists such as Melis Alphan, Cengiz Semercioğlu and Onur Baştürk, brings together the most up-to-date news in many subjects, from magazine to fashion, from night life to television world.



HÜRRİYET CUMARTESİ

Hürriyet readers enjoy the weekend start with "Hürriyet Cumartesi", a culture-art, shopping and activity guide introducing all the activities of the week, from sinema to music and from theatre to new books. Allowing the readers to plan their time and to be informed about the best activities and products, Hürriyet Cumartesi evaluates new activities and products with a quadruple star system with the most competent names on their areas. Hürriyet Cumartesi continues to be the best guide for urban life with its dynamic design and rich content.

HÜRRİYET PAZAR

"Hürriyet Pazar", a weekend supplement of Hürriyet that can be read by the readers all over Turkey with their families, covers headline files, special interviews with prominent figures in the world and Turkey as well as special news, humour, eating-drinking, nature and lifestyles. Hürriyet Pazar's staff includes some of the leading and most successful names in the business today such as Gülse Birsal, Vedat Milor, Dr. Mehmet Öz, Mehmet Yaşın, and Ayşe Arman.



4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)



HÜRRİYET SEYAHAT

"Hürriyet Seyahat" is Hürriyet's travel and cultural newspaper published on Sundays. Extensive travel writings from all around Turkey and the globe, recommendations and travel writings from experts such as Ayhan Sicimoğlu, Saffet Emre Tonguç, appeal to everyone who is ready to hit the road and go on a vacation.

HÜRRİYET KELEBEK YAZ

For those readers who want to enjoy the summer, Kelebek Yaz has started to be published throughout the summer. Prepared with the support of a different famous expert on every Saturday, Kelebek Yaz has taken its place in the shops as a supplement adding pleasure to summer with many special contents ranging from health, nutrition to the most popular summer places.



HÜRRİYET REGIONAL NEWSPAPERS

A renewal process has been started in October 2016 for all the regional newspapers with the projection titled "New Era In Regional Journalism". Different coordination meetings have been held in Istanbul and regions. Through periodical meeting and regulation communication, logo, columns, page orders/tops as well as First Pages and back covers of the regional newspapers have been renewed. New sections have been added to the newspapers as as result of studies conducted in 2017.

4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)



NEW FACES, NEW COLUMNS

Columns such as Okur Köşesi", "Hürriyet Yazıyor Sorunlar Çözülüyor", "Şehir Hukuku", "Futbol Konseyi", "İş'te Magazin", "Ne Yapalım", "Nereye Gidelim" as well as magazine-society, urban and sports pages, which do not require any additional cost, have been realised. Regional meeting will be also held in 2018 under the mutual project investment process.

HÜRRIYET ANKARA

Hürriyet Ankara was first published on March 31, 2006. Realising different applications, Hürriyet Ankara continues to set the agenda with its unique journalism approach through different activities such as Genç Nota Liselerarası Müzik Yarışması, "Birlikte Tarih Yazalım: Sözlü Tarih", "ANKADEMİ: Üniversiteler ve Şehir", "ÇATKAPI" flavour column.



HÜRRIYET AKDENİZ

Hürriyet Akdeniz started its publication life on February 26, 2001 and it has been published every day of the week since June 16, 2003. Content of Hürriyet Akdeniz, distributed in Antalya, Burdur, Ispart and Afyon, has been renewed and the latest trends in economy is shared with readers through "Vatandaş Ne Diyor", "Lezzet Odası", "Doktorlar Yanınızda" sections.

4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)

HÜRRİYET EGE

Started to be published on February 26, 2001, Hürriyet Ege started to be published 3 days a week on October 8, 2003 and 7 days a week on May 3, 2004. As of February 2011, the newspaper has started to be prepared in Izmir. Hürriyet Ege, which was published entirely in the Aegean Region from Çanakkale to Muğla, has become the voice of the Egeans.



HÜRRİYET BURSA

Started to be published on April 19, 2004, Hürriyet Bursa was revised after 7 years after its first publication and it has become more from Bursa and a more regional newspaper. It is distributed to Bursa, Bandırma and Susurluk. Under the condition that their resources are based upon Bursa region, Health, PET, Districts, University, Alternative Sports, Football Council, Bandırma and Maritime pages are created.



HÜRRİYET ÇUKUROVA-GAP

Hürriyet Çukurova-Gap was first published on February 26, 2001. It started to be published 3 days a week on October 8, 2003 and 7 days a week on May 3, 2004. GAP was first published on April 10, 2006. It is distributed to 23 provinces, from Adana to Hakkari.



OTHER REGIONAL NEWSPAPERS

Besides the aforementioned daily regional newspapers, weekly special newspapers and local pages are prepared based on advertisement projections. Newspapers of these regions are prepared in Ankara in every aspect, which are then ready for the print.

East Marmara (Yalova, Sakarya and Kocaeli) newspapers are prepared in Bursa according to the volume of advertisement. For different provinces in Aegean, Mediterranean and Adana region, special additional supplements are published based on the advertisement coordination.

PRIVATE SECTOR NEWSPAPERS

Separate special newspapers on Education, Building-Construction, Economy, Marriage and special day supplement and magazines for Valentines' Day, New Year etc. are prepared.

4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)

HÜRRİYET DAILY NEWS

Hürriyet Daily News does not only function as a window opened up to the outer world for Turkey, but also for Hürriyet Dünyası and Dogan Group, and it has maintained its function in 2017, too. Hürriyet Daily News achieves this by delivering news in a fast, reliable and independent manner on its website www.hurriyetdailynews.com besides making a digital-oriented working order as well as using its diplomatic function to publish the newspaper, its most important function among others.



News-comment differentiation is clearly observed and comment diversity is maintained featuring the columnists of Hürriyet.

While Turkey has been going through the year a number of problems in foreign politics, Hürriyet Daily News has continued to make Turkey heard and proven itself as the primary and reliable new source characteristic in Turkey particularly for its on-site and post news it addressed during July 15, 2016 coup attempt. Turkey's fight against the terrorist organizations inside and outside fast, reliably and meticulously announced to the world in a way it will not fall into the propaganda line.

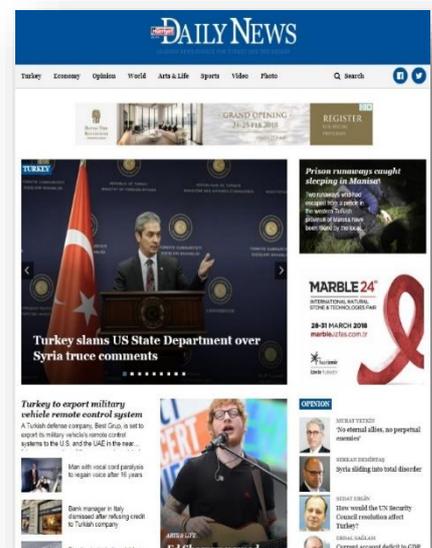
It has also achieved its duty to accurately explain the truths to abroad during the slander campaign directed to Doğan Grubu and the studies carried out by group companies has been meticulously shared with the readers and followers.

In a world where English is the spoken language, Hürriyet Daily News maintains its quality as a leading news source not only in Turkey but in the region as well.

Due to the systemic problems experienced in our website last year, there have been periodic decreases in the number of total sessions and there have been 14,966,708 single sessions. The contractors company has therefore been changed and the audit of the website has been handed over to technical services of Hürriyet.

On the other hand, clicks achieved by the website of Hürriyet Daily News in the US has passed Turkey for the first time, ranking the first. It is a great pleasure to achieve this result. In this respect, the percentage of clicks of the first five countries is as follows:

- USA (22.4%)
- Turkey (17.2%)
- UK (10.4%)
- Canada (4.1%)
- Germany (4.0%)



4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)

HÜRRİYET GERMANY

Operating in Europe with its publishing center and printing facility based in Mörfelden-Walldorf near Frankfurt city of Federal Germany, Hürriyet meets its readers in Germany after the first worker migration to Europe during the 1960s. Despatched to Munich via planes, it is delivered to regions highly populated with Turks. Upon the rise of the Turkish population and the arrival of guest workers as a starting point for settlement in this country, it was decided that the newspaper would be printed in a printing house in Germany. Hürriyet has been published in Munich since April 17, 1969 and has been offered to readers in various Western European countries, especially Germany.

Since then, Hürriyet has become a Turkish newspaper providing the longest and uninterrupted service to Turkish citizens and Turkish based people living in Europe through European distributions. With the distribution network connected to the Axel Springer Group, Hürriyet sells approximately 8 thousand in Germany and 10 thousand in other European countries it is distributed. With this high access power, Hürriyet continues its unbiased news and commentary superiority in Europe. Experienced journalists in the Hürriyet Berlin branch and Doğan News Agency reporters in various cities continue to keep the pulse of news in Europe for years. Hürriyet, the most well-known Turkish media brand in Germany, is also pioneering in the field of corporate social responsibility through its social campaigns jointly organized with non-governmental organizations such as the Turkish-German Health Foundation and the Germany Harmony Foundation. It also supports various cultural events such as education, health, sports, Frankfurt Film Festival and Theatre Festival.

Turkey's most powerful newspaper Hürriyet, publishing and advertising activities in Europe, continues to carry out its works under the roof of Doğan Media International GmbH, which was established in 1999 to operate as the window of Doğan Holding to Europe. The printing plant operates as Hürriyet German branch, which prints four different alphabets and approximately 30 publications on seven different languages. The plant is ideal for low-circulation international and ethnical publications, providing a short duration of printing with a machine park structure using a single-width bobbin.

Renovating its quarter folding line in 2017, editions of Japanese newspaper Nikkei and English The Financial Times newspaper, international daily newspapers on economy, prepared form Germany and the surrounding countries as well as regional edition German newspaper Bild, the most popular newspaper read most in Europe, including the European editions of Stars&Stripes, an American publication, and Asahi, a Japan publication, Sportwelt, a leading horse sports in Germany and Asharq Al-Awsat from Arab World are all printed in the plant with the capacity to include 6 additional newspapers besides the main newspaper. Info & Tips from Poland, Chinese representatives English China Daily, Chinese Chinesische Handelszeitung, Chinese / English Global Times, free publications Trigonal, Hayat and Nokta publication as well as The Security Times and New Europe considered as a prominent source among opinion leaders are also periodically printed in this printing plant. In 2017, the facility began to print regional prints of Germany's only daily soccer newspaper, Fussball Bild. With these publications, the daily newspaper, which has reached 250,000 daily, is despatched to shops through shipping companies to meet the readers living in Europe.



4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)

DIGITAL MEDIA

Hurriyet.com.tr

Hürriyet also aims to maintain its leadership in Internet journalism in the print media field and it is one of the first newspapers carrying one leg of its journalism operation to the internet through hurriyet.com.tr in 1997. Since 2000, hurriyet.com.tr has started to serve as a news portal announcing developments for 24 hours, thus going beyond being a just a publication of Hürriyet Newspaper.

Hurriyet.com.tr, which has turned into a social news platform in

2014, continues to be a pioneer in digital with its innovations in mobile and e-news and the power in social media. Having acquired the principle of providing access to its users from all devices, Hürriyet became the first Turkish application in Apple Watch in 2015.

At its 20th anniversary, Hurriyet.com.tr was among the leaders of digital media around the world based on monthly visitor figures and page views. With the most read, most shared and most talked about news, hurriyet.com.tr maintained its leadership to lead the digital field among media organizations. Throughout 2017, Hürriyet continued to carry out new generation of journalism and digital innovation projects through its digital channels.

New digital sports platform of Hürriyet has started to be published with the "Turkey's Largest Sports Arena" motto. Sports Arena, which keeping the track of the sporting world with its writer staff consisting of expert names of fields, not only on football, but also about news, videos and interviews about basketball, volleyball, e-sport sports and all the other branches of sports started to take the stage in sports with its web platform and mobile application. Additionally, for the first time with the "Taraftarından (from Supporters)" project, fans were given the opportunity to support their teams with their writings.

The digital source Hürriyet Seyahat has continued to meet the demands of travel enthusiasts with its renovated design.

hurriyet.com.tr has become one of the most popular news sites whose content has been followed up in social media. Reaching its readers through all channels, hurriyet.com.tr maintains its leadership with 17.5 million followers in social media as of end of 2017.

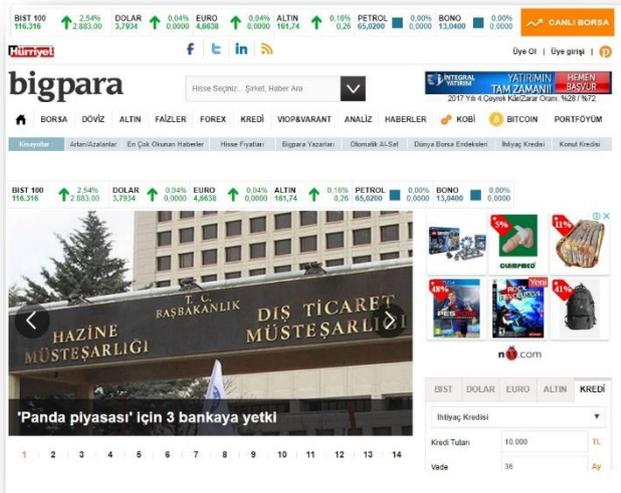
Holding a leading position in digital publication, hurriyet.com.tr has reached 4.4 million daily unique visitors in 2017 and close to 58 million daily page view average and to 59 million people on a monthly basis. Hürriyet Mobile App has reached 475,000 monthly active users from 290,000 active users per month.



4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)

Hürriyet TV

Serving as a video platform on its own and video infrastructure of hurriyet.com.tr, around 1000 videos are produced every month on Hürriyet TV. In addition to the agenda and news content of Hürriyet TV, the category is enriched with special content that touches the social lives of entertaining, informative and watching, reaching an average of 40 million viewing rates per month in 2017, raising the bar high for video platforms. Hürriyet TV aims to not only enter the daily life of the new generation user who follows the daily pulse in video format with special content formats, but aims to increase by focusing on short form video format and diversifying income models with creative advertisement formats in 2018.



Bigpara.com

Continuing to maintain its operations as a sub-domain under hurriyet.com.tr on February 6, 2017, it has received the support of Hürriyet. It has reached 10 million users and 72 million page views monthly. While working with Matrix as a web data provider, Bigpara took a big step to change its data provider and came to an agreement with Forex for a number of benefits it offered. Transition period is about to be concluded.

Coming to an agreement with Anadolu Ajansı to strengthen its content, Bigpara has made contributions to the growth of its traffic thanks to the new referral agreements. Bigpara has been also continued to expand their writer team at the same time. It has also made new page sponsorships for Bitcoin and Loan pages.

Bigpara carries out AMP project in order to increase its power in mobile world and this process is still ongoing.

4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)

Hurriyetaile.com

Distinguished among others with exclusive content on mother-child health, infant and child growth subjects, Hürriyet Aile is featured with its expert columnists. Focusing on health matter from A to Z and even carrying out a dictionary study for this, Hürriyet Aile enriches the flow of content by addressing everything from general health issues to psychology, nutrition, exercises, sexual health, family events, pets life, lonely parenting and family life. Aiming to reinforce its image and its advertise appearance more, the goal of the platform in 2018 is to expand its activity network.



Mahmure.com

Distinguished among other platforms created for women with its rich content, Mahmure provides a wide range of content diversity to its social media agenda, from fashion to decoration, beauty and good life trends, from astrology to agenda of the media. Reaching its followers in offline platforms too, Mahmure can reach its 150,000 followers instantly with the live social media coverages of its activities.

Total traffic of Mahmure, whose 76% of followers are over 25, comes from 37% of those visitors falling to 25-35 years of age and 22% of those visitors in 35-44 years of age. Making up 44% of visitors viewing Mahmure, men read sign comments and pass time in love and relationship pages and thus following the agenda of women in Mahmure!

4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)

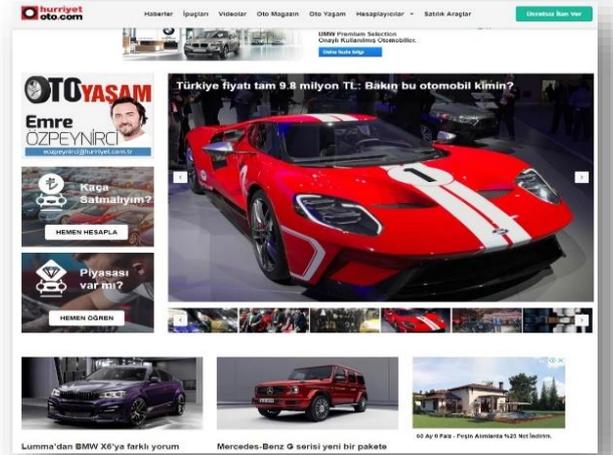
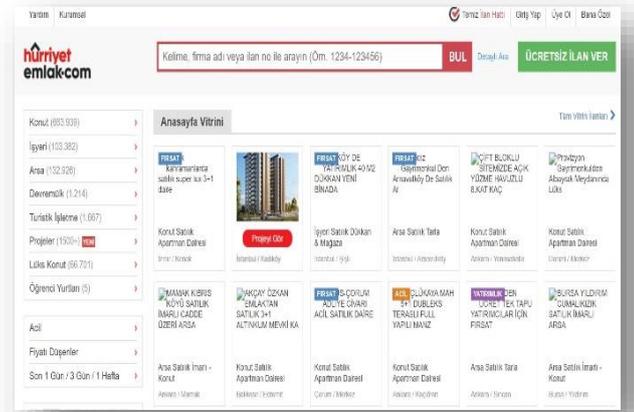
Hurriyetemlak.com

Founded in 2006 as the online real estate platform of Hürriyet Newspaper, Hürriyetemlak.com is the expert portal of the real estate sector. Gathering the real estate industry under a single roof, Hürriyetemlak.com has all things related to real estate sector: wide advertising portfolio, up-to-date news, innovative products and projects. As of the end of 2017, Hürriyetemlak.com has more than 7 million unique visitors per month and more than 19 million traffic.

"Partial Demerger In Simplified Procedure Through Participation Model" of "Hürriyet Emlak" Service Business, operating under Hürriyet title with Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş. is accepted during the Extraordinary General Meeting of Hürriyet held on March 2, 2017. Hürriyet Gazetecilik ve Matbaacılık A.Ş. holds 92% of the capital of "Hürriyet Emlak" while Öncü Girişim Sermayesi Yatırım Ortaklığı A.Ş. holds 8%.

Hurriyetoto.com

Hurriyetoto.com, a rapidly developing automotive sector platform, has been completely renewed in November 2017, maintaining its publication life much stronger than ever. hurriyetoto.com, where content is now featured, has been viewed 1.3 million times in November and December, and the number of followers has increased rapidly. As an important platform to serve the automotive sector, locomotive of the Turkish economy, it aims to be the biggest on its segment with its richer content, prominent columnist and increasing listing (second hand vehicle adverts) with the management of Emre Özpeynirci, Automotive Editor and columnist for Hürriyet Newspaper.



Yenibiris.com

Maintaining its activities for 18 years by renewing itself continuously in employment technologies of Turkey, Yenibiris.com is featured with its properties that will help both job seekers and companies be distinguished among others during employment period, which makes the website more than a market place where job seekers and companies meet. Besides its digital employer brand consultancy service to companies, it also provides service on areas such as HR consultancy, process management of applicants.

4.A. Company's Area of Activity, Sector of Business and Position In this Sector (Continued)

yakala.co

Included in the group purchasing category of e-commerce field and is defined as "opportunity site / discount site / coupon site" generally, yakala.co aims to increase the awareness of individual users living their social lives on more economical conditions, as well as offering "online advertising and direct sales" opportunities to both local and global companies collaborated with to help them increase their profits.

All the Turkey and all city-based deals of yakala.co is consisted of sections and sub-categories such as domestic and overseas holiday packages, city hotels, restaurants, spas, beauty salons, entertainment venues, theatre-cinema-concert-based activities, courses, activities adding colour to life, (sea bus, flying boat, helicopter and intercity bus schedules), car rental services.



Following the international trends on digital platforms, yakala.co makes the technological harmonization and improvement simultaneously for safe, fast and easy shopping. Maintaining its actuality with desktop-mobile views and Android-iOS applications, yakala.co has continuously increased the value it has created since 2010.

yakala.co reflects a service approach that is sensitive to all technological activities for sale as well as to the satisfaction of users, which is offered by answer questions and solving problems on the phone, providing live support via e-mail and social media channels. According to the data of 2017, yakala.co has published 7,120 opportunities (cooperation - sales agreement) and over 395,000 coupons and registered 147,000 members (users) to its database.

4.B. Qualifications of the Production Units of the Company, Capacity Utilization Rate and Developments In Such Capacities, General Capacity Utilization Rate, Developments In The Production Of Good and Services Provided, Comparisons of Amount, Quality, Sale and Prices With the Figures of Previous Periods

DOĞAN PRINTING CENTER

Operating in areas such as journalism, printing, advertisement, publicity and internet publishing, the Company has 7 printing facility in 7 different locations like Istanbul, Ankara, İzmir, Adana, Antalya, Trabzon and Germany.

Doğan Printing Center ("DPC") Facilities undertaking the printing work of Hürriyet Grubu's newspapers is located in the provinces of Istanbul, Ankara, İzmir, Adana, Antalya and Trabzon in Turkey. Printing activities conducted in abroad are executed in Frankfurt under Hürriyet Zweigniederlassung GmbH, Hürriyet's branch in Germany. While the total investment expenditures of Hürriyet Gazetecilik ve Matbaacılık A.Ş. between 1997 and 2013 were approximately 484.2 million US dollars, the investment expenditures for DPC facilities in the same period amounted to approximately 296.7 million US Dollars.

Daily, weekly and monthly print of contracted intra-group and non-group newspapers and their supplements including Hürriyet Newspaper, Hürriyet Daily News and its supplements are printed in Doğan Printing Center (DPC) Facilities.

DPC has the most widespread print facility in our country. DPC has significant competitive advantages with its trained human power, machine park and technical infrastructure. That the products can be launched and it can deliver the latest news on time and shipping costs have been dramatically reduced are the main advantages of the DPC to be able to become the common printing centre of Turkey.

DPC Istanbul

It is the largest newspaper printing facility of Turkey with a 18,000 sqm closed area and 15,000 sqm storage space. With its machine park and capacity, DPC Istanbul is one of the first three largest newspaper printing facility in Europe. The installed transformer power of the DPC Istanbul facility, where all mechanical and electrical installation systems are controlled by the building automation system, is 10,000 KVA and the existing generator power is 11,000 KVA. Average daily paper use of the facility for 2017 is 92 tonnes. Share of DPC Istanbul Facility in total printing volume is 45%. With the addition of ovens to the two Colorman printing machines in 2012, DPC Istanbul Facility is provided the capability to make heatset printing on coated paper and/or newspaper paper In this way, ink contamination to hand from the newspapers is prevented and newspaper quality is improved. As it is the case in all the regions, the narrowing of the newspapers in Istanbul was also made in the same year. The newspaper has been shortened by 3 cm and it is now possible to read newspapers more easily. During the same year, significant savings were achieved by narrowing the mould sizes.

In July of 2017, 2 old GOSS HT 70 printing machine were deactivated at the DPC Istanbul facility and all the production was shifted to the more modern MAN and GOSS Uniliner machines.

As of July of the year of 2017, the newspaper page width has been narrowed by 1.5 cm. Therefore, both paper saving (4.3%) and easier reading of the journal have been provided. Again within the scope of this project, the width of the mould was narrowed by 1.5 cm and metal mould was saved by 4.3%. With the acquisition of new CTPs in 2017, the total number of mould exposures reached 6.



4.B. Qualifications of the Production Units of the Company, Capacity Utilization Rate and Developments In Such Capacities, General Capacity Utilization Rate, Developments In The Production Of Good and Services Provided, Comparisons of Amount, Quality, Sale and Prices With the Figures of Previous Periods (Continued)

DPC Ankara

Facility established on the largest area after DPC Istanbul Facility. Established on an approximately 58,000 sqm land on Esenboğa Airport road, DPC Ankara Facility has a closed area of approximately 16,000 sqm. The plant is constructed as a steel construction. The 120-unit Goss Universal press in the facility is one of the longest Universal printing press lines in the world.

180 thousand newspapers per hour can be produced with a printing machine designed to print 4 newspapers with the same 4 folds it has. There are 3 automatic inserting machines installed in the facility in 2007. The installed transformer power of the plant is 4,500 KVA and the current generator power is 4,500 KVA. Average daily paper use of the facility for 2017 is 32 tonnes. Share of DPC Ankara Facility in total printing volume is 16%. Two towers of ultraviolet (UV) drying were added to the DPC Ankara Facility in 2012. In this case, it is now possible to make heatset print with UV dry on 8 pages of coated paper provided that it is made in 4 pages in two folds.

As of June of 2017, the newspaper page width has been narrowed by 1.5 cm. Therefore, both paper saving (4.3%) and easier reading of the journal have been provided.

DPC Izmir

DPC Izmir Facility was moved to its new buildings in January 2007. The new DPC Facility is 20 km away from Izmir city center and 2 km from Izmir Adnan Menderes Airport. The facility was built on an area of approximately 35,000 sqm. The plant has a closed area of 16,000 sqm and a green area of about 12,000 sqm. The total installed capacity of the plant is 5 MVA. There are 2 transformers which has 2,500 KVA capacity and 2 generators, which is respectively 2,000 KVA and 2,500 KVA. The facility has one of the longest Universal printing press lines in the world, and the 120-unit Goss Universal printing press is designed to print 4 newspapers with 4 folds at the same time. Average daily paper use of the facility for 2017 is 40 tonnes. Share of DPC Izmir Facility in total printing volume is 20%. With the UV heatset system made in DPC Izmir Facility in 2012, the cover pages of 2 newspapers can now be printed with UV ink that does not stain hands.

As of July of 2017, the newspaper page width has been narrowed by 1.5 cm. Therefore, both paper saving (4.3%) and easier reading of the journal have been provided.

DPC Antalya

DPC Antalya Facility has been installed on a total area of 11,000 sqm with a closed area of 4,900 sqm. The transformer power of the plant is 2,500 KVA, the current generator power is 3,600 KVA. Tensor T1400 printing machine installed in the facility can print a total of 40 pages, of which 32 pages are colourful, while one of the Goss Community printing machines can print a total of 40 pages, of which 32 pages are colourful and the other can print a total of 32 pages, of which 24 pages are colourful. DPC Antalya Facility can print 3 different newspapers at the same time. 105 thousand newspapers per hour can be produced by using 3 folds in the machine park. Four separate sheets of UV-heatset printing can be made on two separate machines. Average daily paper use of the facility for 2017 is 10.5 tonnes. Share of DPC Antalya Facility in total printing volume is 5%. Antalya DPC Facility obtained the "Environmental License" valid for five years from Antalya Provincial Directorate of Environment and Forestry by fulfilling necessary obligations in 2011.

As of July of 2017, the newspaper page width has been narrowed by 1.5 cm. Therefore, both paper saving (4.3%) and easier reading of the journal have been provided.

4.B. Qualifications of the Production Units of the Company, Capacity Utilization Rate and Developments In Such Capacities, General Capacity Utilization Rate, Developments In The Production Of Good and Services Provided, Comparisons of Amount, Quality, Sale and Prices With the Figures of Previous Periods (Continued)

DPC Adana

Established on a roughly 11,000 sqm land in DPC Adana Facility, production is made on a closed area covering 5,800 sqm in total. The installed transformer power of the facility is 2,500 KVA and there are two generators, 1,600 KVA and 2,000 KVA. The Adana DPC Facility has 3 Tensor presses with the highest printing capacity of 35,000 copies per hour. Two of these machines are capable of printing 36 pages in total, 28 colour pages and 40 pages in total, 32 colour pages. Average daily paper use of the facility for 2017 is 17.5 tonnes. Share of DPC Adana Facility in total printing volume is 9%.

As of July of 2017, the newspaper page width has been narrowed by 1.5 cm. Therefore, both paper saving (4.3%) and easier reading of the journal have been provided.

DPC Trabzon

The DPC Trabzon Facility, which is the first facility established during the DPC organization, operates in a closed area of roughly 3,500 sqm on a land of approximately 24,000 sqm. The transformer power of the plant is 2,000 KVA, the current generator power is 1,054 KVA. The Goss Community 1 printing press can print a total of 40 pages, of which 32 pages are colourful. The Goss Community 2 printing machine can print a total of 40 pages, of which 28 pages are colourful. Up to 70 thousand newspapers per hour can be produced at the facility.

In 2011, DPC Trabzon Facility added two towers of ultraviolet (UV) heatset to put UV printing on 4 sheets of coated paper in both printing machine groups. As of end of 2012, 4 units of CTP (computer to plate) installation has been completed. Average daily paper use of the facility for 2017 is 10.5 tonnes. Share of DPC Trabzon Facility in total printing volume is 5%.

As of July of 2017, the newspaper page width has been narrowed by 1.5 cm. Therefore, both paper saving (4.3%) and easier reading of the journal have been provided.

Capacity Utilization Rate based on regions as of 2017 has been provided below compared to that of 2016.

Region:	2017 (%)	2016 (%)
Istanbul	57	44
Ankara	28	34
Izmir	36	41
Adana	27	29
Antalya	18	22
Trabzon	27	32

In all DPC facilities, environmental effects were reduced while savings were achieved by starting to use less chemical fluids in the mould bath in 2015. In 2016, a new investment was made in other regional facilities except for the DPC Istanbul facility, resulting in substantial savings for the production has been started to be made using narrower moulds by reducing their dimensions. Thanks to the investment in question, the savings achieved in 2016 has amounted to EUR 210,000.

4.B. Qualifications of the Production Units of the Company, Capacity Utilization Rate and Developments In Such Capacities, General Capacity Utilization Rate, Developments In The Production Of Good and Services Provided, Comparisons of Amount, Quality, Sale and Prices With the Figures of Previous Periods (Continued)

Thanks to the newspaper page width reduction project in 2017, approximately 1,500 tons of paper savings were achieved between July - December of 2017. The monetary value of this amount is approximately USD 825,000. Thanks to the mould shrinking project made in Istanbul DPC in 2017, a mould saving of EUR 22,000 was made between July - December of 2017.

Development in the production of goods and services may be followed in the number of pages printed as indicated below:

Production activity	2017	2016
Total number of pages	17,429,875,750	21,427,311,312

The number of pages produced decreased by 19% compared to the previous year. The page numbers produced are composed of the company's Hürriyet and Hürriyet Daily News newspapers and the pages of contract manufacturing newspapers. Reduction in the number of prints originated from the decline in newspaper circulation owned by the Company and contract manufacturing printing.

While the average daily net newspaper sales in Turkey was 3,636 in 2016, it has been reported to be 3,292 in 2017, with a 9.5% decrease. The average daily net sales of Hürriyet Newspaper, which was 338,000 in 2016, decreased by 6.5 percent to 316,000 in 2017.

Paper prices making up of the most important part of the cost expenses of the goods sold is predominantly originated from papers of USA, Canada, North Europe Countries and Russia and its cost is affected both by global paper price and by USD/TRY exchange rate. While the price of the papers used in the production of Hürriyet newspaper is USD 560 per ton in average in 2016 , it went down to USD 545.6 by a 3% decrease in 2017. Additionally, the average number of pages resulted in 68.36 pages in 2016 decreased to 61.47 by 10% in 2017. The newspaper used was 45 thousand tons in 2016, but in 2017 it decreased to 37 thousand tons due to the decrease in the number of circulation.

4.C. Prices, Sales Revenues, Sales Conditions of Good and Services Provided As Well As Developments Observed In Them Within The Year Including Developments In Respect Of Yield and Productivity Coefficient And Reasons of Important Changes In Them Compared To Previous Years

Breakdown of the consolidated sales profits of Hürriyet Gazetecilik ve Matbaacılık A.Ş. on category basis is as in the following:

Incomes	2017 (Thousand ")	Share (%)	2016 (Thousand ")	Share (%)
Advertisement	338,871	63%	346,860	64%
Circulation and Print	177,523	33%	180,814	34%
Other Revenues	21,847	4%	16,753	3%
Total	538,241		544,427	

As can be seen from the table above, 63% of the company's consolidated income originated from printed media and internet advertisement incomes. Despite the fact that the decreasing trend recorded in the share of the printed media in advertisement pie in the developing countries has not kept the same pace, it has shown its impact both in our country and the countries where our subsidiaries are located. Accordingly, advertising revenues decreased by 2% in 2017, compared to that of 2016.

4.D. Information And Assessment On Whether Targets Set In Previous Periods Have Been Achieved, Resolutions Of The General Assembly Fulfilled And Reasons And Evaluations Should Such Targets Have Not Been Achieved Or Resolutions Not Fulfilled

The Company has fulfilled all the Resolutions of the General Meeting during the concerning accounting period.

4.E. Forecasts about The Development of the Company

The Company continues to focus on product development and efficiency in production and distribution in domestic print media activities. As hurriyet.com.tr, it continues to maintain its leading position in internet reporting area in Turkey. Besides, it also offers its richness in printed publications and even more to the users on internet platforms. The goal is to be a leader in areas outside new and to become a content portal that addresses to anyone and touches every aspect of life. For this purpose, digital content and product development projects on various verticals have been focused on. Working vertically for each vertical, the product and content projects that will perfect the user experience have been introduced. Travelling and video products have been completed and they were included in the publication during the last weeks of 2016 while SporArena was included at the end of 2017. In 2018 and afterwards, it is aimed to continue to conduct projects and move the leadership of Hürriyet to other areas.

The Company has set three priorities: Maintaining and increasing profitability, growing digital content revenues and monetization with new add value formats. A remarkable growth was achieved on these three subjects in 2017.

- ✓ Differentiation with profitability has been maintained with the contribution of strong advertiser contribution in print media and cost effectiveness provided by the "F4G, Fit For Growth" Compliance Program. It is aimed to continue to invest in potential growth areas by reallocating the resources that have been optimized. A print and digital convergence program has been initiated in the direction of cost effectiveness strategy.
- ✓ With its content development competency, a very strong growth and verticalization in the digital world and the maintenance of the growth of digital with profitability have been achieved.
- ✓ A substantial growth trend has been achieved particularly in the classified ads of hurriyetemlak.com.

In the last quarter of 2017 in accordance with these strategies,

- **Spor Arena A.Ş.** Hürriyet has recorded a remarkable rise in digital terms with its investments in technology that it maintains with its strong vision. A breakthrough in terms of technology, product and content investments starting with hurriyet.com.tr in 2016 continued with the establishment of Sports Arena A.S. in 2017 in terms of emphasizing different potentials for the verticals. It is aimed that the developments will continue in 2018, too.
- **R&D Centre Technological** investments have been collected under the structure of R&D Centre. A number of projects are planned to be carried out under the R&D Center in 2018.
- **Öncü Yatırım & Proje Land** In the past years, Hürriyet Emlak has gained tremendous growth in technology and content areas and is now flourishing as a brand with significant potential for revenue generation potential and added value. In the upcoming period, Hürriyet Emlak will continue to carry out its projects that will add value to both real estate agents and users. Hürriyet Emlak will further strengthen its position in the sector with aggressive marketing and brand projects in digital, television and outdoor markets. Öncü Yatırım, a subsidiary of Doğan Holding, has become a partner of Hürriyet Emlak and it is aimed that Hürriyet Emlak be a leader in the first hand property sales market as it has already proven itself as the leader of second hand property sales. The investment of «Prof Estate Ltd» in 2017 and the establishment of ProjectLand are among the most important developments.

4.E. Forecasts about The Development of the Company (Continued)

- **Real Estate Sales** - Through the sales of investment properties, a substantial amount of cash in flow was created.
- **Decision of Ceasing PMH Digital Operations** In Russia, Pronto Media Holding under TME has decided to cease the activities of its digital platforms due to the intensity of competition in the active markets and the lack of operational performance at the desired level. It is expected to have a positive impact on the Company's operating results in the upcoming periods, as it will reduce the need for operating capital and prevent losses that may arise from these activities as a result of the aforementioned terminated activities.

4.F. Foreseeable Risks Regarding the Activity

The Company's business plan includes the risks that may arise due to global developments in the price and supply of raw materials based on imports, the possibility of exchange rate increases due to imported inputs, the negative impact of advertising revenues beyond expectations in a recession that may arise from external or internal sources, the probability of deterioration that may arise in collecting ability, the operational risks such as ensuring business continuity in extraordinary situations and the risks that may arise in protecting brand value. Departments dealing with such areas follow related developments closely and take necessary measures.

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

Consolidated tangible and intangible asset investments of Hürriyet and its Subsidiaries is TRY 25.4 million (except for investment properties) for the year 2017.

4.H. Information about Cases Filed Against the Company and Cases That May Affect the Financial Condition and Activities of the Company and their Eventualities

Total amount of cases filed against the Company as of December 31, 2017 is TRY 12,241,171. Amount reserved for these cases filed is TRY 5,928,728 as of December 31, 2017.

4.I. Information About Extraordinary General Meeting

On March 2, 2017, an Extraordinary General Meeting was held for the "Partial Demerger In Simplified Procedure Through Participation Model". Convocation to the said meeting has been shared on Public Disclosure Platform and other relevant platforms on February 6, 2017 and announced in the Turkish Trade Registry Gazette with February 8, 2017 date and 9259 number. The Extraordinary General Meeting of our Company held on March 2, 2017 where "Partial Demerger In Simplified Procedure Through Participation Model" unanimously approved was registered by Istanbul Trade Registry on March 9, 2017. All the details regarding the concerning Extraordinary General Meeting are available on www.hurriyetkurumsal.com.

On August 23, 2017, an Extraordinary General Meeting was held to discuss the Amendment Text of the Articles of Association. Convocation to the said meeting has been shared on Public Disclosure Platform and other relevant platforms on July 27, 2017 and announced in the Turkish Trade Registry Gazette with September 8, 2017 date and 9404 number. The Extraordinary General Meeting of our Company held on August 23, 2017 was registered by Istanbul Trade Registry on August 29, 2017. All the details of the Extraordinary General Meeting are made available in www.hurriyetkurumsal.com.

4.J. Disclosures Made In Respect Of Private Audit and Public Audit Performed Within the Accounting Period

There was no private and/or public audit made for the period of 2017.

4.K. Information About Donations and Charities Made and Expenditures Made Under Social Responsibility Projects

Hürriyet Group has made donations amounting TRY 849,574 to a number foundation and associations for the inters of public. Distribution of donations are provided below:

Title of the Organization	Amount (in TRY)
Büyükşehir Secondary School	196,184
Bağcılar Edip İplik Vocational and Technical High School	150,932
Columbia University	88,158
Families of the martyrs	84,439
Press Institute Foundation	81,091
Darülaceze Foundation Directorate	67,903
LÖSEV Health and Publicity	33,224
Turkish Red Crescent	29,550
21. Yuzyl Education Culture Foundation	26,849
International Press Institute	16,274
Turkish Businesswomen Foundation	10,000
Turkish Corporate Governance Foundation	10,000
Other	54,970
Total	849,574

SOCIAL RESPONSIBILITY PROJECTS

In line with the sustainability approach shaped with deep-rooted corporate culture and values, social responsibility projects led by and/or involved in by Hürriyet Dünyası are as in the following:

Stop The Domestic Violence! Campaign

In our country, where domestic violence against women has been a serious problem for the society and 4 out of 10 women are subjected to violence, Hürriyet Newspaper has completed the 13th anniversary of "Stop The Domestic Violence" campaign it has been carrying out for a long time.

Launching for the purpose of raising awareness for domestic violence, which has been a serious problem for the society, the campaign has gone beyond its original purpose and has contributed substantially to increase the awareness in the society for this serious problem.

Started as a one-year pilot project in 2007, but continued for 8 years due to the importance of the matter, Emergency Helpline initiative was transferred to Turkish Women Associations Federation (TKDF) in 2015 and necessary support has been provided in 2017, too.

In the Emergency Helpline, where Hürriyet has provided service and communication support, 50,410 calls were answered until January 1, 2018 since the day it was created and 3078 calls were answered during 2017 and necessary support was provided for the victims of violence.

4.K. Information About Donations and Charities Made and Expenditures Made Under Social Responsibility Projects (Continued)

SOCIAL RESPONSIBILITY PROJECTS (Continued)

Stop The Domestic Violence! Campaign (Continued)

Stop The Domestic Violence! The number of followers in Facebook was 69,932 in 2017 and those accessing the site has reached 367.484. The number of followers in Twitter has reached 11,834. During the Stop The Domestic Violence! campaign, information from all the channels, awareness studies in social media, communication support to non-profit organizations working on domestic violence to women initiative.

Awareness and Communication Studies

Co-organized by Aydın Doğan Foundation, Hürriyet Newspaper, Women Unit of the United Nations and Boğaziçi University, "Awareness and Self-Confidence Study" was held in Boğaziçi University on November 25, 2017.

During the event where Candan Fetvacı, Chief Executive Officer of Aydın Doğan Foundation, Alia El-Yassir, Regional Office Executive of Women Unit of UN in Asia, Prof. Dr. Zeynep Atay, Deputy Chancellor of Boğaziçi University, Canan Güllü, Chairperson of Turkish Women Associations Federation and Prof. Dr. Ayşen Ufuk Sezgin delivered speech, the participants stressed that violence and abuse of women and children can only be prevented by a zero-tolerance approach, pointing out the shortcomings in the fight against this issue.

The participants of the event suggested that the victims of sexual abuse and rape must not keep still, that they must be confident and apply to agencies and organizations for legal and psychological assistance and they must call the Emergency Helpline whenever necessary.

Stop The Sexual Abuse In Public Transportation!

Hürriyet Pazar launched a campaign to raise the awareness of the society for the sexual abuse incidents millions of people are subjected to every day in public transportation vehicles under the roof of "Stop The Domestic Violence" act.

"Stop The Abuse In Public Transportation!". A number of images reading messages such as "No sexual abuse is allowed in this bus", "No sexual abuse is allowed in this subway" prepared for this campaign was shared with the municipalities to be used in public transportation vehicles. A video drawing attention to the issue was shared in digital platforms to raise awareness, file news were made in the newspaper and the campaign was widely supported by readers over SM and this social problem were thus raised again.

Global Compact

The Global Compact is an innovative corporate responsibility approach that proposes universal principles to create a common culture of development for the ever-competing business community. It aims to provide a sustainable and inclusive global economy by collaborating with private sector and other stakeholders both in Turkey and on an international level. Hürriyet, one of the signatories of Global Compact in 2017, reported in detail its activities and policies such as "fight against human rights, environment, labour, corruption".

4.K. Information About Donations and Charities Made and Expenditures Made Under Social Responsibility Projects (Continued)

ENVIRONMENTAL ACTIVITIES

Projects of Hürriyet In Environmental Protection and Sustainability

Sustainability can be defined as a capability of being permanent. According to the definition made by the United Nations Commission on Environment and Development in 1987, "The daily needs of mankind, without jeopardizing the ability of future generations to respond to their needs, has the ability to be sustainable to develop." Environmental sustainability, on the other hand, is defined as the process of ensuring that the relationship established with the environment is based on protection as environmentally pure as possible.

Hürriyet Group regards the protection of the environment as one of its main tasks because of its respect for humanity and for the healthy future of humanity and natural life. In line with sustainability policies, we continue to work towards the protection of the environment and the proper use of resources in compliance with all applicable laws and regulations related to environmental protection.



It is acknowledged that quality products can be produced in safe and clean environments. From this point of view, the environmentally-conscious staff are trained to adopt environmentally-friendly production equipment and techniques using less consumable material and less energy at each stage of production up to daily manufacturing activities as much as practically possible during projects and equipment selections in order to have a healthy environment and hand it down to next generations.

From the first production stages, Hürriyet Gazetecilik ve Matbaacılık A.Ş., which has developed policies not to contaminate nature and environment, to give importance to human and environmental health and to leave a green world for future generations, has established an Environmental Management Unit and operated it for the printing facilities (DPC) under its structure in the past. As of 2015, environmental consultancy services have been taken to prevent and decrease environmental effects that may arise as a result of production activities, and to continue to increase the environmental awareness in employees.

- Environmental legislation was renewed and updated continuously by the Environmental Management Unit and environmental practices were improved in the activities carried out in the printing houses and offices.
- Starting from 2015, the Environment Regulations are renewed and updated by taking the Environmental Consultancy Service and the General Environment Coordinator service for the printing facilities (DPC) separately, all the related obligations have been fulfilled and the environmental awareness has been increased.

In order to reduce the consumption of energy sources such as electricity and natural gas in all units, various energy activities are being implemented mainly using efficient equipment, and various studies are being carried out in order to reduce atmospheric CO₂ emission.

4.K. Information About Donations and Charities Made and Expenditures Made Under Social Responsibility Projects (Continued)

ENVIRONMENTAL ACTIVITIES (Continued)

Environmental Permit And Licenses

In accordance with the Regulations on Environment, Environmental Permit And License of the industrial facilities (those included in the relevant scope) are conducted pursuant to "Environmental Permit and License Regulations", effective on September 10, 2004 under 29115 in the Official Gazette after some amendments (Abolished: Regulations on Permit and Licenses Required to be Taken As Per Law on Environment).

Meeting all the requirements under these Regulations, Antalya and Trabzon DPC Facilities obtained a 5-year valid "Environmental License" from the Provincial Directorate of Environment and Urban Planning on July 6, 2011. This licenses is the first "Environmental License" that a printing house is granted in overall Turkey.

Environmental License of Antalya DPC has been renewed by the Consultancy company. Trabzon DPC is exempted from the License since it is connected to the OSB channel where waste water discharge line is established.

Additionally, DPC Istanbul Facility has obtained an environmental license on "Air Emission" on July 31, 2015 and they have been fulfilling their environmental permit conditions.

Water Use Management

Within the scope of environmental sustainability activities, instructions, warning labels, daily water consumption reports on production and office floors are kept and water consumption is monitored in order to use water efficiently.

Prevention of Environmental Contamination

Hürriyet Gazetecilik:

- Complies with all legal legislation and standards related to the environment, exercise due diligence to protect the environment and natural life beyond legal requirements,
- Takes action with a continuous improvement philosophy to control environmental factors resulting from all processes within the framework of preventive and corrective actions, from climate change, air, land, aquatic effects and to reduce their negative effects. While realising this philosophy, it takes power with full participation from its employees, management levels and environmental experts.

The activities conducted for reducing the company's wastes resulted from the activities of the Company are constantly being monitored and remedial work is being carried out. Effective production planning, minimum stock usage and improvement of working methods are also being implemented in this regard.

4.K. Information About Donations and Charities Made and Expenditures Made Under Social Responsibility Projects (Continued)

ENVIRONMENTAL ACTIVITIES (Continued)

Prevention of Environmental Contamination (Continued)

Accordingly, a delegation of authority with TUKÇEV Foundation, an organization authorised for the purpose of collecting the packages and recycling those packages according to their quotas, making the statements of Hürriyet Group for the materials of the packages they have been using in 2011 according to the Package Wastes Regulations and submitting these statements on the online system of the Ministry of Environment and Urban Planning during statement periods since 2005, is made. Studies to be conducted in this areas are as in the following:

- Creating awareness to make less waste,
- Establishing paper recycling boxes on office floors,
- Establishing of paper, glass, plastic, composite and waste battery collection units in the office and production areas,
- Separate collection of valuable wastes from hazardous wastes by establishing consignment material collecting units in production areas,
- Installing HP toner and cartridge collection containers,
- Establishing packaging waste collection containers.

Waste Management, Disposal and Recycling

During the studies carried out for waste management,

- Prevention of wastes at its origin,
- Re-use of wastes during process,
- Recycling of wastes activities are planned.

Istanbul DPC and Antalya DPC are examined by Environmental Consultancy firms that are regularly authorized at regular intervals in other facilities every month.

Facilities in all regions periodically prepare "Industrial Waste Management Plans" for the hazardous and non-hazardous wastes resulting from operations and submit them to the relevant Provincial Directorate of Environment and Urban Planning.

Approved "Temporary Hazardous Waste Storage Areas" were established in the regions. Wastes collected in these tanks are sent to the authorized disposal or recycling companies licensed by the Ministry of Environment and Urban Planning to be evaluated and their records are kept. Additionally, continuous improvements are made with the guidance of Environmental Consultants in the existing waste repositories. The "Compulsory Financial Liability Insurance for Dangerous Goods and Hazardous Wastes", which is required by law to compensate third parties for the hazardous temporary waste deposits, is made every year and is renewed once expired. Each year, wastes sent to recycling and / or disposal companies in the previous year are reported via the Hazardous Waste Disclosure System (TABS) to the Ministry of Environment and Urban Planning.

Audits Performed By Competent Authorities

A number of audits have been performed by competent authorities on specific dates and with reference to the applications of the facilities on certain subjects. The last audit made was the Combined Audit of Istanbul DPC on December 9, 2017. Istanbul DPC thoroughly passed this audit during the paper and area examination. During the audits performed for other facilities, no serious findings have been established.

4.K. Information About Donations and Charities Made and Expenditures Made Under Social Responsibility Projects (Continued)

ENVIRONMENTAL LICENSE CERTIFICATES OF OUR FACILITIES

ANTALYA DPC

	<p>T.C. ANTALYA VALİLİĞİ Çevre ve Şehircilik İl Müdürlüğü</p>	
ÇEVRE İZİN BELGESİ		
Belge No	: 62821	
Çevre İzininin Başlangıç Tarihi	: 01/07/2016	
Çevre İzininin Bitiş Tarihi	: 01/07/2021	
İşletmenin/Faaliyetin Adı	: HÜRRIYET GAZETECİLİKVE MATBAACILIK A.Ş. (ANTALYA DPC TESİSİ)	
İşletmenin/Faaliyetin Adresi	: DPC HÜRRIYET BASKI TESİSLERİ HAVAALANI YOLU 8. KM. ANTALYA MURATPAŞA / ANTALYA	
İşletmenin/Faaliyetin Vergi Dairesi ve No'su	: BÜYÜK MÜK. VD. B/4640061273	
Çevre İzininin Konusu	: Atıksu Deşarjı	
<p>Yukarıda adı ve açık adresi belirtilen işletme/faaliyete bu belgenin ekinde yer alan izin koşulları çerçevesinde çalışması için 2872 sayılı Çevre Kanunu gereğince hazırlanmış Çevre İzin ve Lisans Yönetmeliği kapsamında ÇEVRE İZİNİ verilmiştir.</p> <p>Bu belge 01/07/2016 tarih ve 62821 sayılı yazı ile birlikte geçerlidir. Aynı kullanılamaz.</p>		
TEVFIK ALTINAY İl Müdürü		
EK: İzin Koşulları		

İSTANBUL DPC

	<p>T.C. İSTANBUL VALİLİĞİ Çevre ve Şehircilik İl Müdürlüğü</p>	
ÇEVRE İZİN BELGESİ		
Belge No	: 54159	
Çevre İzininin Başlangıç Tarihi	: 31/07/2015	
Çevre İzininin Bitiş Tarihi	: 31/07/2020	
İşletmenin/Faaliyetin Adı	: HÜRRIYET GAZETECİLİKVE MATBAACILIK A.Ş.-İSTANBUL DPC ŞUBESİ	
İşletmenin/Faaliyetin Adresi	: Orhangazi Mah. 1650. Sok No:2 Esenyurt/ İSTANBUL ESENYURT / İSTANBUL	
İşletmenin/Faaliyetin Vergi Dairesi ve No'su	: Büyük Mükellefler/4640061273	
Çevre İzininin Konusu	: Hava Emisyon	
<p>Yukarıda adı ve açık adresi belirtilen işletme/faaliyete bu belgenin ekinde yer alan izin koşulları çerçevesinde çalışması için 2872 sayılı Çevre Kanunu gereğince hazırlanmış Çevre İzin ve Lisans Yönetmeliği kapsamında ÇEVRE İZİNİ verilmiştir.</p> <p>Bu belge 31/07/2015 tarih ve 54159 sayılı yazı ile birlikte geçerlidir. Aynı kullanılamaz.</p>		
YAŞAR GÜVENÇ İl Müdürü		
EK: İzin Koşulları		

4.L. Legal Actions Taken by the Company In Favour of the Holding Company and Group Companies and Measures Taken or Avoided To Be Taken In Favour of Group Companies

There is no legal action taken against or in favour of the holding companies, or a company affiliated to the holding company, or an affiliated company of the holding company or directed by the holding company nor any measures taken or avoided to be taken in favour of the holding company or its affiliated company or any process required to be equalised in the previous activity year.

4.M. Whether A Proper Consideration Has Been Provided, Precaution Avoided Incurred Loss To The Company And Such Loss Is Compensated Should The Company Has Incurred Such Loss During The Legal Cases Mentioned In 4.L Sub-Clause

There is no loss required to be compensated for there has no legal cases as mentioned in 4.L sub-clause of our Company's report.

5. FINANCIAL POSITION

5.A. Analysis and Assessment of Managing Body With Respect To Financial Condition and Activity Results, Realisation Degree of Activities Planned, Company's Position against the Strategic Objectives Set

Based on the Resolution of Board of Directors of Pronto Media Holding, registered in Russia, and indirect subsidiary of Trader Media East Ltd. ("TME"), in which the Group holds share by 97.29% in its capital, taken on November 22, 2017, the Group resolved that the activities of the digital platforms operated under its structure ceased due to intensity of the competition in the markets it operates in and the fact that the operational performance has not reached the desired level. Despite the fact that additional value decrease expenses reflected on our consolidated financial statements due to the aforementioned terminated activities, it is expected to have a positive impact on the Company's operating results in the upcoming periods, as it will reduce the need for operating capital and prevent losses that may arise from these activities as a result of the aforementioned ceased activities.

Despite the fact that the decreasing trend recorded in the share of the printed media in advertisement pie in the developing countries has not kept the same pace, it has shown its impact both in our country and the countries where our subsidiaries are located. Circulation income decreased by 2.4% in 2017. Negative impact of the foreign exchange indicating itself in the cost of raw materials have been compensated by the savings made in sales costs, management and marketing expenses.

5.B. Information About the Revenue of the Company with the Year Compare to Previous Year, Productivity, Income Generation Capacity and Other Considerations to Provide Insight on Profitability and Debt/Shareholders Equity Ratio and Results of Company's Activities and Forward-Looking Projections

While the overall average net daily newspaper sales in Turkey was 3,636 in 2016, it decreased to 3,292 at the end of 2017 according to Press-Ad Agency data. Compared to the previous year, there was shrinkage by 9.5% in Turkey's newspaper market in 2017. Despite this shrinkage, Hürriyet newspaper continued its leadership as the most read newspaper with a 9.6% market share in 2017. The daily average net newspaper sales of the Hürriyet Newspaper, which was 338,000 in 2016, was 316,000 in 2017. The Company's advertising revenues shrunk by 2%. The decrease in revenue of Hürriyet was compensated with the savings made in production and personnel costs.

Basic Indicators and Ratios

SOLID STATEMENT OF FINANCIAL POSITION	December 31, 2017	December 31, 2016
	(TRY Thousand)	(TRY Thousand)
Current Assets	312,550	286,251
Non-current Assets	456,584	647,425
TOTAL ASSETS	769,134	933,676
Short-term Liabilities	251,519	283,313
Long-term Liabilities	214,509	233,768
Shareholders Equity	303,107	416,595
TOTAL LIABILITIES	769,134	933,676

NET DEBTS	December 31, 2017	December 31, 2016
	(TRY Thousand)	(TRY Thousand)
Short-Term Loans	111,690	147,985
Long-Term Loans	150,479	139,729
Total Financial Debts	262,169	287,714
Cash and Cash Equivalents (-)	(65,947)	(24,296)
NET DEBTS - NET CASH	196,222	263,418

SOLID PROFIT OR LOSS TABLE	January 1 - December 31, 2017	January 1 - December 31, 2016
	(TRY Thousand)	(TRY Thousand)
NET SALES	538,241	544,427
GROSS PROFIT	226,159	226,586
OPERATING PROFIT (LOSS)	9,490	31,405
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(19,600)	3,582
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS	(271,901)	(86,661)

RATIOS	December 31, 2017	December 31, 2016
Current Ratio	1.2	1.0
Debts/Shareholders Equity	1.5	1.2
Gross Profit Margin	42%	42%
Operating Profit Margin	2%	6%

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

There is no capital market instrument issued for the period January 1, 2017- December 31, 2017.

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 Financial Structure of the Company

The Company will use the funds remaining from the payment of debts in cash and compensating the investments in the payment of short-term loans. By measuring the increase in the variability of the exchange rates, the type of funding is made in Turkish Lira currency in which the large scale activities occur. In 2017, derivative transactions were carried out to minimize the negative impact of the increase in currencies and to stabilize the cost of some of the imported inputs.

5.F. Information on the Dividend Distribution Policies and Suggestion on How to Use Undistributed Profit

Dividend is distributed considering Turkish Code of Commerce, Capital Market Legislation and Regulations of Capital Markets Boards as well as Corporate Tax, Income Tax and other legal provisions including the relevant provisions of Articles of Association of our Company and the "Dividend Distribution Policy" disclosed.

It is unanimously resolved that Shareholders be informed and it be submitted to the approval of the General Assembly that no profit distribution shall be made for the accounting period of January 1, 2017 – December 31, 2017 and this matter be submitted to the General Meeting for approval according to the financial statements for January 1, 2017 – December 31, 2017 financial period prepared in accordance with "Statement on Principles Regarding Financial Reporting on Capital Market" (II - 14.1) provisions of SPK and according to Turkish Accounting Standards ("TMS") and Turkish Financial Reporting Standards ("TFRS") as published by "Public Oversight, Accounting and Auditing Standards Institute ("KGK"), of which presentation principles have been defined according to SPK decisions on the subject and passed through independent auditing; a total of TRY 264,505,378 "Net Period Loss" has occurred when considering "Deferred Tax Income", "Current Tax Expense", "Post-Tax Period Loss For Discontinued Operations" and "Non-Controlling Interest From Consolidated Participations" all together, adding "Previous Year Losses" amounting to TRY 45,953,866.81 as calculated by the Dividend Guide announced.

In the Weekly Bulletin of CMB Nr. 2014/2 and dated January 27, 2014 in accordance with the regulations of SPK regarding profit distribution and; Considering "Net Period Profit" amounting to TRY 39,279,905.34, as remained after "Period Tax Expense" amounting to TRY 2,029,211.74 has been extracted from "Period Profit" which amounts to TRY 41,309,117.08, has occurred according to the accounting period of January 1, 2017 – December 31, 2017 as recorded in our financial records for such accounting period kept under Tax Legislation and in accordance with the Uniform Chart Of Account published by the Ministry of Finance of Republic of Turkey, "Legal Reserves" amounting to TRY 1,963,995.27 be reserved in accordance with the sub-article 1 of Article 519 of Turkish Code of Commerce, "Period Net Profit" amounting to TRY 3,649,714.00 as remained after the part amounting to TRY 33,666,169.07 acquired as a result of property sales (in Muğla Milas, Trabzon and Istanbul Bagcilar), which are exempted under KVK m5/1-e, be transferred to a "special fund account" in passive, not subjecting it to the distribution of dividend, be also transferred to the "General Reserves" and this be submitted to the approval of the General Assembly.

6. RISKS AND ASSESSMENT OF THE BOARD OF DIRECTORS

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

The office of Vice Head of Audit Department at the parent company Doğan Group of Companies Holding A.Ş., our parent company, provide necessary guidance for the purpose of performing the internal control function and supports our Company.

Findings established as a result of studies carried out by the office of Vice Head of Audit Department at the parent company Doğan Group of Companies Holding A.Ş. are assessed by our Company and internal control systems are continuously improved by making necessary corrections and regulations in line with the suggestions forwarded.

6.B. The Company's Risk Management Policy Against the Foreseen Risks

Risk management is managed under the Finance Directorate of our Company. Finance Directorate of financial risks are controlled by systems and processes established by the Directorate of Operational And Compliance Risk Financial Control And Investors Relations.

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

The purpose of Early Detection of Risk Committee is to detect risks that may put the existence, development and continuity of the Company in danger early, it conducts necessary studies for the purpose of implementing required measures regarding the identified risks and managing such risks and it also performs improvement and adjustments in accordance with the reports delivered to the Board of Directors bi-monthly.

6.D. Future Risks for Sales, Productivity, Income Generation Capacity, Debt/Equity Capital Rate and on Other Similar Subjects

As is true everywhere else in the world, advertising sector in our country is greatly affected by the economic activity and stagnation. Our subsidiary TME's Russian operations are affected by the embargo and economic sanctions imposed on this country. The Company decided to stop the activities of the digital platforms of Pronto Media Holding under TME domiciled in Russia due to the intensity of competition in the markets it conducts business and the lack of operational performance at the desired level. It is expected to have a positive impact on the Company's operating results in the upcoming periods, as it will reduce the need for operating capital and prevent losses that may arise from these activities as a result of the aforementioned terminated activities.

7. INFORMATION ON THE PARENT COMPANY

7.A. Capital Increase/Decrease in Subsidiaries and Reasons

Capital increases made in the partnership and subsidiaries in 2017 are as follow:

Statement made on the Public Disclosure Platform on October 5, 2017 :

Convened on October 5, 2017, the Management Board of our Company has resolved that our Company has participated in the incorporation of the company under Sporarena Dijital Hizmetler Pazarlama ve Ticaret Anonim Şirketi title, registered in Istanbul with a original capital amounting to TRY 50,000, through TRY 50,000 capital share corresponding to 50,000 shares, of which par value is TRY 1.

According to the statement made on the Public Disclosure Platform on December 12, 2017 :

In accordance with the Resolution our Board of Directors with December 11, 2017 date and 2017/39 number, it is resolved that the capital of Sporarena Dijital Hizmetler Pazarlama ve Ticaret A.Ş., our subsidiary which our Company owns with 100% share holding in its capital, be increased to TRY 350,000 from TRY 50,000 by way of subscribing the whole paid capital in cash, that our new share purchase be thoroughly used and be participated in the increased share in proportion to our percentage, under the condition that it is verified that the said capital increase has also been approved in the Extraordinary General Meeting of Sporarena Dijital Hizmetler Pazarlama ve Ticaret A.Ş. held on December 11, 2017.

According to the statement made on the Public Disclosure Platform on December 20, 2017 :

During our Board of Directors' meeting held today on December 20, 2017, it is resolved that we, as the sole partner of Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş., use the new share acquisition right in the capital increase, which has increased to TRY 11,167,438.00 by way of subscribing the whole capital amount in cash, in previous fully subscribed capital of which we hold share by 100%, which amounted TRY 10,274,042.93, in acquisition of "B" group shares in a total number of 893,395.07 registered shares, each of which has a nominal value of TRY 1, representing the capital amounting to TRY 893,395.07, by Öncü Girişim Sermayesi Yatırım Ortaklığı A.Ş. by way of being allocated to Öncü Girişim Sermayesi Yatırım Ortaklığı A.Ş. and ensuring that Öncü Girişim Sermayesi Yatırım Ortaklığı A.Ş. is a shareholder in the Company with each share amount to TRY 32.12 taking into account the additional premium on issued shares amounting to TRY 31.12 as determined by the report issued by an independent valuation company for each share with a nominal value of TRY 1, as approved in the Extraordinary General Meeting of Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş. held on December 20, 2017 (today). Upon the registration of the said capital increase, our share percentage will be 92% in the capital of Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş.

7.B. Information About the Shares of Establishments Included in the Group In the Capital of the Principal Company

Our controlling shareholder is Doğan Şirketler Grubu Holding A.Ş. and our Company holds no shares in the capital of the controlling shareholder.

7. INFORMATION ON THE PARENT COMPANY (Continued)

7.C. Statements Regarding The Internal Audit And Risk Management Systems Of The Community Concerning The Process For The Preparation Of The Consolidated Financial Statements

Our financial statements are prepared in accordance with the financial statements of Doğan Şirketler Grubu A.Ş. and "Statement on Principles Regarding Financial Reporting on Capital Market" (II - 14.1) provisions of SPK and according to Turkish Accounting Standards and Turkish Financial Reporting Standards as published by "Public Oversight, Accounting and Auditing Standards Institute and its presentation principles are determined in accordance with regulations and resolutions of CMB. Our Financial statements go through independent audit in accordance with Independent Audit Standards that are a part of Turkish Audit Standards and they are reviewed by our Audit Committee by receiving the opinions of the managers who are responsible for preparing such financial statements and they are then approved by our Board of Directors.

7.D. Information On The Reports Stipulated In Article 199 Of Turkish Code Of Commerce

Activity and 9 Reports of the Company are prepared in accordance with the relevant provisions of Turkish Code of Commerce. Board Members had no claims in accordance with Article 199/4 of Turkish Code of Commerce ("TTK").

8. OTHER ISSUES

It was previously disclosed to the public that it was resolved that studies be carried out with respect to the whole or partial sale of or establishing strategical partnership/partnership with direct or indirect subsidiaries and/or business lines operating under such subsidiaries of Trader Media East Ltd. (TME) and/or TME as domiciled in Jersey, in which capital Hurriyet Invest B.V., domiciled in the Netherlands, our direct subsidiary in which capital we own 100% share, owned 97,29% share. As a result of evaluations made in this respect, it is seen that the Board of Directors of Pronto Media Holding, domiciled in Russia, and indirect subsidiary of TME, resolved, based on their Resolution taken today on November 22, 2017, that the activities of the digital platforms operated under its structure be terminated due to intensity of the competition in the markets it operates in and the fact that the operational performance has not reached the desired level. Substantial part of "Intangible Assets" amounting to TRY 188 million in the last disclosed consolidated Financial Situation Table and "Provision For Losses Of Intangible Assets" amounting to TRY 104 million in the "Expenses From The Investment Activities" in the consolidated Profit or Loss Table for the interim accounting period ended as of September 30, 2017 originate from those activities which are resolved to be terminated. According to the same table, financial debts of TME amounting to TRY 36 million is guaranteed by our Company. Additional expenses of provision for losses will be reflected on our consolidated financial statements as a result of termination of the said activities and this situation will also reduce the capital need of the company and it is expected to positively affect the activity results of our Company in the next periods for it will hinder possible losses that may arise due to such activities. Details regarding the absolute effects of the said activities terminated on our financial statements and account the "foreign exchange differences" originated from terminated activities will be included in the footnotes of the first financial reports to be disclosed to the public from now on.

You can find the details regarding the Related Parties Transactions and Balances in the Note 33 of the consolidated financial statements for the year period ended on December 31, 2017.

8. OTHER ISSUES (Continued)

8.A. Changes in Blue- and White-Collar Employees, Collective Bargaining Applications and Right and Benefits Provided to the Personnel and Workers

Human Resources

Within the framework of the new needs of the new generation, digital world values and changing leadership, the Human Resources 2017 strategy has been shaped to focus on "Strengthening the Company's Commitment and Adherence to Existing Talents", without compromising its goal of bringing new talents to the company.

360-degree employer brand strategies have been continued in 2017 to ensure the dynamic, agile, continuous development and success-oriented structure of the Hürriyet Dünyası be known and widely recognised by the masses and draw the right human resources to the company.

Based on "Learning Organization" principle, we continued to participate in internal and external training in 2017 to increase the level of knowledge, skills and competence of our employees, disseminate information and expertise and improve inter-company communication and 2017 Training Catalogue based on the principle of voluntary participation was also published.

In 2017, a total of 344 people were employed for vacancies available in the organizations of Hürriyet, 119 of them are full time and 225 of them trainees both for new positions and substitutions.

In order to draw the right human resources to the Company, it has been benefited from traditional employment methods as well as the different segments of the digital sector, which are followed by the target group, and the recruitment process is aimed to be completed efficiently and quickly. While these employment times have been shortened with new media preferences, the rates of reaching the right candidates have also improved at the same time.

In social media communication, LinkedIn, Facebook and Instagram applications are used for existing employees.

Main headlines of Hürriyet Human Resources Directorate for the activities of 2017 can be summarised as given below:

Employment

With the ever-evolving digital technologies, users have been able to experience different experiences and and a new media phenomenon where users are able to interact with each other in a timeless / space-independent manner have maintained its effect. Need for different experiences and competences has continued in 2017, too.



In order to draw the right human resources

to the Company, it has been benefited from traditional employment methods as well as the different segments of the digital sector, where interaction is relatively faster and intensive, which are followed by the target group, and the employment processes are aimed to be completed efficiently and quickly.

While these employment times have been shortened with new media preferences, the rates of reaching the right candidates have also improved at the same time. For the new positions opened under the structure of Hürriyet organizations in 2017, 37 employees were employed and 82 other employees were employed for substitution.

8. OTHER ISSUES (Continued)

8.A. Changes in Blue- and White-Collar Employees, Collective Bargaining Applications and Right and Benefits Provided to the Personnel and Workers (Continued)

Human Resources (Continued)

Benefits

"Internal reference" systems has maintained during employment processes. Through "Internal Application / Internal Reference" platform called Wanted, 191 internal references and 26 internal applications were submitted in 2017.

Just like every year, internship opportunity was provided to both university and high school students throughout winter and summer periods in 2017 and a total of 225 students did their internship in Hürriyet Dünyası. Those interns who had exhibited a great performance during their internship period are given priority when employed should there is a vacancy according to their skills.



360-degree employer brand strategies have been continued in 2017 to ensure the dynamic, agile, continuous development and success-oriented structure of the Hürriyet Dünyası be known and widely recognised by the masses and draw the right human resources to the company. For this purpose, the most recent implementations in the field of Human Resources were discussed at the conferences where the problems and opportunities were discussed, as speakers and listeners, and the digital transformation of Hürriyet, the role of HR in creating an employer brand, the changing management of the employer brand during employment process, talent management and employee experience sharing has contributed significantly to the strengthening of our employer brand.

Social Media Management

Facebook page of Human Resources department of Hürriyet Dünyası created a part of employer brand studies conducted for the purpose of ensuring the target audience perceive Hürriyet as "the most dynamic, development-focused and the best company to work in" has 17,493 followers while LinkedIn page of the company has 38,103 followers. An Instagram account was opened for the purpose of increase the interaction and company and company belonging of the employers and its followers has reached 3,419 within the year. All the followers acquisition has been realised through organic growth.



8. OTHER ISSUES (Continued)

8.A. Changes in Blue- and White-Collar Employees, Collective Bargaining Applications and Right and Benefits Provided to the Personnel and Workers and Employer Brand (Continued)

Human Resources (Continued)

Training

Based on "Learning Organization" principle in order to increase the level of knowledge, skills and competence of our employees, to spread knowledge and expertise and to improve inter-team communication, a total of 7,468 hours of training was conducted in and out of the company within the year of 2017 and 890 people attended such trainings. Average training assessment results is 5 out of 5.

Within accelerated studies carried out for the purpose of helping our newspaper and digital publication teams work together, our internal trainers provided Social Media, SEO, Google Analytics, Digital Content-CMS Information and Video trainings to our all publication teams.

Besides domestic trainings, our employees also had the opportunity to participate in a number of seminar and conferences held in abroad such as ReTech, Google Emea Leader Partnership, Ignition, Android, Inma, Digiday Publishing Summit in order to closely keep track of global developments.

Additionally, it has also attended organizations such as Aegean Human Management, Webrazzi Developer Summit, Peryön, Smartcon and Startup Istanbul as a speaker.

Occupational Health and Safety Trainings including the risks that may be encountered in the working life and the measures that can be taken against these risks, which aim to raise consciousness and awareness about the legal rights and responsibilities of our employees, continue online.

Orientation Process

Orientation and newly-developed Onboarding program executed for the purpose of ensuring all the employees just joined Hürriyet and its subsidiaries learn the mission, vision, purposes, operation and procedures of the organizations and adapted as soon as possible have maintained in 2017, too.

Through Buddy application that will expedite the adaptation of the candidate starting from the employment process of such candidate until the first 1 month working period, each employee is provided with another employee, the Buddy, who was trained in the field of such candidate before. Employees are thus supported by their Buddies for 1 month. Necessary equipment and documents are provided to the new employees throughout their adaptation period and one-to-one assessment interviews are made with Human Resources.

University Collaborations

The collaborations initiated with Bilgi University and Sabancı University continued in 2017 in order to identify the talents that will make a difference in the constantly changing and developing sector conditions, to lead digital journalism and to play an active role in Hürriyet's digital transformation.

8. OTHER ISSUES (Continued)

8.A. Changes in Blue- and White-Collar Employees, Collective Bargaining Applications and Right and Benefits Provided to the Personnel and Workers (Continued)

Reward Systems

In 2017, 25 people applied to the Changemakers Reward Program, which was created to recognize, appreciate and instantly reward and reinforce the value-creating business results and eight employees were awarded as a result of the evaluations made by the Board of Directors.

The "Best of the Year" award program, which is categorised by the best page, photograph and news for the employees of the Broadcasting Group, continued in 2017.

Activities Carried Out For The Personnel

For the strategy of 2017, the emphasis was on activities that will enhance interaction and empower motivation among employees. Within this scope, a motivation work was carried out every month and a Hürriyet Dünyası Running Team was formed and activities were taken place outside the company.



Hürweb

Information give on Hürweb regularly continued and draws on cinema, theatre, concert tickets have also continued in 2017.



Salary Survey (Towers Watson)

Within the framework of more efficient structuring of the remuneration system, Towers Watson continued to participate in the stratification work and remuneration surveys on the basis of existing positions in 2017.

LEAP Employee Support Program

Leap Employee Support Program, an all-around support line where employees and families of the employees of Hürriyet Dünyası can reach by calling 24/7 against all the issues affecting their health, life quality and happiness as well as the challenges they find hard to overcome, are implemented on areas such as Child and Adolescent Counselling, Mother / Baby Support Program, Stress Management Counselling, Employee Sleep Health Program, Diet Counselling, Ergonomics Counselling, Psychological Counselling Related to Private Life, Work Life Related Psychological Counselling, Family Counselling.

8. OTHER ISSUES (Continued)

8.A. Changes in Blue- and White-Collar Employees, Collective Bargaining Applications and Right and Benefits Provided to the Personnel and Workers (Continued)

Home Office

Through the Home Office application realised in 2017 for the employees of Hürriyet Dünyası, teams work at home on Wednesday of every week.

R&D Center

As a result of presentation made by the Directorate General of Science and Technology affiliated to the Ministry of Science, Industry and Technology, our Company has been approved as the 673rd R&D Centre and the installation of the centre has been completed. Within this scope, it is aimed to apply for TÜBİTAK fund programs for projects foreseen to be with high added value, and to cooperate with permanent and value added academicians within the scope of the project, as well as increasing the competence of our existing personnel as a result of these collaborative works. The R&D center aims to get 2 patents and 1 brand registration within two years with 10 ongoing projects. Our mission is to maintain its leading position in the sector with innovative works by focusing on customer satisfaction, and to create digital products and services that provide new functions by following the industry around the world. It is aimed to reach a position that gives dynamic, innovative ideas, and directs technological leadership with competent employees in the global market, and research and development studies are continuing in this direction. In order to increase the training, development and sectoral dominance of our employees, a support strategy has been established for the personnel who want to continue their higher education.

Work Processes Studies

Negotiations with department managers were carried out within the scope of improvement and optimization of business processes, and process documents belonging to each department were issued. Proposals for the processes were made by defining the business processes and KPIs were determined to follow the performance of the processes of the units.

Human Resources Policy

1. Providing equal opportunities to persons on equal footing is adopted when forming employment policies and career plans. Substitution planning for the appointment of managers to be appointed shall be prepared in cases where the changes of the executive duties are presumed to lead to a disruption in the management of the company.

2. Criteria for the personnel employment shall be determined in writing and such criteria shall be observed. Employment processes have been defined by specific procedures.

3. All rights granted to employees are treated fairly, training and development programs are implemented and training policies are developed to increase employees' knowledge, skills and competencies.

Information meetings are held by the CEO on the company's financial situation, objectives and general outlook for employees. Meetings are held every three months for employees 'health and safety with the participation of employees' representatives. Digital environments are provided where employees can share requests, complaints and suggestions in writing.

4. Job definitions of the Company's personnel and its distribution as well as performance and awarding criteria are announced to the personnel. Productivity is taken as a basis for the determination of pay and other benefits provided to the personnel. The Company may create share acquisition plans for its employees.

5. Measures are taken to ensure that employees are not discriminated against on the basis of race, religion, language and gender, and to protect employees against internal physical, mental and emotional abuse.

6. Safe working environment and conditions are provided for employees in accordance with the principles of Occupational Health and Safety regulations.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART I - COMPLIANCE STATEMENT TO CORPORATE GOVERNANCE PRINCIPLES

Our Company makes great efforts to observe the Regulations and Provisions of Capital Markets Board ("SPKn"), Capital Markets Board ("SPK") and Corporate Governance Communique of CMB II-17.1 ("Communique") in its corporate governance applications. The Company adopts the concepts of equality, transparency, accountability and responsibility that form the basis of corporate governance in its operations.

Corporate governance practises of our Company in Turkey are subjected to the corporate governance rating by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. ("SAHA"), an international rating company who is duly authorised to rate in accordance with the methodology approved by CMB.

Our Company has been one of the seven companies listed on the Corporate Governance index of Borsa Istanbul A.S. in 2017 with its domestic corporate governance rating granted by an internationally-accredited rating company and this practise has been steadily maintained.

Our Company is one of the first companies granted corporate governance rating mark in our country. Our company got 8.00 over 10 in 2007, the first year when it was subjected to the rating, which is a good corporate governance mark. Our corporate governance rating mark during 2008-2016 is respectively 8.32; 8.43; 8.47; 8.56; 9.09; 9.09; 9.30; 9.36; 9.28. SAHA, duly authorised to give ratings in accordance with the relevant and applicable regulations and resolutions of CMB in Turkey, gave 9.13 (91.27) over 10 when evaluating our corporate governance rating mark. With reference to the Principle Resolution of CMB on this matter, final rating mark has been determined by weighting four sub-categories separately. Accordingly, corporate governance rating mark is divided into sub-categories as follows: Shareholders (Weight: 0.25) 90.25; Public Disclosure and Transparency (Weight: 0.25) 92.86; Stakeholders (Weight: 0.15) 93.92; Board of Directors (Weight: 0.35) 89.74. You can access Corporate Governance Rating and Corporate Compliance Reports on www.hurriyetkurumsal.com.

Corporate Governance Committee continues to carry out studies to improve our corporate governance practises. During the activity period ending on December 31, 2017, Corporate Governance Principles ("Principles") as stipulated by CMB and the Communique have been duly observed. Due diligence has also been exercised to observe those principles not stipulated by the relevant Laws and Communique and as it has also been explained in this Report, no serious conflict of interest has occurred regarding those yet-to-be-observed principles that are not required to be complied with as of current situation.

Ahmet TOKSOY
Board Chairperson

Çağlar GÖĞÜŞ
Executive Board Member
Chief Executive Officer

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART II - SHAREHOLDERS

2. Investor Relations Department

2.1. For the purpose of fulfilling the assignments specified in the Communiqué thoroughly, the title of "Shareholder Relations Department" established on March 18, 2009, is changed to "Investor Relations Department" ("YIB") in accordance with the resolution of our Board of Directors taken on July 21, 2014. YIB conducts its activities in accordance with CMB, Communiqué and Articles of Association.

Under the roof YIB in our Company, specialist personnel and experienced professionals are assigned in the departments of investors relations and financial affairs YIB Manager serves as a personnel affiliated to the Finance Director of Hürriyet. Managerial position of YIB is run by Nihan Sena Hertaş, Investors Relations Manager, while Elif Özcan, Investors Relations Specialist, works full-time in YIB.

2.2. Established for the purpose of monitoring all the relations between the shareholders and the Company and ensuring that receiving information rights of such shareholders are thoroughly executed, YIB executes its activities in accordance with the Capital Markets Board, Regulations of CMB and Articles of Association. The aforementioned department is responsible for:

- Keeping the records regarding the shareholders in safe and sound manner,
- Responding the information requests of the shareholders concerning the Company in accordance with the regulations of the Capital Markets Board.
- Ensuring the General Meeting is held in accordance with the applicable regulations, Articles of Associations and other in-company regulations,
- Preparing documents to be submitted to the Shareholders during General Meetings,
- Keeping the records of the voting results and ensuring the reports regarding the results are delivered to the shareholders,
- Observing all the necessary provisions regarding public disclosure, including applicable regulations and information policy of the Company,
- Ensuring compliance procedures to the capital market have been conducted,
- Ensuring investors relations have been executed.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART II - SHAREHOLDERS (Continued)

2. Investor Relations Department (Continued)

2.3. Nihan Sena HERTAŞ, serves as the Manager in the Investor Relations Department and her contact information is given below:

Name Nihan Sena HERTAŞ
Position Investor Relations Manager
License Details Corporate Governance Classification Specialists License No: 700652
Advanced Level In Capital Market Activities License No: 205287
Address 100. Yıl Mahallesi, 2264. Sokak No:1 34204 Bağcılar / İstanbul
Telephone - Fax 212 677 00 00
E-mail: nshertas@hurriyet.com.tr
yatirimciiliskileri@hurriyet.com.tr

Name Elif Özcan
Position Investor Relations Department Specialist
Address Hürriyet Dünyası 100. Yıl Mahallesi, 2264. Sokak No:1 34204 Bağcılar / İstanbul
Telephone-Fax 212 677 00 00
E-mail: elifozcan@hurriyet.com.tr

All Company shares are included in the Central Registry Agency ("MKS"). Applications regarding MKS are followed within the structure of the Company.

2.4. Information requests of the investors and shareholders in 2017 have been answered in accordance with Capital Markets Law, Regulations and Resolutions of CMB and necessary documents other than those confidential and trade secret documents are delivered to the investors and shareholders, observing "maxim of equity".

All requests for information from the Investor Relations Department via verbal and e-mail were responded, to the extent required by the program to all meeting requests from analysts. 2 questions directed from investors in 2017 have been answered. Teleconferences are held next day after the financial statements made every quarter has been made to discuss the results (4 teleconference in total in 2017).

2.5. In the fulfilment of the requests from our shareholders, utmost care is taken to comply with the applicable regulations and the Articles of Association. In 2017, there have not been any written or verbal complaints that have been submitted to the Company regarding the use of shareholder rights or any legal inquiries concerning the Company.

3. Exercise of Shareholders' Right to Information

3.1. In the use of the right to obtain and examine information, all shareholders, including minority and foreign shareholders, are treated in accordance with the principle of equal treatment.

3.2. Best efforts are exercised to meet the information requests from the shareholders of our Company on time in accordance with the Capital Markets Law, Regulations and Resolutions of CMB.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART II - SHAREHOLDERS (Continued)

3. Exercise of Shareholders' Right to Information (Continued)

3.3. Presentations about the Company's developments and all the information that may affect the use of financial information and shareholders' rights are published in Turkish and English on the Company's corporate website on (www.hurriyetkurumsal.com).

3.4. The request for the appointment of a special auditor in the Articles of Association has not yet been issued as an individual right and it has not been requested that shareholders appoint a special auditor during the term. However, appointment of a special auditor may take place in our Articles of Association depending on developments in the relevant regulations in the coming period.

4. General Assembly Meetings

4.1. Ordinary General Meeting of our Company where the results of the activities of 2016 have been discussed held on March 30, 2017 in the registered office of our Company. Our shareholders may attend the meeting physically or they may cast their votes through the electronic platform of Electronic General Meeting System ("e-KGS") of Central Registry Agency (MKK) pursuant to the provisions of Article 1527 of Turkish Code of Commerce Nr. 6102. Announcement for the General Meeting has been announced minimum three weeks before the General Meeting to be held as stipulated in the Articles of Association of the Company in the corporate website of the Company (www.hurriyetkurumsal.com) and on electronic platform of Electronic General Meeting System ("e-KGS") of Central Registry Agency (MKK) to ensure it is delivered to the maximum number of shareholders, in accordance with the applicable provisions of the relevant Regulations. Applicable Regulations/Resolutions of Turkish Code of Commerce (TTK), Capital Markets Legislation, Capital Markets Law, Capital Markets Board, Borsa Istanbul as well as regulations of Central Registry Agency (MKK) and Articles of Association are observed.

4.2. Regulations regarding the General Meetings of the Company are made available in the Articles of Association, which can be accessed in website of the Company. Information documents regarding the agenda items before the General Meeting are prepared and disclosed to public. The financial statements and reports including the Annual Report, the profit distribution proposal, the information document prepared in connection with the agenda items of the General Meeting and other documents constituting the basis of the agenda items and the final version of the Articles of Association and the amendment text and its grounds, if any are made available in places where the shareholders can reach in the most convenient way, including the headquarters and branches and website of the Company after the date of announcement made for the convocation to the General Meeting. Before the General Meetings, Power of Attorney copies are announced and made available in the website to be used by those shareholders who wish to assign an agent to represent him/her during such General Meetings.

4.3. Convention manner of the General Meeting ensured the shareholders attendance at the highest level. Those shareholders who wish to attend the Ordinary General Meeting on electronic platform with their "electronic signatures" have obtained the necessary information on "MKK" and/or "www.mkk.com.tr" website of "MKK" regarding participation in General Meeting in electronic platform. General Meetings are held as much costly and complicated as possible for shareholders so as not to lead to inequality among shareholders.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART II - SHAREHOLDERS (Continued)

4. General Assembly Meetings (Continued)

4.4. Voting procedure in the Meetings are submitted to information of the shareholders through website and Trade Registry Gazette. Unless provided otherwise by the General Meeting, meetings are open to the interested parties and the media in accordance with the Articles of Association. The venue where the General Assembly meetings are held will enable all shareholders to participate.

However, those shareholders or agents of such shareholders who attend the meeting without entrance card do not have the right to speak and vote. During the General Meeting, the agenda items are conveyed in an objective and detailed manner and in a clear and understandable way. Shareholders are given equal opportunity to explain their ideas and ask questions and an appropriate discussion environment is thus created.

4.5. During the Ordinary General Meeting held on March 30, 2017, Extraordinary General Meeting held on March 2, 2017 and Extraordinary General Meeting held on August 23, 2017, it has been determined that of the 552,000,000 shares representing the Company's capital consisting of 552,000,000,-TRY, a total of 428,638,983.151 shares, 428,638,983.151 shares of which have been represented by Proxy, have been represented and thus the quorum stipulated by Law and by the Articles of Association has been reached.

4.6. Votes are cast open and by raising hands during the Ordinary and Extraordinary General Meetings. Shareholders have used their asking questions rights during 2017 and no writing answer is required for there have been no unanswered questions.

4.7. In principle, members of the Board of Directors, other related persons, those executives responsible for the preparation of the financial statements and auditors are required to attend the Ordinary and Extraordinary General Meetings in order to provide the necessary information and answer questions regarding issues that are of special importance on the agenda.

4.8. During the Ordinary General Meeting of the Company held on March 30, 2017, our Company made donation amounting to TRY 1,584,830 to the foundations, associations, public agencies and organizations for social aid purposes during the accounting period of January 1, 2016 - December 31, 2016.

4.9. Financial results of 2017 are disclosed according the calendar announced by CMB. Accordingly, this practise does not constitute any contrariety to the Capital Markets Law and the overall Principles.

4.10. Our shareholders, some of Board Members, personnel of our Company and representatives of the independent audit company attend our General Meetings and press does not participate in such meetings.

5. Voting and Minority Rights

5.1. Practices making it difficult to use voting rights in the Company are avoided and each share has the opportunity to use the right to vote in the easiest and most convenient way possible.

5.2. There are Privileged shares nor group difference in accordance with the Articles of Association.

5.3. Each share has one voting right in the Company in accordance with the Articles of Association.

5.4. There are no provisions stipulating the use of any voting right following a certain period of time after its acquisition in accordance with the Articles of Association.

5.5. There are no provisions preventing any non-shareholder agents to cast their vote through their proxy power in accordance with the Articles of Association.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART II- SHAREHOLDERS (Continued)

5. Voting and Minority Rights (Continued)

5.6. In accordance with the Articles of Association, should the right of usufruct and right of disposition belong to different persons, such persons shall come to a mutual agreement and be represented according to their wishes. Should they do not come to a mutual agreement, such shareholder holding "beneficial owner" shall have the right to attend General Meetings and cast vote.

5.7. Since there are no companies with reciprocal shareholding among the shareholders, no vote has been cast in this regard during the General Meeting.

5.8. In accordance with the Articles of Association, minority rights are granted to those shareholders holding five (5) percent of the share capital.

5.8.1. Utmost care is exercised for the use of minority rights in the Company. There have been no criticism nor any complaints directed to the Company in this regard.

5.9. "Cumulative voting" is not granted in our Articles of Association. Advantages and disadvantages of this voting method are assess in accordance with relevant developments in the applicable regulations.

6. Dividend Right

Our Company takes dividend distribution resolution and make such dividend distribution in accordance with the Regulations and Resolutions of Turkish Code of Commerce, Capital Markets Regulations, Capital Markets Law, and with Capital Markets Board (CMB) as well as Tax Laws and other relevant provisions of legal legislation and our Articles of Association and Resolution of the General Meeting. Dividend principles are determined considering the "Dividend Distribution Policy" disclosed to the public.

Accordingly;

- 1- As a principle, minimum 50% of "distributable net profit for the period" calculated in accordance with Capital Markets Regulations, Capital Markets Law and CMB Regulation and Resolutions are distributed considering financial statements prepared in accordance with Capital Markets Regulations, Capital Markets Law and CMB Regulation and Resolutions.
- 2- In the event that it is agreed to distribute calculated "distributable net profit of the period" from 50% up to 100%, financial statements, financial structure and budget of our Company shall be taken into consideration.
- 3- Dividend distribution proposal is disclosed to the public considering the legal periods and in accordance with Capital Markets Law, Capital Markets Board Law and Regulations and Resolutions of CMB.
- 4- Should the "distributable net profit of the period" calculated according to the legal records kept under relevant laws of Turkish Code of Commerce and Tax Laws is lower than the amount calculated in the 1st Article, then
 - a. -"distributable net profit of the period" calculated in accordance with the legal records kept under this Article herein shall be taken into consideration and all of it be distributed,
 - b. -if higher than such amount, then it shall be acted in accordance with the Article 2.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART II- SHAREHOLDERS (Continued)

6. Dividend Right (Continued)

- 5- In the event that no distributable net profit of the period has occurred pursuant to legal records kept in accordance with Turkish Code of Commerce and Tax Laws, no profit distribution shall be performed even if "distributable net profit of the period" calculated according to the financial statements prepared in accordance Capital Markets Regulations, Capital Markets Law and CMB Regulation and Resolutions and calculated in accordance with Capital Markets Regulations, Capital Markets Law and CMB Regulation and Resolutions.
- 6- Profit distribution may not be performed should the calculated "distributable net profit of the period" fall under the 5% of the issued capital.
- 7- Upper limit of the donation and aids to be made within a certain accounting period by our Company in accordance with Capital Markets Regulations, Capital Markets Law and CMB Regulation and Resolutions as well as with provisions stipulated in the Articles of Association is determined by the General Assembly. No donations exceeding the upper limit as designated by the General Assembly shall be made and such donations shall be added to "distributable net profit of the period" basis.
- 8- Profit distribution shall be started from the 30th day following the General Assembly meeting where it is resolved to distribute at the latest and as of end of period under any circumstances.
- 9- Our Company may distribute the profit share in cash and/or in "bonus share" in advance or may split them into instalments in accordance with Capital Markets Regulations, Capital Markets Law and CMB Regulation and Resolutions as well as with provisions stipulated in the Articles of Association and Resolution of General Assembly.
- 10- Our Company may also makes profit distribution to other persons who do not have any shares pursuant to the Resolution of the General Assembly. In such case, Regulation and Resolutions of Turkish Code of Commerce Capital Markets Regulations, Capital Markets Law and CMB Regulation and Resolutions as well as provisions stipulated in the Articles of Association shall be observed.
- 11- Our Company may take share profit advance distribution resolution and make share profit advance distribution in accordance with the Regulations and Resolutions of Turkish Code of Commerce, Capital Markets Regulations, Capital Markets Law, and with Capital Markets Board (CMB) as well as Tax Laws and other relevant provisions of legal legislation and our Articles of Association and Resolution of General Assembly.
- 12- Investments requiring a substantial amount of fund outflow for the purpose of increasing our Company value, important subject matters affecting our financial structure as well as significant uncertainties and problems emerged in economy, market and other business areas beyond the control of our Company is taken into consideration in taking apportionments.

7. Share Transfer

7.1. There are no provisions stipulated in the Articles of Association making it hard for shareholders to transfer their shares freely.

7.2. As stipulated in the Articles of Association, applicable and relevant regulations and provisions of Turkish Code of Commerce, Capital Markets Board, Capital Markets as well as MKS rules and regulations on shares registration shall be observed for share transfers.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy of the Company

8.1. With respect to the public disclosure, "Disclosure Policy" has been prepared and disclosed to the public through the corporate website. You can access to the Information Policy on www.hurriyetkurumsal.com, corporate website of the Company.

8.2. For that purpose, material disclosures, publicly announced periodic financial statements and annual reports as well as information meetings are held and/or informative meetings are attended. Investors, analysts, press members are invited to such meetings. Accordingly, Board Members and senior managers make presentation by attending such meetings.

In addition to these activities, publicity documents prepared, statements made to data distribution organizations, announcement texts and news made available on our corporate website are other tools used in the framework of our information policy.

8.3. Board of Directors is responsible for the monitoring, reviewing and improving this Information Policy. Corporate Governance Committee provides information and proposals to the Board of Directors, Executive Committee, Audit Committee and Finance Directorate on subjects relating to the information policy.

8.4. The Investor Relations Department has been assigned to track and monitor all aspects of public disclosure. Questions from outside the company are answered by the Investor Relations Manager according to the content of the issue, including the Chief Executive Officer (CEO), Chief Finance Officer (CFO), within their knowledge and authorization limits. Maximum care is taken to ensure that equal opportunity is not disturbed among the shareholders in answering the questions.

The persons who are authorized to make public announcements in Borsa Istanbul Disclosure Platform within the framework of the Company Information Policy and their contact information are listed below:

Name	Özgür Tokgöz Altun
Position	Chief Finance Officer (CFO)
Name	Nihan Sena Hertaş
Position	Investor Relations Manager
Name	Zeynep Eral Güleyüpoğlu
Position	Financial Control Coordinator
Name	Elif Özcan
Position	Investor Relations Specialist
Phn - Fax	0 212 677 00 00 – 0 212 677 01 82 nshertas@hurriyet.com.tr
E-mail:	elifozcan@hurriyet.com.tr yatirimciiliskileri@hurriyet.com.tr

58 material disclosures were made in 2017. With reference to the letter delivered by CMB with date October 5, 2017 and number BIAS-4-8936 regarding the statements made to the public in 2017, one Material Disclosure has been made on Extraordinary Price and Quantity Movements through Public Disclosure Platform on October 5, 2017.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY (Continued)

8. Disclosure Policy of the Company (Continued)

8.5. Save for those provisions specified by the relevant regulations during the statements made the public, data distribution companies and corporate website are effectively used. Principles regarding disclosure of information about the future are included in the information policy.

8.6. Information about the future during the statements made to the public are explained together with grounds and statistical data based on predictions and they are associated with the financial condition and activity results of the Company. Such statements may only made by the Chief Executive Officer (CEO) and Chief Finance Officer (CFO) of the Company.

8.7. Board Members, managers and those shareholders holding 5% of the capital directly or indirectly discloses the transactions they carry out on the capital instruments of the Company in accordance with the Regulations of the Capital Markets Board. Regarding the matter, there has been no process nor any material disclosure in 2017.

8.7.1. Since all the material disclosures made are added to the corporate website of the Company both in Turkish and English, material disclosures made in this regard are also made available in the corporate website of the Company.

8.7.2. The Company holds no derivatives based on shares. There has been no commercial and/or non-commercial business or transaction between the Board Members and managers and the Company in 2017. There has been no commercial and/or non-commercial business or transaction between the companies of those shareholders holding 5% of the capital directly or indirectly or holding the control of the management or having a significant control over it, regardless of the rate, and the Company in 2017.

8.8. Our Financial Statements and footnotes on consolidated base are reported in accordance with "Statement on Principles Regarding Financial Reporting on Capital Market" (II - 14.1) provisions of SPK and according to Turkish Accounting Standards ("TMS") and Turkish Financial Reporting Standards ("TFRS") as published by "Public Oversight, Accounting and Auditing Standards Institute ("KGK"), of which presentation principles have been developed by KGK based on the sub-paragraph of (b), clause 9 of the Decree-Law nr. 660 and determined and disclosed to the public through the Resolution taken on June 2, 2016 and numbered 30, disclosed in accordance with 2016 TMS Taxonomy with the Weekly Bulletin dated July 15, 2016 and numbered 2016/22 of CMB, based upon the Resolution of CMB dated July 15, 2016 and numbered 22/805 and they are subjected to the independent audit in accordance with Turkish Audit Standards ("TDS") and they are disclosed to the public. Activity Report for 2017 have been prepared in accordance with Regulations and Principles of Capital Markets Law and Capital Markets Board.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY (Continued)

9. Corporate Website and Its Content

9.1. "www.hurriyetkurumsal.com", corporate website of the Company used for the purpose of public disclosures, is prepared in accordance with Regulations and Provisions of the Turkish Code of Commerce, Capital Markets Law and Capital Markets Board Law Besides the information required to be stated in accordance with the applicable provisions,

- Trade registration details
- Current partnership and managerial structure,
- Detailed information about the privileged shares,
- Latest version of the Articles of Association together with the date and number of the trade registry gazette where such amendments have been published,
- Material disclosures,
- Financial reports,
- Activity reports, registration statements and public offering circulars,
- Agenda of the General Meetings, list of attendants and minutes, letter of attorneys for using votes by proxy, compulsory information forms and similar forms prepared for the collection of share certificates or letter of attorneys through convocation and repurchase of its own shares by the Company, if any.
- Dividend distribution policy and information policy,
- Information regarding the transactions with the related parties,
- Ethical rules determined by the Company,
- Information requests, questions and notices submitted to the Company under Frequently Asked Questions are included in the website.

Retroactive information up to 5 years as per the Law are also available in our corporate website.

9.1.1. Design and content of our corporate website is made as stipulated by the Regulations and Provisions of Turkish Code of Commerce, Capital Markets Law and Capital Markets Board.

Information provided in our website are as follow:

a) Corporate

- Company Profile
- Mission, Vision and Strategy
- Shareholder Structure
- Board of Directors
- Committees
- Organization
- Values and Hürriyet Publishing Principles

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY (Continued)

9. Corporate Website and Its Content (Continued)

b) Investor Relations

- Investors 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
- Analyst List
- Information On Shares
- FAQ
- Calendar
- Site Map Of Investors Relations
- Brief Financials

c) Corporate Governance

- Board of Directors
- Corporate Governance Committee
- Shareholding Structure
- Articles of Association
- Trade Registration Gazettes
- Minority Right and Privileged Shares
- Corporate Governance Principles Compliance Report
- Corporate Governance Rating Report
- Financial Rating Report
- Ethical Rules
- Disclosure Policy
- Dividend Distribution Policy
- Remuneration Policy
- Donation and Aid Policy
- Compensation Policy

d) Social Responsibility

- Social Responsibility Projects
- Stop The Domestic Violence
- Haklı Kadın Platformu (Rightful Women Platform)
- Hürriyet Hakkımızdır Treni (Freedom is our right train)
- After Van Earthquake
- Environmental Health
- Emergency Helpline

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY (Continued)

9. Corporate Website and Its Content (Continued)

e) Investments

- Print Media
- Internet Activities
- Printing Activities
- Foreign Operations

f) Human Resources

- Human Resources Practices
- Human Resources Policy
- Job Application

g) Visual Gallery

- Advertising Films

h) Contact Us

- Contact Details
- Print Facilities and Regional Offices
- Contact Us

9.1.2. Our efforts to provide better service to our corporate internet site continue.

9.1.3. Address of our corporate website is explicitly written on the letterheads of our Company.

9.1.4. Principles regarding the management of our corporate website is available in the "information policy".

9.2. Capital Markets Law, Regulation of Capital Markets Board and Stock Exchange as well as Principles of Capital Markets are observed for the statements made to the public through the corporate website.

10. Annual Report

Activity Report and Interim Activity Reports for 2017 are prepared in accordance with the relevant provisions of Turkish Code of Commerce, "Communique On Determination Of Minimum Content of Annual Activity Reports of Companies" of the Ministry of Customs and Trade and "Statement on Principles Regarding Financial Reporting on Capital Market" (II - 14.1) of CMB and of the Communique.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS

"Advertisers" are one of our significant stakeholders since income from advertisements have a great importance in our overall incomes and we operate in media sector. Advertising policies and practices are prepared within the Company's Executive Committee and Advertising Directorate. Our company actively participates and supports the activities of non-governmental organizations operating in the advertising and media sectors. On the other hand, due to the importance of human resources in the media sector, human resources management is represented at a high level in our Company and is dealt with macroscopically with human resources policies. General policies regarding our readers, audiences and listeners in printed and audiovisual media are determined and carried out within the Executive Board.

11. Informing Stakeholders

As explained in detail in the first part of the report, shareholders and investors are informed in accordance with Capital Markets Law, CMB Regulations and Resolutions and through the determined methods. Our company's management is supported to participate in various non-governmental organizations established by our stakeholders. These types of studies carried out together with advertisers help us understand their needs and enable an active participation to provide sustainable growth and financial strength.

Stakeholders may communicate with the Company through the Corporate Governance Committee, members of the Audit Committee, or persons authorized to provide information within the Company's Information Disclosure Policy regarding non-compliant and ethically inappropriate operations of the Company by e-mail.

12. Participation of Stakeholders in Management

The Company is in continuous communication with stakeholders in oral and written communication. The feedback we receive from our stakeholders is presented to the senior management for their evaluation after going through some certain processes and solution proposals and policies are then developed. The Articles of Association does not include an arrangement that stipulates the participation of stakeholders in the management of the company. The function of informing the employees about the company's general activities and applications and taking the proposals is carried out through the Company intranet site.

13. Human Resources Policy

13.1. Providing equal opportunities to persons on equal footing is adopted when forming employment policies and career plans. Substitution planning for the appointment of managers to be appointed shall be prepared in cases where the changes of the executive duties are presumed to lead to a disruption in the management of the company.

13.2. Criteria for the personnel employment shall be determined in writing and such criteria shall be observed. Employment processes have been defined by specific procedures.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

13. Human Resources Policy (Continued)

13.3. All rights granted to employees are treated fairly, training and development programs are implemented and training policies are developed to increase employees' knowledge, skills and competencies.

Information meetings are held by the CEO on the company's financial situation, objectives and general outlook for employees. Meetings are held every three months for employees' health and safety with the participation of employees' representatives. Digital environments are provided where employees can share requests, complaints and suggestions in writing.

13.4. Job definitions of the Company's personnel and its distribution as well as performance and awarding criteria are announced to the personnel. Productivity is taken as a basis for the determination of pay and other benefits provided to the personnel. The Company may create share acquisition plans for its employees.

13.5. Measures are taken to ensure that employees are not discriminated against on the basis of race, religion, language and gender, and to protect employees against internal physical, mental and emotional abuse.

13.6. Safe working environment and conditions are provided for employees in accordance with the principles of Occupational Health and Safety regulations.

14. Ethical Rules and Social Responsibility

14.1. Ethical rules of our Company have been disclosed to the public through our corporate website. These ethical rules are continuously reviewed and they are revised where necessary.

14.2. Our company carries out projects related to social responsibility together with employees with high social sensitivity, in the synergy created by its corporate structure and all the companies under its structure.

14.3. It observes regulations of the environment, consumers and public health as well as ethical rules. The Company supports and respects internationally recognised human rights.

14.4. "Publication Principles" have been determined separately in both print media and the audiovisual media. You may access the mentioned Principles through the "Values and Editorial Principles" tab on the corporate website of our Company.

15. Structure and Formation of Board of Directors and Its Formation

15.1. Regulations and Resolutions of Turkish Code of Commerce, Capital Markets Law and Capital Markets Board in formation and election of Board of Directors. Principles regarding the subject are available in the Articles of Association. There have been some amendments made for the purpose of complying with the Principles of CMB in practise.

Accordingly;

15.1.1. Representation of the Company belongs to the Board of Directors. The Company is managed and represented by a Board of Directors by minimum 7 and maximum 11 Board Members to be elected by the shareholders during General Meeting.

15.1.2. The members of the Board of Directors appointed by the Capital Markets Board shall be elected from the candidates who are independent members. The provisions of the Capital Markets Law, Capital Markets Board regulations and other applicable provisions shall be applied to candidates of the Independent Board Members, nominees, their number and qualifications, election, dismissal and/or expiry period of office. At present, there are four independent board members in the Board of Directors. There are at least two independent board members in the Board of Directors in accordance with the Communiqué.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

15. Structure and Formation of Board of Directors and Its Formation (Continued)

15.1.3 Board Members are elected to perform their duties for maximum 3 years. Should the period of office has not been determined in the election resolution of the General Assembly, the elections shall be deemed to have been made for one year. Those members whose period of office expired can be re-elected. Board Members are elected by the General Meeting every year. Board Members are elected to perform their duties during the Ordinary General Meeting where activities and accounts for the accounting period of 2017 will be discussed in the Extraordinary General Meeting held on August 23, 2017.

15.1.4. In the event that one of the members of the Board of Directors is removed from the office for any reason, a person bearing the necessary qualifications shall be elected by the Board of Directors to submitted to the approval of the General Assembly. Such person completes the period of person s/he is substituted once it is approved by the General Assembly.

15.1.5. The General Assembly can always dismiss Board Members in the event that there is a relevant item on the agenda or in the presence of a legitimate reason even if there is no such item on the agenda. The legal entity that is a member of the Board of Directors may change the person registered in his/her name at any time.

15.1.6. A Board Chairperson and Deputy Chairperson, if necessary, shall be elected among Board Members every year. In the event that more than one Chairperson has been elected, then duty, authorisation and area of responsibility shall be determined. Board Chairperson and General Manager/CEO is not the same person.

15.1.7. In accordance with the Articles of Association, majority of the Board Members shall be consisted of those members who are not assigned in Execution. Currently, more than half of the Board of Directors are not assigned in Execution and Board Chairperson and General Manager is not the same person.

Name, surnames and qualifications of Board of Directors of our Company are provided below:

Name / Lastname	Title	Status
Ahmet Toksoy	Chairperson	Not Assigned In The Executive Board
Beatrice de Clermont Tonnerre	Deputy Chairperson / Independent Member	Not Assigned In The Executive Board
Çağlar Göğüş	Executive Member	Assigned In The Executive Board
Fikret Bilâ	Member	Assigned In The Executive Board
Vuslat Sabancı	Member	Not Assigned In The Executive Board
Sedat Ergin	Member	Not Assigned In The Executive Board
Kai Georg Diekmann	Member	Not Assigned In The Executive Board
Gündüz Kösemen	Independent Member	Not Assigned In The Executive Board
Değerhan Usluel	Independent Member	Not Assigned In The Executive Board
Sedat Gümüüşoğlu	Independent Member	Not Assigned In The Executive Board

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

15. Structure and Formation of Board of Directors and Its Formation (Continued)

15.1.8. Board Members are elected to perform their duties during the Ordinary General Meeting where activities and accounts for the accounting period of January 1, 2017 - December 31, 2017 will be discussed in the Extraordinary General Meeting held on August 23, 2017. Pursuant to the resolution of Board of Directors dated August 29, 2017 under 2017/33 number, Ahmet Toksoy is elected as the Board Chairperson, Beatrice de Clermont Tonnerre be elected as Deputy Chairperson / Independent Board Member and Çağlar Göğüş be elected as Executive Board Member as a result of distribution of assignments. The members of the Board of Directors of the Company are not bound to any specific rules and / or are not restricted to take other duties or duties outside the Company. With reference to the current organization structure of the Company, there is no limitation with respect to the assignment of Board Members within the Company no condition causing Independent Board Members to lose their independent characteristics is in question within our knowledge as of date of the report. Independence statements of the independent board members are included in the Activity Report of Board of Directors for 2017.

15.1.9. 43 Board Resolutions were taken in 2017 and such resolutions were unanimously taken and there was no Board Member objecting to the resolutions taken. The members of the Board of Directors of the Company are not bound to any specific rules and / or are not restricted to take other duties or duties outside the Company.

15.1.10. Resumes of Board Members are given below:

AHMET TOKSOY **Board Chairperson**

Born in Istanbul in 1959, Ahmet Toksoy received his BA from the Department of Finance, Faculty of Management, of Istanbul University in 1981. After working as an auditor at the Ministry of Finance between 1984 and 1989, he joined Hürriyet Holding as a member of the Audit Committee. He was appointed Assistant Finance Manager of Hürriyet Newspaper between 1990 and 1991 and as Finance Manager between 1991 and 1995. Toksoy worked as Certified Public Accountant at Aktif Denetim Yeminli Mali Müşavirlik for three years.

After serving as a Chief Financial Officer for 11 years in Hürriyet newspaper since he was assigned in 1988, he was appointed as the Head of Audit and Risk Management at Doğan Holding in 2010. Ahmet Toksoy serves as the Chief Executive Officer of Hürriyet Gazetesi ve Matbaacılık A.Ş. and as a Chief Financial Officer and Executive Board Member of Doğan Şirketler Grubu Holding A.Ş. since September 2011, besides serving as a Board Member for Doğan TV Holding A.S.

Toksoy is married and has one child.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

15. Structure and Formation of Board of Directors and Its Formation (Continued)

BÉATRICE de CLERMONT TONNERRE

Deputy Chairperson and Independent Member

Béatrice de Clermont Tonnerre has been working in Google as Joint Project Solutions, Southern Europe Director since May 2013. Living in Paris, Béatrice de Clermont Tonnerre has worked in pay tv and broadcasting to sports rights, sports rights to book publishing, digital media and internet areas to purchasing projects. She is also experienced in organic growth and new product launching.

Starting her career in Radio France Internationale Latin America and Europe 1 as radio correspondent, she has joined Strategic Department of Lagardere in 1995 as an analyst in technology department. She has been promoted to manager in Media Department and has been appointed as the Interactive Television Group Chairperson of CanalSatellite. She has been appointed as Programming Co-Chairperson in 2003.

Béatrice de Clermont Tonnerre has a bachelor's degree in Politics from Institut d'Etudes Politiques de Paris and Business Administration and master's degree in Business Administration from Ecole Supérieure des Sciences Economiques et Commerciales. Also, she is a member of board of directors at LACIE, a technology company listed in French Stock Exchange.

ÇAĞLAR GÖĞÜŞ

Executive Director of Board of Directors and Chief Executive Officer

Çağlar Göğüş graduated from Department of Business Administration in Bilkent University in 1995, has completed his MBA degree in Florida University.

He has begun his professional career as assistant in Coopers & Lybrand Turkey in 1995 and he has worked for a short time as Senior Analyst in Arthur Andersen.

Between 1998-2000 he has worked as Senior Analyst in A.T Kearney and in 2002, he has joined to Peppers & Rogers Group where he served in this company for nine years as Partner.

Çağlar Göğüş who has undertaken the responsibility of EMEA region since 2010, has managed successfully the international operations of Peppers & Rogers Group with the title of Managing Director until 2014.

As Analytic Center and Smartcon EMEA co-founder, he has been providing training and consulting on Big Data, advanced data, Disruptive technology and relevant business models and has held strategical organizations. Joining Hürriyet as a Board Member in 2015, Göğüş took over General Manager office in February 2016. Çağlar Göğüş has been assigned as a Board Member for Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş. on May 26, 2016 and for Sporarena A.Ş. on October 6, 2017.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

15. Structure and Formation of Board of Directors and Its Formation (Continued)

FİKRET BİLÂ

Executive Board Member & Chief Editor

He was born in Zonguldak in 1958. Upon completing his elementary and secondary education in Zonguldak, he graduated from the department of Economics in the faculty of Economics and Administrative Sciences in Gazi University in 1979. He was awarded ph.d. degree from the same university.

He started his journalism career in Yankı magazine in 1977 when he was a university student. Scoring the highest point in Commissioner Of Audits in 1980, he was assigned in the Court of Accounts. He worked in this organization until 1986. He resigned from the Reporter position in the Board of Chambers in the Court of Accounts in 1986 and got back to journalism with Nokta magazine. He then started to work for Milliyet newspaper at the end of 1986. He was assigned as news director of Milliyet in 1993 and as Ankara Representative and columnist in 1995. He lectured on investigative journalism in the Faculty of Communication of Ankara University and Gazi University. After 1999, he presented Ankara Kulisi show aired in CNN Türk channel for many years together with Sedat Ergin and Murat Yetkin. He was assigned as the Chief Editor of Milliyet newspaper in 2013 and he maintained this position until 2016. Starting to work as a columnist in Hürriyet newspaper in August 2016, Mr. Bila continues to serve as a Chief Editor in Hürriyet Newspaper.

Awarded a number of prizes including Abid İpekçi journalist of the year award, Fikret Bila is also the author of books titled Phoenix, Ecevit'in Yeniden Doğuşu (2001), Sivil Darbe Girişimi ve Ankara'da Irak savaşları (2003), Hangi PKK: Satranç Tahtasında Yeni Hamleler (2004, extended 6th issue 2007) , Komutanlar Cephesi (2007, extended 6th issue 2010) , İdeolojik Kodlarıyla Kağıt Üstündeki PKK (2016).

VUSLAT DOĞAN SABANCI

Board Member

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 May 26, 2010.

During her tenure as a Board Chairperson between 2010-2017 and as a 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 procurement executed by a Turkish company. TME is an online and printed media advertising company operating in Russia, Ukraine, Belarus and Kazakhstan as of 2013. 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, a deal finder website.

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.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

15. Structure and Formation of Board of Directors and Its Formation (Continued)

VUSLAT DOĞAN SABANCI (Continued)

Board Member

A law was enacted on domestic violence following an eight-year effort on her part through the “Stop the 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. (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.

Vuslat Doğan Sabancı has worked as the Founding Member of Endeavor, a non-profit organization starting its activities in 2006, registered office of which is located in New York. She still serves as a Board Member for Endeavor Türkiye.

SEDAT ERGİN

Board Member

Born in Istanbul in 1957, Sedat Ergin completed his high school education in Robert College. Graduated from the department of Political Sciences in International Relations department in Ankara University, Sedat Ergin started his journalism career in Türk Haberler Ajansı Dış Haberler Servisi in 1975. Between 1976-78, he worked as a diplomacy, Presidency and Assembly correspondent in Ankara Bureau of THA. He worked as a diplomacy correspondent in Ankara Bureau of Cumhuriyet Newspaper between 1979-1987. Employed in Hürriyet in 1987, Mr Ergin worked as the Washington Correspondent of Gazete. Performing its duty for about six years, he was later assigned as Ankara Representative of Ankara on March 1, 1993. Assuming this duty that lasted for 12 years, he also continued to work as a columnist and he regularly attended Ankara Kulisi show aired in CNN Türk TV channel. He worked as Chief Editor in Milliyet on March 17, 2015. After leaving Milliyet, Sedat Ergin returns to Hürriyet as a columnist and following his columnist position exceeding a five year period he was assigned as the Chief Editor of the Newspaper on August 25, 2014 and he continued to serve as a Chief Editor until March 1, 2017.

Sedat Ergin is awarded Sedat Simavi press awards twice, one for his article series titled "Fırtına Dosyası", in which he explains the collapse of Refah-Yol government and one for his article series titled "Bizden Saklananlar", in which he sheds light on the period leading to March 1 resolution crisis. Awarded the journalist titles for three times by the Association of Journalists of Turkey, Ergin is awarded the press freedom award by the Association of Journalists of Turkey in 2010. Mr. Ergin is also awarded the freedom of expression from Deutsche Welle, a public broadcasting organization operation in Germany, in 2016. Ergin is married and he speaks English.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

15. Structure and Formation of Board of Directors and Its Formation (Continued)

KAI GEORG DIEKMANN

Board Member

Kai Diekmann was born on June 27, 1964 in Ravensburg, Germany. He worked as a Director in BILD until January 2017 and as a Chief Editor in BILD for 15 years. BILD is the largest news brand in Europe and reaches 39 million readers and users each month with its printed and online editions. Following his secondary school education and military service, he completed a two-year journalistic training at Axel Springer SE, which brought him to Hamburg, Bonn and New York.

In 1987 Diekmann became parliamentary correspondent for BILD and BILD am SONNTAG in Bonn. He worked as a reporter in Bunte, a Munich magazine, in 1989. Two years later his career took him to Berlin where he worked as a Chief Editor of B.Z. Shortly afterwards he moved to Hamburg as deputy editor-in-chief and head of the politics department of BILD. He served in this position for five years. After a short time-out travelling through Central America, he returned to the Axel Springer as the Chief Editor of "WELT am SONNTAG" in 1998 and he was assigned as Executive Editor in BILD and Editor in BILD am SONNTAG in 2001.

In 2012-2013, Diekmann passed 10 months in Silicone Valley. He spent his time in the West Side of the US to develop new ideas for digital growth on behalf of Axel Springer. Diekmann has been serving as a Board Member of Hürriyet since 2004, and as non-executive director of London Times since 2011. He has also been a member of UBER San Francisco, a member of the Advisory Board of Public Policy since 2017. Diekmann has also read and edited a couple of books. Diekmann is married and has four children.

GÜNDÜZ KÖSEMEN

Independent Board Member

Gündüz Kösemen graduated from Rober College in 1958. Working as a General Coordinator in Egemak A.Ş., one of the subsidiaries of Koç Holding A.Ş. between 1967-1971, Mr. Kösemen worked as a Director of Commercial Affairs in Otoyal Sanayii A.Ş., another subsidiary of the same holding group, between 1971-1973. He also served as a General Manager and Board Member in Opar A.Ş., one of the subsidiaries of Koç Holding A.Ş., between 1973-1997. He served in a number of Board Membership positions during 1998-2015. He is married and father to a boy.

DEĞERHAN USLUEL

Independent Board Member

He graduated from TED Ankara College in 1988 and from the department of Electrical And Electronics Engineering in Bilkent University with a full scholarship and he also holds a 1994 MBA Degree in Business from Rensselaer Polytechnic Institute (RPI).

He founded iLinc, the first company in web conference sector in the US, in 1994. Receiving investments from Intel and venture capital companies, iLinc has won many awards in the areas of web conferencing, virtual classrooms, and e-learning by developing innovative technologies. As CTO, CEO and Board Member, he led the company to reach \$ 500 million NASDAQ stock exchange value through organic growth and corporate mergers.

Between 2002 and 2007, he studied on large data and analytical modelling solutions in finance and telecommunication sectors. He led the company's Analytical Customer Life Cycle solutions assigned in CMO position in KXEN software company in San Francisco. Included in the Gartner Customer Data Mining category as Visioner, KXEN was later acquired by SAP.

He is now a Board Member of Usluel Şirketler Grubu, which operates Technology Development Foundation of Turkey and Luxembourg-based Turkish Investment Initiative investment fund with EUR 360 million worth as well as conducting infrastructure projects on energy, rail systems and communication. Değerhan Usluel is married and is father of two children.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

15. Structure and Formation of Board of Directors and Its Formation (Continued)

SEDAT GÜMÜŞOĞLU

Independent Board Member

Starting his professional career in 1994 and worked in the finance departments of a number of companies, Sedat Gümüőođlu joined Turkcell İletişim Hizmetleri A.Ş. in 1997 and served as a manager in departments of International Reporting, Budget and Investors Relations.

He also took part in the incorporation process of Digiturk, the first digital platform in Turkey, in 1999. He served as a Chief Financial Officer (CFO) of the company from 2000 to 2008. He took part in the board of directors of the companies affiliated to the Group throughout his period of office.

Transferring to another sector in 2008, Gümüőođlu started to work in U.N. Ro-Ro, a Ro-Ro operator engaging in international scheduled maritime transportation as a Chief Financial Officer (CFO) for three years and he was promoted as the Chief Executive Officer (CEO) of the company in 2011 and continued to serve in the company until 2017. He also participated in the Board of Directors of Türklım, an organization for the board of directors and port sector, throughout his period of office. Sedat Gümüőođlu graduated from the faculty of Economic and Administrative Sciences in Uludađ University. He is married and father to one child.

Information about the positions of the Members of the Board of Directors in the group companies is given below:

Name / Lastname	Title	Duties Besides The Partnership:	Status
Ahmet Toksoy	Chairperson	Executive Board Member in Group Companies / Chief Financial Officer / Chief Executive Officer and Board Member in group companies of Dođan Őirketler Grubu Holding A.Ş..	Not Assigned In The Executive Board
Beatricé de Clermont Tonnerre	Deputy Chairperson / Independent Member	-	Not Assigned In The Executive Board
Çađlar Gögüş	Executive Member	Chairperson of the Executive Board in Group Companies	Assigned In The Executive Board
Fikret Bilâ	Member	-	Assigned In The Executive Board
Vuslat Sabancı	Member	Dođan Őirketler Grubu Holding A.Ş. Executive Board Member in Group Companies	Not Assigned In The Executive Board
Sedat Ergin	Member	-	Not Assigned In The Executive Board
Kai Georg Diekmann	Member	-	Not Assigned In The Executive Board
Gündüz Kösemen	Independent Member	-	Not Assigned In The Executive Board
Deđerhan Usluel	Independent Member	Board Member Outside the Group Companies	Not Assigned In The Executive Board
Sedat Gümüőođlu	Independent Member	Independent Board Member in group companies of Dođan Őirketler Grubu Holding A.Ş. / Head of Corporate Governance Committee / Head of Early Detection of Risk Committee / Member of the Audit Committee	Not Assigned In The Executive Board

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

16. Activity Principles of Board of Directors

16.1. Board of Directors executes its duties and use their authorisations in accordance with Regulations and Provisions of Turkish Code of Commerce, Capital Markets Board and relevant provisions of the Articles of Association and other applicable provisions. Representation of the Company belongs to the Board of Directors. Board of Directors are provided with all kinds of information to ensure that they can thoroughly fulfil their duties on time.

16.2. The Board of Directors convenes as often as it can effectively fulfil its duties. 43 Board Resolutions were taken in 2017 and such resolutions were unanimously taken and there was no Board Member objecting to the resolutions taken. The members of the Board of Directors of the Company are not bound to any specific rules and / or are not restricted to take other duties or duties outside the Company.

a. Mode of determination of agenda items for the meetings of Board of Directors:

In principle, the Board of Directors convenes upon the convocation of the Board Chairperson or Deputy Board Chairperson. In principle, General Meetings are held in the registered office of the Company. However, based on the decision of the Board of Directors, it is also possible to hold a meeting in another location of the city or in another city where the Company headquarters is located.

The information and documents related to the topics on the agenda of the General Meetings are presented to the Board Members for a reasonable period of time before the meeting, thus providing an equal flow of information.

b. Number of Board of Directors Meetings and Attendance In Such Meetings and Quorums:

The Board of Directors convenes with the majority of the total number of the members and takes decisions by majority vote of the members present at the meeting. In case of a tie, the subject voted on is taken to the next meeting agenda. Should there a is tie in this meeting, too, then the proposal is deemed to have been rejected. Each Board Member has the one right to vote, regardless of their position and duty.

Members of the Board of Directors should attend the meeting in person. They can also participate in any technological way that provides remote access to the meetings. The opinions of the members who can not attend the meeting but who submit their opinions in writing are presented to the information of the other members.

Resolutions taken in the General Meetings are signed and written in the minute book. Those Board Members who cast a dissentive vote shall explain their reasons and then sign the minute. Documents related to the meeting are archived regularly by the Secretary of the Board of Directors. In the event that positive vote of independent board members are sought and such independent board member casts a dissentive vote, the measures specified by the Capital Markets Law and the regulations of the Capital Markets Board shall be observed.

In accordance with the relevant provisions of the Turkish Code of Commerce, a proposal forwarded by a member can be resolved by receiving the written approval of the others.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

16. Activity Principles of Board of Directors (Continued)

b. Number of Board of Directors Meetings and Attendance In Such Meetings and Quorums (continued):

While the meetings of the Board of Directors may be held entirely in electronic form, subject to the provisions of Article 1527 of the Turkish Code of Commerce and the regulations to be stipulated within the framework of this Article, it may also be executed in a meeting where some of the members are physically present and others electronically. Those who have the right to participate in the General Meeting of the Company may participate in this meeting in electronic environment in accordance with article 1527 of the Turkish Code of Commerce. In accordance with the Communiqué On Meeting Other Than The General Meetings Of Joint-Stock Companies To Be Held In Trade Companies, the Company may set up an Electronic Meeting System which enables the beneficiaries to participate and vote in an electronic environment during such meetings and it may also purchase services from the systems created for this purpose. During the meetings to be held, it is ensured that the right holders specified in the related legislation can use their rights within the framework stated in the provisions of the Communiqué, either through the system established under this provision of the company agreement or through the system to receive support services.

c. Convocation methods for the Board Members and its periods:

The Board of Directors convenes as often as it can effectively fulfil its duties. In principle, the Board of Directors convenes upon the convocation of the Board Chairperson or Deputy Board Chairperson.

The information and documents related to the topics on the agenda of the General Meetings are presented to the Board Members for a reasonable period of time before the meeting, thus providing an equal flow of information.

In principle, General Meetings are held in the registered office of the Company. However, based on the decision of the Board of Directors, it is also possible to hold a meeting in another location of the city or in another city where the Company headquarters is located.

Members of the Board of Directors should attend the meeting in person. They can also participate in any technological way that provides remote access to the meetings. The opinions of the members who can not attend the meeting but who submit their opinions in writing are presented to the information of the other members.

Resolutions taken in the General Meetings are signed and written in the minute book. Those Board Members who cast a dissentive vote shall explain their reasons and then sign the minute. Documents related to the meeting are archived regularly by the Secretary of the Board of Directors. In the event that positive vote of independent board members are sought and such independent board member casts a dissentive vote, the measures specified by the Capital Markets Law and the regulations of the Capital Markets Board shall be observed.

A Board Member cannot participate in General Meetings addressing the interest of themselves, their spouse or third degree blood and relatives by marriage. Sub-clause 4 of Article 390 of Turkish Code of Commerce is reserved. While the meetings of the Board of Directors may be held entirely in electronic form, subject to the provisions of Article 1527 of the Turkish Code of Commerce and the regulations to be stipulated within the framework of this Article, it may also be executed in a meeting where some of the members are physically present and others electronically.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

16. Activity Principles of Board of Directors (Continued)

Those who have the right to participate in the General Meeting of the Company may participate in this meeting in electronic environment in accordance with article 1527 of the Turkish Code of Commerce. In accordance with the Communiqué On Meeting Other Than The General Meetings Of Joint-Stock Companies To Be Held In Trade Companies, the Company may set up an Electronic Meeting System which enables the beneficiaries to participate and vote in an electronic environment during such meetings and it may also purchase services from the systems created for this purpose. During the meetings to be held, it is ensured that the right holders specified in the related legislation can use their rights within the framework stated in the provisions of the Communiqué, either through the system established under this provision of the company agreement or through the system to receive support services.

- d. Whether the grounds of the opposing votes for the matters and subjects with different opinions forwarded by Board Members during the meeting have been put in the minute appropriately and in detail:

All the opinions regarding the subjects discussed during General Meetings are recorded in the minutes. Since the resolutions are unanimously taken by the members attending the meetings, there has been no voting grounds for the subjects where a different opinion is forwarded during the meeting. Additionally, there has been question recorded on the minute during the meeting by the members who continues exchange ideas.

- e. Whether weighted voting right and/or dissentive rejection right has been granted to Board Members:
No weighted voting right and/or dissentive rejection right has been granted to Board Members.
- f. Related parties' transactions submitted to the approval of independent board members:

17. Number, Structure and Independence of Committees Established Under Board of Directors

17.1. The Board of Directors shall establish a sufficient number of other committees, in particular compulsory committees, in accordance with the Turkish Code of Commerce, the Capital Markets Law and the Capital Markets Regulations, taking into account the requirements of the Company in order to ensure that its duties and responsibilities are carried out in the best possible manner. The duties and working areas of the Committees are determined in full by considering the provisions of the Articles of Association during establishment process. The Board of Directors may, at any time, redefine the duties and functions of the committees as well as make any changes it deems necessary for membership.

17.2. The Committees are structured and operate within the framework of the Turkish Code of Commerce, the Capital Markets Law, Capital Markets Board regulations and other applicable legislation and the provisions of this Articles of Association.

17.3. The committees convene as frequent as required by their workload and upon the invitation of the Chairperson of the Committee. The resolutions of the committees are kept in a separate book written. All correspondence and information work of the committees shall be carried out by the person or unit assigned by the Board of Directors.

17.4. Four committees have been established to ensure that the Board of Directors fulfils its duties and responsibilities appropriately in accordance with the situation the Company is in as well as other applicable legal regulations and requirements. These committees are Executive Committee (Executive Board), Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

17. Number, Structure and Independence of Committees Established Under Board of Directors (Continued)

17.5. Additionally, the duties and working principles approved by the Board of Directors of the Audit Committee and the Corporate Governance Committee are included in the corporate website of our Company at www.hurriyetkurumsal.com. These principles are based on the Capital Markets Legislation, the CMB Regulations and Resolutions as well as our Articles of Association and our overseas applications. The duties and working principles of the committees are reviewed by taking into account the developments and existing conditions in the relevant applicable legislation.

17.6. Executive Committee (Executive Board)

17.6.1 Our Board of Directors has approved the committees established, except for the Corporate Governance Committee, through the Board Resolution dated April 13, 2017, have been founded in order to serve until the Ordinary General Meeting where activity results for 2017 will be discussed and the committees established pursuant to the Board Resolution dated April 13, 2017 continue in its resolution dated September 27, 2017 under 2017/34 number. Members of the Executive Committee are as follow:

Name / Lastname	Title	Position
Çağlar Göğüş	Chairperson	Chief Executive Officer
Fikret Bilâ	Member	Chief Editor
Ercüment İşleyen	Member	Digital Content Editor
Özgür Tokgöz Altun	Member	Finance Director
Tuba Köseoğlu Okçu	Member	Human Resources Director
Zeynep Tandoğan	Member	Advertising Director

17.7. Corporate Governance Committee

17.7.1. Members of the Corporate Governance Committee are as follow:

Name / Lastname	Title	Status
Gündüz Kösemen	Chairperson	Independent Board Member / Not Assigned In Executive Board
Dr. Murat Doğu	Member	Not Assigned In The Executive Board
Nihan Sena Hertaş	Member	Investor Relations Manager / Not Assigned In The Executive Board

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

17. Number, Structure and Independence of Committees Established Under Board of Directors (Continued)

17.7. Corporate Governance Committee (Continued)

17.7.2. Our Management Board has resolved that Committee Chairperson of Corporate Governance and Its Members be elected, they perform their duties until the General meeting where accounting period activities and accounts for January 1, 2017 - December 31, 2017 period are to be discussed and this Corporate Governance Committee also undertake "Nomination Committee" and "Compensation Committee" duties as regulated by "Corporate Governance Communique" (II-17.1) of Capital Markets Board (CMB) as per Resolution of our Management Board dated September 27, 2017 and Nr. 2017/34.

17.7.3. The Corporate Committee execute its activities in accordance with the "Regulations of Corporate Committee" where working procedure and principles have been determined as well as applicable regulations/resolutions of Capital Markets Legislation, Capital Markets Law, communique and CMB and it convenes at least 4 times in a year and it delivers the resolutions of the meeting to the Board of Directors.

The Corporate Governance Committee convened for 7 times and notified the Board of Directors for 8 times again in written within the year 2017. Duties and working principles of the Corporate Committee are available in the corporate website of Hürriyet Gazetecilik (www.hurriyetkurumsal.com).

17.7.4. Nihan Sena Hertaş, Manager at Investors Relations Department, is assigned in Execution while other Committee Members are not assigned. Chairperson Gündüz Kösemen is an Independent Board Member. Dr. Murat Doğu, member of Corporate Governance Committee, is also a member of DOHOL Corporate Governance Committee.

17.7.5. Committee has been carrying out its studies since the first day it was established. Accordingly,

- Corporate Governance Rating studies have been conducted,
- "Corporate Governance Compliance Report" prepared by the Company has been reviewed.
- Activity Reports prepared by the Company have been reviewed.
- It is ensured that Ordinary General Meeting where activities of 2016 have been discussed is held in accordance with the relevant laws and principles.
- It is ensured that relations with the shareholders and investors are appropriately executed in accordance with relevant laws and principles.
- Material disclosures made by the Company are reviewed,
- It is ensure the website is always up to date and developed.
- Rating for corporate governance activities from SAHA, a corporate governance rating company, has been received, on September 2017 and it has been announced to the public.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

17. Number, Structure and Independence of Committees Established Under Board of Directors (Continued)

17.8. Audit Committee

17.8.1. Our Board of Directors has approved the committees established, except for the Corporate Governance Committee, through the Board Resolution dated April 13, 2017, have been founded in order to serve until the Ordinary General Meeting where activity results for 2017 will be discussed and the committees established pursuant to the Board Resolution dated April 13, 2017 continue in its resolution dated September 27, 2017 under 2017/34 number. Full name and titles of the members of the Audit Committee assigned in accordance with the concerning Board Resolutions are given below:

Audit Committee		
Name / Lastname	Title	Status
Gündüz Kösemen	Chairperson	Independent Member / Not Assigned In Executive Board
Sedat Gümüüşođlu	Member	Independent Member / Not Assigned In Executive Board

The Audit Committee execute its activities in accordance with the "Regulations of Audit Committee" where working procedure and principles have been determined as well as applicable regulations/resolutions of Capital Markets Legislation, Capital Markets Law, communique and CMB and it convenes at least 4 times in a year and it delivers the resolutions of the meeting to the Board of Directors. Audit Committee convened for 5 times in 2017. Duties and working principles of the Audit Committee are available in the corporate website of Hürriyet Gazetecilik (www.hurriyetkurumsal.com). The Audit Committee notified the Board of Directors for 6 times in written within the year 2017.

17.8.2. Audit Committee Chairperson is an Independent Board Member. Regulations of the Capital Markets Law are completely observed since all of the Committee Members are not assigned in the execution.

17.8.3. Duties and working principles of the Audit Committee and the Corporate Governance Committee are approved by the Board of Directors and are available on the Company's website (www.hurriyetkurumsal.com). These working principles have been prepared with utmost care considering Capital Markets Legislation, the CMB Regulations, Principles as well as our Articles of Association and our overseas applications and its samples. Accordingly in 2017,

- Interim Financial Statement and Footnotes as well as Independent Audit Reports have been reviewed before being disclosed to the public and meetings have been held with the independent audit company.
- Independent audit contract of the Company has been reviewed,
- Results of the internal audit studies carried out within internal audit activities and measures taken have been reviewed.
- Necessary studies for risk management have been conducted.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

17. Number, Structure and Independence of Committees Established Under Board of Directors (Continued)

17.9. Early Detection Of Risk Committee (Continued)

17.9.1. In accordance with Article 378 of Turkish Code of Commerce and "Corporate Governance Communique" of CMB, our Board of Directors has approved the committees established, except for the Corporate Governance Committee, through the Board Resolution dated April 13, 2017, have been founded in order to serve until the Ordinary General Meeting where activity results for 2017 will be discussed and the committees established pursuant to the Board Resolution dated April 13, 2017 continue in its resolution dated September 27, 2017 under 2017/34 number.

With the aforementioned resolution, it is resolved that Early Detection of Risk Committee be consisted of the names mentioned below: The Early Detection of Risk Committee execute its activities in accordance with the "Regulations of Early Detection of Risk Committee" where working procedure and principles have been determined as well as applicable regulations/resolutions of Capital Markets Legislation, Capital Markets Law, communique and CMB and it convenes at least 6 times in a year and it delivers the resolutions of the meeting to the Board of Directors.

Name and Surname	Title	Status
Gündüz Kösemen	Chairperson	Independent Board Member / Not Assigned for Execution
Özgür Tokgöz Altun	Member	Finance Director / Executive Committee Member
Tolga Babalı	Member	Doğan Şirketler Grubu Holding A.Ş. Executive Board Member

17.9.2. The Early Detection of Risk Committee convened for 6 times and notified the Board of Directors for 6 times again in written within the year 2017.

17.10. Committees act in accordance with their authorisation and responsibility and submit suggestions to the Board of Directors. Final resolution is taken by the Board of Directors.

17.11. A Board Member, other than Independent Board Members, are not assigned in more than one Committee.

18. Risk Management and Internal Control Mechanism

Doğan Şirketler Grubu Holding A.Ş., our parent company, provides necessary guidance for the purpose of performing the internal control function of Group Head of Audit and Risk Management and supports our Company.

Findings established as a result of studies carried out by the Group Head of Audit and Risk Management of Doğan Şirketler Grubu Holding A.Ş. are assessed by our Company and internal control systems are continuously improved by making necessary corrections and regulations in line with the suggestions forwarded.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

19. Strategical Targets of the Company

19.1. As a global media brand, our company's mission is to provide news, content and services in every medium and every format 24/7 in continuous interaction with its readers and customers and to add value to their lives. The principal duty of the directors of Hürriyet and its subsidiaries is to manage the Corporation and the Newspaper in such a way as to maintain its independence based on this purpose and to provide the Shareholders of the Company with the highest value. Our company is featured with the care it has exhibited Turkey's modernization efforts to reach its targets, quality publishing, the importance it attaches to its employees and the social responsibility activities. The support that it will provide for the social benefit in the future as it provided in the past and the continuity of its leading role in this area direct its objectives.

Our company's strategy is to provide customer-focused service as a media organization that integrates all kinds of business fields and platforms by continuously communicating with readers and constantly renewing and increasing its market value as well as developing special products for the reader, producing content with traditional brands, closely monitoring the changes in technology, diversifying and expanding content distribution channels using creative methods, preparing information and entertainment products and tools tailored to individuals, diversifying and increasing the number of sales and distribution channels and collaborating with the world's leading media organizations.

19.2. Our vision, mission and strategic goal have been announced to the public on our corporate website and annual activity report.

19.3. Strategic targets created by our managers in line with our company's plans are submitted to the approval of Board of Directors to be evaluated by them.

19.4. Whether or not our company achieves the specified targets is evaluated at the monthly meetings held by our Board of Directors and the detailed reports prepared by our Company's results and performance are reviewed.

19.5. Our Board of Directors and management constantly monitor the situation of our Company considering the strategic objectives of our Company. Periodic and frequent management meetings are to discuss the situations of the Company and new targets and strategies are developed.

20. Financial Benefits

20.1. Resolutions related to the attendance fee, salary, annual profit share, bonus and premium payments to Board Members are taken by the General Assembly. Depending on their duties, powers and responsibilities of Board Members, the financial benefits may be differentiated.

In determining the financial benefits to be provided to the independent board members, the provisions of the Capital Markets Law, Capital Markets Board regulations and other applicable legislation shall be observed. The Board of Directors shall determine the amount and conditions of the chairperson and members of the committee, whether any fees will be paid for their duties undertaken by under such committees.

The "remuneration policy" established in relation to the financial benefits to be provided to the Board Members and senior executives and announced to the public on the Company's corporate website has been submitted to the shareholders during the General Meeting as a separate item of the agenda.

The Board of Directors shall determine whether Committee and the members of the committee are to be paid, and if they are, the amounts and conditions of such payments and the decision to form the concerning committee shall also be determined. In the event that the Chairperson and Members of the Committee are the Chairperson and Board Members at the same time, the amounts and conditions are determined by the General Assembly in the event that such fees are resolved by the same to be paid the members of the Committee.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

20. Financial Benefits (Continued)

20.2. It is advised that a payment amounting TRY 12,502,273, designated for Board Members (including attendance fee as determined by the Board of Directors) and Senior Executives that have been assigned for the execution actions of the Company, which has been disclosed to the public and published in the Company's corporate internet website, has been paid for the accounting period of January 1, 2016 – December 31, 2016 under the Company's "Remuneration Policy".

It is unanimously resolved during the Extraordinary General Meeting held on August 23, 2017 that Independent Board Members be paid net TRY 10,000, while other each other Board Member be paid net TRY 5,000 on a monthly basis.

20.3. The Company does not grant loan nor any give credits a Board Member or manager directly or indirectly.

21. Current Status Of The Company In Complying With The Corporate Governance Principles

21.1. Except for the principles required to be observed as stipulated in the II-17.1 Corporate Governance Communique published by the Capital Markets Board, our Company has demonstrated maximum efforts to comply with such non-compulsory principles.

21.2. Principles not practised and our assessments in this regard have been explained above and there is no conflict of interest occurred due to the said matters within the Company.

- **Article 1.5.2** *Minority rights can also be granted those who have less than twenty percent of the capital in accordance with the Articles of Association. Scope of the minority rights can be stipulated and extended in the Articles of Association.*

There is no special provision for the minority right in the Articles of Association of the Company and all the relevant articles stipulates that regulations and provisions of CMB, TTK (Turkish Code of Commerce) and other legislations are observed.

- **Article 2.1.3** *Financial statement notifications, except for material disclosures and notes, which are required to be disclosed to the public in accordance with the regulations of the capital market, are published in Turkish and English in KAP. English language explanations are prepared in a summary format that is accurate, complete, direct, understandable, sufficient, and descriptive to help people who benefit from such disclosures make right decisions.*

All obligations under the relevant legislation in the KAP disclosures are fully fulfilled in our Company. Nevertheless, English translations of the financial statements notifications, except for the material disclosures and their footnotes, which should be disclosed to the public under the capital market law in the KAP, are not made available. However, depending on the developments in the related law in the future, financial statement notifications, except for material disclosures and footnotes, may be provided in English.

- **Article 3.1.2** *Effective and expeditious compensation is provided in case of violation of the protected rights of the stakeholders by the legislation and contracts. The company provides necessary facility to use mechanisms such as the compensation provided to the stakeholders in accordance with the relevant regulations. It also creates a compensation policy for the employees of the company and it is made available to the public through the corporate website.*

There is no compensation policy prepared for the personnel of the Company. Still, relevant provisions of Labour Law Nr. 4857 and Press Labour Law Nr. 5953 are applied in such cases.

9. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

PART IV - STAKEHOLDERS (Continued)

21. Current Status Of The Company In Complying With The Corporate Governance Principles (Continued)

- **Article 3.2.1** Models that support the participation of stakeholders, especially the employees of the company, in the management of the company are developed in a manner to not interfere with the activities of the company. Models adopted by the company are included in the company's internal regulations or in its Article of Association.

In Company's internal regulations and the Articles of Association, there are no specific model exists to support the participation of stakeholders in Company management. The management of the company is determined by taking into consideration the experience and expertise among the candidates, so as to observe the interests of all the stakeholders. Shareholders, investors, financing organizations and suppliers, all making up the stakeholders of our Company, can access information regarding our Company through meetings held and presentations made as well as through news shared in both printed and visual media via our Corporate Website in accordance with Capital Markets Law, related Law, CMB Regulation and Resolutions including Information Policy of the Company.

- **Article 4.2.8** The damages caused by the defects of the Board Members during their period of office shall be insured at a rate exceeding 25% of the company's capital and this matter shall be explained in KAP.

The damages caused by the defects of the Board Members during their period of office have been insured at a rate exceeding 25% of the company's capital. Doğan Şirketler Grubu Holding A.Ş., our parent company, has made an insurance covering the personal liabilities arising from legal liabilities to the members of the board of directors and its management in the company itself and its affiliated partners and to the members of the board of directors and managers appointed to the joint management or to the companies in minority management. Accordingly, Board Members and managers are covered by this insurance.

- **Article 4.3.9** The company sets a target rate and target time for the rate of female members in the Board of Directors to be not less than 25%, and sets a policy to achieve these goals. Board of Directors evaluates this progress made for the purpose of reaching these targets.

There are two women board members in the Board of Directors of the Company. Béatrice de Clermont Tonnerre serves as a Deputy Board Chairperson and Independent Board Member. There is no written policy for exceeding 25% target at present.

- **Article 4.5.5** Due care is exercised not to allow a board member to be assigned in more than one committee.

Save for the independent board members, there is no board member who is assigned in more than one committee.

- **Article 4.6.5** The fees paid and all other benefits provided to the Board Members and managers who have administrative responsibilities shall be disclosed to the public through the annual activity report. Person-based explanation shall be made.

Financial rights provided to board members and senior managers are disclosed collectively in the company's annual report. As stipulated in the Articles of Association of the Company, resolutions related to the attendance fee, salary, annual profit share, bonus and premium payments to Board Members are taken by the General Assembly. Attendance fee is paid to the Board Members based upon their membership to the Board Of Directors. There is no person-based explanation for the fees and all the other benefits provided to the managers who have administrative responsibility in accordance with competition principle.

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 BOARD OF DIRECTORS

<u>Date of Resolution</u>	: March 5, 2018.
<u>Resolution No</u>	: 2018/03
<u>Signed By</u>	: Ahmet TOKSOY (Chairperson Béatrice de Clermont TONNERRE (Deputy Chairperson/Independent Board Member) Çağlar GÖĞÜŞ (Executive Member) Vuslat SABANCI (Member) Fikret BİLÂ (Member) Sedat ERGİN (Member) Kai Georg DIEKMANN (Member) Gündüz KÖSEMEN (Independent Member) Değerhan Usluel (Independent Member) Sedat Gümüšoğlu (Independent Member)

This Resolution has been signed by the Members of the Management Board in accordance with the provision IV of Article 390 of Turkish Code of Commerce. It is hereby resolved that

The attached Consolidated Financial Report for the accounting period of January 1, 2017 - December 31, 2017, subjected to independent audit, compared to the previous, and prepared in accordance with "Statement on Principles Regarding Financial Reporting on Capital Market" (II - 14.1) provisions of SPK and according to Turkish Accounting Standards ("TMS") and Turkish Financial Reporting Standards ("TFRS") as published by "Public Oversight, Accounting and Auditing Standards Institute ("KGK"), of which presentation principles have been developed by KGK based on the sub-paragraph of (b), clause 9 of the Decree-Law nr. 660 and determined and disclosed to the public through the Resolution taken on June 2, 2016 and numbered 30, disclosed in accordance with 2016 TMS Taxonomy with the Weekly Bulletin dated July 15, 2016 and numbered 2016/22 of CMB, based upon the Resolution of CMB dated July 15, 2016 and numbered 22/805 and they are subjected to the independent audit in accordance with Turkish Audit Standards ("TDS") and they are disclosed to the public and submitted to the our Board of Directors upon receiving the correction suggestion and approval of the Audit Committee and related managers and be accepted,

Upon receiving the correction suggestion and approval of the Audit Committee and related managers, Financial Statement and its Footnotes for the accounting period of January 1, 2017 - December 31, 2017, subjected to independent audit and prepared in accordance with the relevant provisions of Turkish Code of Commerce ("TTK"), "Communique On Determination Of Minimum Content of Annual Activity Reports of Companies" of the Ministry of Customs and Trade ("Ministry") and "Statement on Principles Regarding Financial Reporting on Capital Market" (II - 14.1) of CMB, and it be accepted,

The attached Corporate Governance Principles Compliance Report for the accounting period of January 1, 2017 - December 31, 2017 prepared in accordance with II-17.1 "Corporate Governance Communique" of CMB, of which presentation principles are determined by the Resolution of CMB with January 27, 2014 and number 2/35 and published with the Weekly Bulletin of CMB with January 27, 2014 and number 2014/02, be accepted.

Ahmet TOKSOY (Chairperson)	Béatrice de Clermont TONNERRE (Deputy Chairperson and Independent Member)
Çağlar GÖĞÜŞ (Executive Board Member)	Vuslat SABANCI (Member)
Fikret BİLÂ (Member)	Sedat ERGİN (Member)
Kai Georg DIEKMANN (Member)	Gündüz KÖSEMEN (Independent Member)
Sedat GÜMÜŞOĞLU (Independent Member)	Değerhan USLUEL (Independent Member)

11. RESOLUTION OF CORPORATE GOVERNANCE COMMITTEE

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

RESOLUTION OF CORPORATE GOVERNANCE COMMITTEE

DATE : March 2, 2018

SUBJECT : Discussion and Evaluation the Annual Report and Corporate Governance Principles Compliance Report for the Period January 1, 2017 - December 31, 2017.

Annual Report for the period January 1, 2017 - December 31, 2017, subjected to independent audit and, which complies with the financial statement and footnotes prepared in accordance with the relevant provisions of the law, prepared in accordance with the relevant provisions of Turkish Code of Commerce ("TTK"), "Communique On Determination Of Minimum Content of Annual Activity Reports of Companies" of the Ministry of Customs and Trade ("Ministry") and "Statement on Principles Regarding Financial Reporting on Capital Market" (II - 14.1) of CMB as well as Corporate Governance Principles Compliance Report for the accounting period of January 1, 2017 - December 31, 2017 prepared in accordance with II-17.1 "Corporate Governance Communique" of CMB, of which presentation principles are determined by the Resolution of CMB with January 27, 2014 and number 2/35 and published with the Weekly Bulletin of CMB with January 27, 2014 and number 2014/02, included in the Activity Report of the Company, are reviewed upon receiving the opinion of the managers responsible for the preparation of such reports and our opinion, limited with the information we have and conveyed to us, on the said Activity Report and Corporate Governance Principles Compliance Report has been submitted to the managers responsible for the preparation of Activity Report and Corporate Governance Principles Compliance Report and it is accordingly agreed that the said Activity Report and Corporate Governance Principles Compliance Report reflect the true state of the activity results of our Company, that they have no significant deficiency that will lead it to be misleading and they observe the Regulations of Turkish Code of Commerce, Ministry and CMB.

Gündüz Kösemen
Chairperson

Dr. Murat Doğu
Member

Nihan Sena Hertaş
Member

12. RESOLUTION OF THE AUDIT COMMITTEE

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş. RESOLUTION OF THE AUDIT COMMITTEE

DATE : March 2, 2018

SUBJECT : Discussion and Evaluation the Financial Report for the Period between January 1, 2017 - December 31, 2017.

The Consolidated Financial Report for the period between January 1, 2017 - December 31, 2017, subjected to independent audit, compared to the previous period, and prepared in accordance with "Statement on Principles Regarding Financial Reporting on Capital Market" (II - 14.1) provisions of SPK and according to Turkish Accounting Standards ("TMS") and Turkish Financial Reporting Standards ("TFRS") as published by "Public Oversight, Accounting and Auditing Standards Institute ("KGK"), of which presentation principles have been developed by KGK based on the sub-paragraph of (b), clause 9 of the Decree-Law Nr. 660 and determined and disclosed to the public through the Resolution taken on June 2, 2016 and numbered 30, disclosed in accordance with 2016 TMS Taxonomy with the Weekly Bulletin dated July 15, 2016 and numbered 2016/22 of CMB, based upon the Resolution of CMB dated July 15, 2016 and numbered 22/805 and they are subjected to the independent audit in accordance with Turkish Audit Standards ("TDS") and they are disclosed to the public are reviewed upon receiving the opinion of the managers responsible for the preparation of Financial Reports of the Company.

Our opinion, limited with the information we have and conveyed to us, on the said Financial Report has been submitted to the managers responsible for the preparation of financial statements and footnotes making up the Financial Report and it is accordingly agreed that the said Financial Report reflects the true state of the activity results of our Company, that it has no significant deficiency that will lead it to be misleading and it observes the Regulations of CMB and KGK.

Gündüz KÖSEMEN - Chairperson

Sedat GÜMÜŞOĞLU - Member

13. FINANCIAL REPORT AND ANNUAL REPORT STATEMENT OF RESPONSIBILITY

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

OF THE MANAGEMENT BOARD REGARDING THE FINANCIAL REPORT AND ACTIVITY REPORT

DATE OF RESOLUTION : March 5, 2018

RESOLUTION NO : 2018/03

STATEMENT OF RESPONSIBILITY PURSUANT TO ARTICLE 9 OF SECOND SECTION OF COMMUNIQUÉ II-14.1 OF CAPITAL MARKETS BOARD

It is established that Consolidated Finance Table of Hürriyet Gazetecilik ve Matbaacılık A.S. company for the accounting period of January 1, 2017 - December 31, 2017, and our Activity Report for the accounting period of January 1, 2017 - December 31, 2017, both of which are subjected to independent audit and 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 ("TMS") and Turkish Financial Reporting Standards ("TFRS") as published by "Public Oversight, Accounting and Auditing Standards Institute ("KGK"), of which presentation principles have been developed by KGK based on the sub-paragraph of (b), clause 9 of the Decree-Law nr. 660 and determined and disclosed to the public through the Resolution taken on June 2, 2016 and numbered 30, disclosed in accordance with 2016 TMS Taxonomy with the Weekly Bulletin dated July 15, 2016 and numbered 2016/22 of CMB, based upon the Resolution of CMB dated July 15, 2016 and numbered 22/805 and they are subjected to the independent audit in accordance with Turkish Audit Standards ("TDS") and they are disclosed to the public are reviewed by us upon,

- the said Consolidated Financial Statement and Annual Report do not include a misstatement on important matters nor any deficiencies that may cause the statement(s) included in such reports to be misleading as of date of statement to the best of our knowledge we have in our area of duty and responsibility and that,
- the Consolidated Financial Report prepared in accordance with the applicable financial reporting standards fairly and accurately reflects the truth about the assets and liabilities as well as financial condition and loss and profit ratio of our Company and the Activity Report also fairly and accurately reflects the development, performance and financial condition of the Company as well as the crucial risks and uncertainties faced.

by the Company.

Gündüz Kösemen

Chairperson of the Audit Committee

Sedat Gümüőğlu

Audit Committee Member

Özgür Tokgöz Altun

Finance Director

Nihan Sena Hertaş

Finance and Investor Relations Director

14. BOARD OF DIRECTOR'S RESOLUTION ON DIVIDEND DISTRIBUTION AND DIVIDEND DISTRIBUTION TABLE

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş. RESOLUTION OF BOARD OF DIRECTORS

<u>Date of Resolution</u>	: March 5, 2018
<u>Resolution No</u>	: 2018/04
<u>Signed By</u>	: Ahmet TOKSOY (Chairperson) Béatrice de Clermont TONNERRE (Deputy Chairperson / Independent Board Member) Çağlar GÖĞÜŞ (Executive Member) Vuslat SABANCI (Member) Fikret BİLÂ (Member) Sedat ERGİN (Member) Kai Georg DIEKMANN (Member) Gündüz KÖSEMEN (Independent Board Member) Sedat GÜMÜŞOĞLU (Independent Board Member) Değerhan USLUEL (Independent Board Member)

As a result of meetings held:

This Resolution has been signed by Board Members in accordance with the provision IV of Article 390 of Turkish Code of Commerce.

Considering Turkish Code of Commerce, Capital Market Legislation and Regulations of Capital Markets Boards as well as Corporate Tax, Income Tax and other legal provisions including the relevant provisions of Articles of Association of our Company and the "Dividend Distribution Policy" disclosed,

- 1) It is unanimously resolved that Shareholders be informed and it be submitted to the approval of the General Assembly that no profit distribution shall be made for the accounting period of January 1, 2017 – December 31, 2017 and this matter be submitted to the General Meeting for approval according to the financial statements for January 1, 2017 – December 31, 2017 financial period prepared in accordance with "Statement on Principles Regarding Financial Reporting on Capital Market" (II - 14.1) provisions of SPK and according to Turkish Accounting Standards ("TMS") and Turkish Financial Reporting Standards ("TFRS") as published by "Public Oversight, Accounting and Auditing Standards Institute ("KGK"), of which presentation principles have been defined according to SPK decisions on the subject and passed through independent auditing; a total of TRY 264,505,378 "Net Period Loss" has occurred when considering "Deferred Tax Income", "Current Tax Expense", "Post-Tax Period Loss For Discontinued Operations" and "Non-Controlling Interest From Consolidated Participations" all together, adding "Previous Year Losses" amounting to TRY 452,953,866.81 as calculated by the Dividend Guide announced
- 2) In accordance with the relevant provisions of Tax Law and Considering "Net Period Profit" amounting to TRY 39,279,905.34, as remained after "Period Tax Expense" amounting to TRY 2,029,211.74 has been extracted from "Period Profit" which amounts to TRY 41,309,117.08, has occurred according to the accounting period of January 1, 2017 – December 31, 2017 as recorded in our financial records for such accounting period kept under Tax Legislation and in accordance with the Uniform Chart Of Account published by the Ministry of Finance of Republic of Turkey, "Legal Reserves" amounting to TRY 1,963,995.27 be reserved in accordance with the sub-article 1 of Article 519 of Turkish Code of Commerce, "Period Net Profit" amounting to TRY 3,649,714.00 as remained after the part amounting to TRY 33,666,169.07 acquired as a result of property sales (in Muğla Milas, Trabzon and Istanbul Bagcilar), which are exempted under KVK m5/1-e, be transferred to a "special fund account" in passive,

not subjecting it to the distribution of dividend, be also transferred to the “General Reserves” and this be submitted to the approval of the General Assembly.

Annex: Dividend Distribution Table

Ahmet TOKSOY
(Chairperson)

Béatrice de Clermont TONNERRE
(Deputy Chairperson-Independent Board Member)

Çağlar GÖĞÜŞ
(Executive Board Member)

Vuslat SABANCI
(Board Member)

Fikret BİLÂ
(Board Member)

Sedat ERGİN
(Board Member)

Kai Georg DIEKMANN
(Board Member)

Gündüz KÖSEMEN
(Independent Board Member)

Sedat GÜMÜŞOĞLU
(Independent Board Member)

Değerhan USLUEL
(Independent Board Member)

ANNEX1: DIVIDEND DISTRIBUTION POLICY

**Dividend Distribution Chart of HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.
FOR 2017 (In TRY)**

1. Paid / Issued Share		552,000,000	
2. Legal Reserves (According to Legal Records) (1)		41,552,085.19	
Should there is any privilege in distributing The profits, information on such privilege		None	
	According To CMB		According To Local Books
3. Period Profit /Loss (+/-) (2)		-19,599,830	41,309,117.08
4. Taxes (+/-) 3		58,793	-2,029,211.74
Non-controlling Interest (-)		-7,395,327.00	0.00
Loss for the period from Discontinued Operations (-) (4)		-252,359,668.00	0.00
5. Net Period Profit / Loss (+/-)		-264,505,378.00	39,279,905.74
6. Previous Years' Losses (-) (5)		-452,953,866.81	0.00
7. Legal Reserves (-)		-1,963,995.27	-1,963,995.27
"Profit from Property Sales" Transferred the "Account of Special Fund" Temporarily not to be Subjected to the Distribution (According to Legal Records) (-) (6)		-33,666,169.07	-33,666,169.07
8. NET DISTRIBUTABLE PERIOD PROFIT (+/-)		-753,089,409.15	3,649,741
9. Donations Made within Year (+/-)		849,574.00	
10. Net Profit Included Donations (+/-) (7)		-752,239,835.15	
11. First Dividend to Shareholders		0.00	
	Cash	0.00	
	Free	0.00	
	Sum	0.00	
12. Dividend Distributed To The Privileged Shareholders		0.00	
13. Other Dividend Distributed		0.00	
	For Employees	0.00	
	For Board Members	0.00	
	From Those Third Parties Other Than Shareholders	0.00	
14. Dividend Distributed to Those Shareholders With Dividend Share Certificates		0.00	
15. Second Dividend to Shareholders		0.00	
16. Legal Reserves		0.00	
17. Statuary Reserves		0.00	
18. Special Reserves		0.00	
19. Extraordinary Reserves		0.00	3,649,741
20. Other Resources Prospected To Be Distributed		0.00	0.00
	Previous Year Profit	0.00	0.00
	Extraordinary Reserves	0.00	0.00
Other Dividend Distributable According To Turkish Code of Commerce and Articles of Association		0.00	0.00

(1) "Inflation Adjustments" are not included

(2) Comprised from "Pre-Tax Loss of the Continued Operations"

(3) Comprised from "Period Tax Expense for the Period" and "Deferred Tax Income".

(4) It is the loss originating from the activities of the digital platforms that were ceased operating under the Pronto Media Holding, registered in Russia, which is an indirect subsidiary of Trader Media East Ltd.

(5) It has been calculated in accordance with Dividend Guide as published in the Weekly Bulletin of CMB numbered 2014/2 and dated January 27, 2014. It consisted those parts remaining after adding "Previous Years' Losses", "Premiums Regarding Shares" and "Legal Reserves".

(6) It is the part where property sales profits are exempted from the tax in accordance with clause 5-1/e of the Corporate Tax Law, for the purpose of transferring them to a Special Fund.

(7) It does not consist of distributable period profit.

Profit Share Percentage Chart

	GROUP	TOTAL DIVIDEND DISTRIBUTED		TOTAL DIVIDEND DISTRIBUTED / NET DISTRIBUTABLE PERIOD PROFIT	DIVIDEND CORRESPONDING TO SHARES WITH TRY 1 NOMINAL VALUE	
		CASH (TRY)	FREE (TRY)	PERCENTAGE (%)	AMOUNT (TRY)	PERCENTAGE (%)
NET		0,00	0,00	0,00	0,00	0,00
TOTAL		0,00	0,00	0,00	0,00	0,00

**15. CONSOLIDATED FINANCIAL TABLES AND INDEPENDENT AUDITOR REPORT FOR THE ACCOUNTING PERIOD
OF JANUARY 1, 2017 - DECEMBER 31, 2017**

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF JANUARY 1 - DECEMBER 31, 2017
TOGETHER WITH INDEPENDENT'S AUDITORS' REPORT**

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017
TOGETHER WITH INDEPENDENT'S AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



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

INDEPENDENT AUDITOR'S REPORT

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

Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Hürriyet Gazetecilik ve Matbaacılık A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of balance sheet as at 31 December 2017 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

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

3. Key Audit Matters

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



Key audit matters	How our audit addressed the key audit matter
<p>Assessment of impairment tests for intangible assets</p> <p>Intangible assets of the Group consist of intangible assets with definite and indefinite useful lives.</p> <p>The Group decided to discontinue the activities of the digital platforms of its subsidiaries in Russia due to the intense competition in the marketplace and the level of operational performance which is lower than the Group's expectations. In this context, the Group accounted for a provision for impairment amounting to TRY 279,096,574 as of 31 December 2017 for the aforementioned assets, since the carrying amount of the intangible assets is lower than their recoverable amount. The provision for impairment was accounted for under "Discontinued Operations" in the statement of profit or loss, related currency translation differences was continued to be accounted under equity (Note 22).</p> <p>The carrying amount of intangible assets is material to the consolidated financial statements. Moreover, significant estimations and assumptions were used during the impairment tests performed by the Group management. These assumptions are growth expectations of earnings before interest, tax and depreciation, ultimate growth rates and discount rates used for determining the net present value of the cash flows. These assumptions and estimations are very sensitive to the expected market conditions. Because of these reasons, the impairment test of intangible assets was a key area for our audit.</p> <p>Explanations related to the accounting policies of impairment test of intangible assets and the disclosures of the Group are included in notes 2.2.4, 2.2.8, 2.2.9 and 15.</p>	<p>The procedures that we have performed by taking into consideration the evaluations of the valuation experts in PwC Turkey for the response of risk of material misstatement regarding to the Group's impairment test of intangible assets as of 31 December 2017 are as follows:</p> <p>The mathematical accuracy of the valuation models used during the impairment test was tested.</p> <p>Assessment of appropriateness of the budget data approved by Group's management with respect to prior period financial performance was performed.</p> <p>Reasonableness of the data used in valuation models have been assessed by considering their consistency compared to the budgets approved by the Group's management.</p> <p>Appropriateness of significant assumptions such as growth rates and discount rates used in discounting of cash flows have been evaluated with our valuation experts by comparing rates used in the relevant industries.</p> <p>The analysis and related conclusions of the Group's management regarding the sensitivity of the assumptions compared to the market conditions have been analysed.</p> <p>The disclosures related to the impairment test and its results and the sufficiency of those disclosures were assessed based on the TAS.</p> <p>We had no material findings in our audit procedures related to the assessment of impairment tests for intangible assets.</p>



Key audit matters	How our audit addressed the key audit matter
<p data-bbox="256 595 863 658">Investment properties that are measured by the fair value method</p> <p data-bbox="256 696 874 860">As explained in Note 13, as of 31 December 2017, the Group’s investment properties, which have a carrying amount of TRY 172,479,346 and represent a significant share of total assets, comprise of land and buildings.</p> <p data-bbox="256 898 874 1368">The accounting policy for investment properties used by the Group management is the “fair value method”, as described in Note 2.2. The fair values of these assets are determined by independent valuation experts authorised by the Capital Markets Board (“CMB”) and are recognised in the consolidated financial statements after being assessed by the Group management. Fair values of the investment properties depend on the valuation method used as well as the input and assumptions used in the valuation model. Fair values are directly affected by factors such as market conditions, specific characteristics, physical condition and the geographic location of each investment property.</p> <p data-bbox="256 1406 707 1435">The reasoning of our focus in this area:</p> <ul data-bbox="256 1473 863 1762" style="list-style-type: none"> <li data-bbox="256 1473 863 1536">• The quantitative materiality of the investment properties in the financial statements, <li data-bbox="256 1574 863 1762">• When determining the fair values of the investment properties, methods such as the benchmarking analysis approach, cost approach and direct capitalisation approach are used, and these methods include variables that may lead to changes in the fair values. 	<p data-bbox="896 629 1477 824">Valuation reports prepared by the independent property valuation institutions assigned by the Group are obtained and the property valuation accreditations and licences of these institutions granted by the Capital Markets Board are checked in accordance with the SIA.</p> <p data-bbox="896 862 1385 925">Deeds and ownership ratios of investment properties were tested on a sample basis.</p> <p data-bbox="896 963 1493 1158">We compared the consistency of the inputs which have a significant impact on the property value determined and were stated in the valuation reports, such as unit sales value, against observable market prices, and then tested whether the appraised values are within an acceptable range.</p> <p data-bbox="896 1196 1477 1391">Fair values stated in the valuation reports were compared with the disclosures in the consolidated financial statements to assess if the values in the disclosures and accounting records are consistent with the valuation report and the disclosures are sufficient based on the requirements of the TAS.</p> <p data-bbox="896 1429 1453 1529">We had no material findings in our audit procedures related to the investment properties accounted for using the fair value method.</p>



Key audit matters	How our audit addressed the key audit matter
<p data-bbox="256 595 839 658">Fair value of land and buildings which are accounted for using the fair value method</p> <p data-bbox="256 692 874 898">As explained in Note 14, the Group started to account for land and buildings accounted under property, plant and equipment at their fair value as of 31 December 2017. The fair value of land and buildings was TRY 205,765,665 as of 31 December 2017, and a fair value increase of TRY 128,998,064 was accounted for under equity.</p> <p data-bbox="256 931 874 1346">The accounting policy of the Group management in accounting for these lands and buildings is the “fair value method”, as described in detail in Note 2.2. The fair values of these assets are determined by independent valuation institutions authorised by the Capital Markets Board (“CMB”) and are recognised in consolidated financial statements after being assessed by the Group management. Fair values of the investment properties depend on the valuation method used as well as the input and assumptions in the valuation model. Fair values are directly affected by factors such as market conditions, specific characteristics, physical condition and the geographic location of each investment property.</p> <p data-bbox="256 1379 703 1402">The reasoning of our focus in this area:</p> <ul data-bbox="256 1435 874 1738" style="list-style-type: none"> <li data-bbox="256 1435 874 1491">• The quantitative significance of land and buildings in the financial statements, <li data-bbox="256 1525 874 1738">• When determining the fair values of the land and buildings, methods such as the benchmarking analysis approach, cost approach and direct capitalisation approach are used, and these methods include variables that can lead to changes in the fair values of the properties. 	<p data-bbox="900 629 1477 819">Valuation reports prepared by the independent property valuation institutions assigned by the Group are obtained and the property valuation accreditations and licences of these institutions granted by the Capital Markets Board are checked in accordance with SIA.</p> <p data-bbox="900 864 1477 920">Deeds and ownership ratios of land and buildings were tested on a sample basis.</p> <p data-bbox="900 965 1493 1155">We compared the consistency of the inputs which have a significant impact on the property value determined and were stated in the valuation reports, such as unit sales value, against observable market prices, and then tested whether the appraised values are within an acceptable range.</p> <p data-bbox="900 1200 1477 1391">Fair values stated in the valuation reports were compared with the disclosures in the consolidated financial statements to assess if the values in the disclosures and accounting records are consistent with the valuation report and the disclosures are sufficient based on the requirements of the TAS.</p> <p data-bbox="900 1435 1414 1536">We had no material findings in our audit procedures related to the land and buildings accounted for using the fair value method.</p>



4. Other matter

The consolidated financial statements of the Group as of 31 December 2016 and for the year then ended were audited by another audit firm whose audit report dated 3 March and 29 March 2017 expressed an unqualified opinion.

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

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

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

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

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

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

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

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

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



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 5 March 2018.

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

A handwritten signature in blue ink, appearing to read "Gökhan Yüksel", is written over a faint blue circular stamp.

Gökhan Yüksel, SMMM
Partner

İstanbul, 5 March 2018

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

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

	Note	(Audited) Current Period	(Audited) Prior Period
	references	31 December 2017	31 December 2016
ASSETS			
Current assets		312,550,446	286,251,146
Cash and cash equivalents	4	65,946,767	24,295,720
Financial investment	6	68,713	111,500
Trade receivables			
-Trade receivables from related parties	33	37,988,588	32,593,103
-Trade receivables from non-related parties	8	184,369,460	204,353,838
Other receivables			
-Other receivables from non-related parties	9	3,217,598	2,106,069
Inventories	11	13,848,026	13,743,974
Prepaid expenses	20	4,083,170	4,519,587
Other current assets	21	3,028,124	4,527,355
Non-current assets		456,583,934	647,424,741
Financial investments	6	1,343,821	1,343,821
Other receivables			
-Other receivables from non-related parties	9	2,056,772	3,440,787
Financial investments accounted for using the equity method	12	7,124,215	7,368,572
Investment properties	13	172,479,346	227,665,717
Tangible assets	14	253,501,615	130,076,762
Intangible assets			
-Other intangible assets	15	18,277,333	277,201,815
Deferred tax assets	31	1,800,832	327,267
Total assets		769,134,380	933,675,887

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

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

	Note	(Audited) Current Period	(Audited) Prior Period
	references	31 December 2017	31 December 2016
LIABILITIES			
Current liabilities		251,518,848	283,312,598
Short-term borrowings	7	10,550,732	72,725,361
Short-term portion of long-term borrowings	7	101,139,261	75,259,960
Trade payables			
-Trade payables to related parties	33	22,575,033	26,164,835
-Trade payables to non-related parties	8	51,132,420	53,060,248
Employee benefit payables	10	6,160,715	6,592,014
Other payables			
-Other payables to non-related parties	9	10,388,050	8,891,934
Derivative instruments	5	1,098,340	-
Deferred income	20	26,192,931	18,224,955
Current income tax liabilities	31	1,773,031	1,006,854
Short-term provisions			
-Short-term provisions for employment benefits	17	13,381,264	13,686,035
-Other short-term provisions	17	5,946,278	5,779,785
Other short-term liabilities	21	1,180,793	1,920,617
Non-current liabilities		214,508,622	233,768,358
Long-term borrowings	7	150,478,785	139,729,311
Deferred income	20	1,292,312	-
Long-term provisions			
-Long-term provisions for employment benefits	19	46,184,398	45,199,424
Deferred tax liability	31	16,553,127	48,839,623
Total Liabilities		466,027,470	517,080,956

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

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

	Note	(Audited) Current Period	(Audited) Prior Period
	references	31 December 2017	31 December 2016
EQUITY			
Total equity		303,106,910	416,594,931
Equity attributable to equity holders of the parent company			
Share capital	22	552,000,000	552,000,000
Inflation adjustment to share capital	22	77,198,813	77,198,813
Share premiums	22	76,944	76,944
Other comprehensive income and expenses that will not be reclassified subsequently to profit or loss			
- Gain (loss) on remeasurement			
- Gain (loss) on revaluation of property	22	187,778,810	71,169,629
- Gain (loss) on remeasurement of defined benefit plans	22	(18,617,479)	(17,590,552)
Other comprehensive income and expenses that may be reclassified subsequently to profit or loss			
- Currency translation differences	22	72,041,619	57,552,514
- Derivatives used for hedging			
- Gain (loss) from cash flow hedges	22	(856,705)	-
Restricted reserves	22	191,532,907	187,166,210
Retained earnings		(494,582,896)	(443,630,506)
Net profit (loss) for the period		(264,505,378)	(72,463,833)
Non-controlling interests		1,040,275	5,115,712
Total liabilities and equity		769,134,380	933,675,887

These consolidated financial statements as at and for the period ended 31 December 2017 were approved by the Board of Directors on 5 March 2018.

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

	Note References	(Audited) Current Period 1 January- 31 December 2017	(Audited) Prior Period 1 January- 31 December 2016
Sales	23	538,241,270	544,427,099
Cost of sales (-)	23	(312,082,367)	(317,840,663)
Gross profit (loss)		226,158,903	226,586,436
General administrative expenses (-)	24	(82,637,090)	(84,709,048)
Marketing expenses (-)	24	(122,531,643)	(122,162,501)
Other operating income	26	32,713,917	40,004,091
Other operating expenses (-)	27	(44,214,050)	(28,313,893)
Operating profit (loss)		9,490,037	31,405,085
Share of (loss)/gain of investments accounted by the equity method	12	(1,680,725)	(391,280)
Income from investing activities	28	39,893,378	22,209,943
Expenses from investing activities (-)	29	(24,933,882)	(2,087,198)
Operating profit (loss) before finance income (expense)		22,768,808	51,136,550
Finance expenses (-)	30	(42,368,638)	(47,554,881)
Profit (loss) before tax from continuing operations		(19,599,830)	3,581,669
Tax income (expense) of continuing operations	31	58,793	(5,590,335)
Current tax income (expense)	31	(2,378,344)	(5,804,670)
Deferred tax income (expense)	31	2,437,137	214,335
Profit (loss) for the period from continuing operations		(19,541,037)	(2,008,666)
Profit (loss) for the period from discontinued operations			
Profit (loss) for the period from discontinued operations	3g	(252,359,668)	(84,652,277)
Net profit (loss) for the period		(271,900,705)	(86,660,943)
Allocation of net profit (loss) for the period			
Attributable to non-controlling interests		(7,395,327)	(14,197,111)
Attributable to equity holders of the parent company	32	(264,505,378)	(72,463,832)
Loss per share (TRY)			
Attributable to shareholders of the parent company	32	(0.4792)	(0.1313)

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

	Note References	(Audited) Current Period 1 January- 31 December 2017	(Audited) Prior Period 1 January- 31 December 2016
Other comprehensive income statement			
Net profit (loss) for the period		(271,900,705)	(86,660,943)
Other comprehensive income			
Other comprehensive income (expense) that will not be subsequently reclassified to profit and loss			
- Gain (loss) on revaluation of property	14	134,770,872	73,699,081
- Gain (loss) on revaluation for defined benefits	19	(1,291,830)	(2,793,835)
Taxes related to other comprehensive income (expense) that will not be subsequently reclassified to profit and loss			
- Gain (loss) on revaluation of property, tax effect		(18,161,691)	(3,534,012)
- Gain (loss) on revaluation for defined benefits, tax effect		264,903	558,767
Other comprehensive income (expense) that will be subsequently reclassified to profit and loss			
- Currency translation differences		14,991,482	82,089,483
- Other comprehensive income (expense) from cash flow hedges		(1,070,881)	-
Taxes related to other comprehensive income (expense) that will be subsequently reclassified to profit and loss			
- Other comprehensive income (expense) from cash flow hedges, tax effect		214,176	-
Other comprehensive income (expense)		129,717,031	150,019,484
Total comprehensive income (expense)		(142,183,674)	63,358,541
Allocation of total comprehensive income (expense)			
Attributable to non-controlling interests		(6,892,950)	(4,968,984)
Attributable to shareholders of the parent company		(135,290,724)	68,327,525

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

	Note references	Share capital	Inflation adjustment to share capital	Share premiums (discounts)	Hedge instrument gain (loss)	Currency translation differences ⁽¹⁾	Other comprehensive income (expense) that will be subsequently reclassified to profit or loss	Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss	Accumulated profits		Equity attributable to		Total equity	
							Gain (losses) on property revaluation	Gain (losses) on remeasurement of defined benefit plan	Retained earnings / (losses)	Net profit / (loss) for the period	of the parent company	Non-controlling interests		
Balances at 1 January 2016	22	552,000,000	77,198,813	76,944	-	(15,308,843)	1,024,515	(15,355,484)	187,166,210	(383,832,770)	(30,499,114)	372,470,271	(19,251,048)	353,219,223
Transfer		-	-	-	-	-	(19,955)	-	-	(30,479,159)	30,499,114	-	-	-
Dividend payments		-	-	-	-	-	-	-	-	-	-	-	(81,907)	(81,907)
Proceeds from changes in ownership interests in subsidiaries that do not result in loss of control ⁽²⁾		-	-	-	-	-	-	-	-	(29,318,577)	-	(29,318,577)	29,417,652	99,075
Total comprehensive income / (expense)		-	-	-	-	72,861,357	70,165,069	(2,235,068)	-	(72,463,833)	68,327,525	(4,968,985)	63,358,540	
- Other comprehensive income (expense)		-	-	-	-	72,861,357	70,165,069	(2,235,068)	-	-	140,791,358	9,228,126	150,019,484	
-Net profit (loss) for the period		-	-	-	-	-	-	-	-	(72,463,833)	(72,463,833)	(14,197,111)	(86,660,944)	
Balances at 31 December 2016	22	552,000,000	77,198,813	76,944	-	57,552,514	71,169,629	(17,590,552)	187,166,210	(443,630,506)	(72,463,833)	411,479,219	5,115,712	416,594,931
Balances at 1 January 2017	22	552,000,000	77,198,813	76,944	-	57,552,514	71,169,629	(17,590,552)	187,166,210	(443,630,506)	(72,463,833)	411,479,219	5,115,712	416,594,931
Transfer		-	-	-	-	-	-	-	4,366,697	(76,830,530)	72,463,833	-	-	-
Proceeds from changes in ownership interests in subsidiaries that do not result in loss of control ⁽³⁾		-	-	-	-	-	-	-	-	25,878,140	-	25,878,140	2,817,513	28,695,653
Total comprehensive income / (expense)		-	-	-	(856,705)	14,489,105	116,609,181	(1,026,927)	-	(264,505,378)	(135,290,724)	(6,892,950)	(142,183,674)	
- Other comprehensive income (expense)		-	-	-	(856,705)	14,489,105	116,609,181	(1,026,927)	-	-	129,214,654	502,377	129,717,031	
-Net profit (loss) for the period		-	-	-	-	-	-	-	-	(264,505,378)	(264,505,378)	(7,395,327)	(271,900,705)	
Balances at 31 December 2017	22	552,000,000	77,198,813	76,944	(856,705)	72,041,619	187,778,810	(18,617,479)	191,532,907	(494,582,896)	(264,505,378)	302,066,635	1,040,275	303,106,910

- As explained in Note 3g and 22, the Board of Directors of Pronto Media Holding which is a subsidiary of Trader Media East Ltd ("TME") that owned by 97.29% by the Group, has decided to discontinue the digital operations in its territory and impairment losses have been recognized on related operations under "discontinued operations" in the income statement. Additionally, as explained in detail in Note 2.2.15, foreign currency translation differences recognized under equity attributable to TME activities will be transferred from equity to profit or loss when the necessary conditions are met.
- 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 share premium recognised in financial statements of Glokal Digital Hizmetler A.Ş. ("Glokal") in the context of sales of 8% shares of Glokal to non-controlling interest, was accounted under previous years' losses in equity.

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

	Note References	(Audited) Current Period 1 January- 31 December 2017	(Audited) Prior Period 1 January- 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss) for the period		19,063,166	18,985,703
<i>Profit / (loss) from continuing operations</i>		<i>(271,900,705)</i>	<i>(86,660,943)</i>
<i>Profit (loss) from discontinued operations</i>		<i>(19,541,037)</i>	<i>(2,008,666)</i>
<i>Profit (loss) from discontinued operations</i>		<i>(252,359,668)</i>	<i>(84,652,277)</i>
Adjustments to reconcile profit / (loss) for the period		345,241,936	165,433,481
Adjustments related to depreciation and amortization expenses	14, 15	32,163,606	46,927,995
Adjustments related to impairment / (reversal)			
<i>Adjustments related to impairment / (reversal) of receivables</i>	8, 27	<i>26,942,868</i>	<i>8,670,491</i>
<i>Adjustments related to provision for impairment of inventories</i>	11	<i>524,601</i>	<i>1,960,907</i>
<i>Adjustments related to impairment (reversal) of other intangible assets</i>	15	<i>279,096,574</i>	<i>77,148,188</i>
<i>Adjustments related to impairment (reversal) of tangible assets</i>		<i>6,037,278</i>	<i>-</i>
<i>Adjustments related to impairment (reversal) of investment property</i>	28, 29	<i>(20,127,878)</i>	<i>(15,697,992)</i>
Adjustments related to provisions			
<i>Adjustments related to (reversal) of provision for employment benefits</i>	17, 19	<i>13,642,555</i>	<i>10,472,985</i>
<i>Adjustments related to litigation and legal provisions (reversal)</i>	17	<i>4,110,287</i>	<i>1,555,124</i>
<i>Adjustment related to general provisions (reversals)</i>		<i>347,454</i>	<i>(354,100)</i>
<i>Adjustment related to free provisions / (reversal) for probable risks</i>		<i>-</i>	<i>(2,544,556)</i>
<i>Adjustment related to other provisions (reversals)</i>		<i>(3,786,886)</i>	<i>(4,162,340)</i>
Adjustments related to interest (income) / expense			
<i>Adjustments related to interest income</i>	26	<i>(2,220,534)</i>	<i>(2,061,918)</i>
<i>Adjustments related to interest expense</i>	30	<i>40,881,345</i>	<i>37,034,327</i>
<i>Unearned finance income due to term purchases</i>	26	<i>11,676,861</i>	<i>9,740,933</i>
<i>Unearned finance revenue due to term sales</i>	27	<i>7,709,743</i>	<i>1,586,022</i>
Adjustments related to undistributed profits of investments accounted at equity method			
<i>Adjustments related to undistributed profits of associates</i>	12	<i>1,680,725</i>	<i>391,280</i>
Adjustments related to tax (income) / expense	31	<i>(54,188,461)</i>	<i>(6,531,500)</i>
Other adjustment related to noncash items		<i>(311,910)</i>	<i>1,737,144</i>
Adjustments regarding to (gain) / loss on sale of fixed assets			
<i>Adjustments related to (gain) / loss on sale of tangible assets</i>	28, 29	<i>1,063,708</i>	<i>(439,509)</i>
Changes in working capital		(43,277,492)	(42,629,923)
Adjustments related to (increase) / decrease in trade receivables			
<i>(Increase) / decrease in trade receivables from related parties</i>		<i>(5,395,485)</i>	<i>(6,220,775)</i>
<i>(Increase) / decrease in trade receivables from third parties</i>		<i>(49,672,491)</i>	<i>(66,778,047)</i>
Adjustments related to (increase) / decrease in inventories		2,869,661	53,969
(Increase) / decrease in prepaid expenses		436,417	(1,793,572)
Adjustments related to increase / (decrease) in trade payables			
<i>Increase / (decrease) in trade payables to related parties</i>		<i>(3,589,802)</i>	<i>2,044,545</i>
<i>Increase / (decrease) in trade payables to third parties</i>		<i>(1,927,828)</i>	<i>16,400,046</i>
Increase / (decrease) in payables related to employee benefits		(431,299)	570,671
Increase / (decrease) in deferred income		9,260,288	12,634,273
Adjustments related to other increase / (decrease) in working capital			
<i>(Increase) / decrease in other assets related to operating activities</i>		<i>4,416,755</i>	<i>981,646</i>
<i>Increase / (decrease) in other liabilities related to operating activities</i>		<i>756,292</i>	<i>(522,679)</i>

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

	Note References	(Audited) Current Period 1 January- 31 December 2017	(Audited) Prior Period 1 January- 31 December 2016
Cash generated from operations		30,063,739	36,142,615
Employment benefits paid	17, 19	(14,434,762)	(9,620,123)
Payments related to other provisions	17	(3,620,604)	(9,233,161)
Taxes returns / (payments)	31	(1,612,167)	(3,712,201)
Other cash inflows / (outflows)	8, 26	8,666,960	5,408,573
CASH FLOWS FROM INVESTING ACTIVITIES		66,106,568	(6,764,945)
Cash inflows from sale of tangible, intangible assets and investment properties	13, 14, 15	87,298,003	10,482,847
Proceeds from sales of tangible, intangible assets and investment properties			
<i>Purchases of tangible assets</i>	14	<i>(12,596,116)</i>	<i>(12,806,265)</i>
<i>Purchases of intangible assets</i>	15	<i>(11,127,763)</i>	<i>(6,809,271)</i>
Dividends received	28	311,910	305,826
Interests received	26	2,220,534	2,061,918
CASH FLOWS FROM FINANCING ACTIVITIES		(39,995,679)	(66,980,328)
Cash flows from changes in ownership of an affiliate not resulting loss of control		28,695,653	99,075
Cash inflows from borrowing			
<i>Bank borrowings utilized</i>		<i>400,302,091</i>	<i>253,336,233</i>
Cash outflow related to payments of debt			
<i>Bank borrowings paid</i>		<i>(428,154,866)</i>	<i>(285,375,442)</i>
Dividends paid		-	(81,907)
Interests paid		(40,881,344)	(34,846,787)
Other cash inflows / (outflows)		42,787	(111,500)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES		45,174,055	(54,759,570)
Effects of exchange rate changes on cash and cash equivalents		(3,523,008)	(7,932,130)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		41,651,047	(62,691,700)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	24,295,720	86,987,420
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	65,946,767	24,295,720

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

As of 31 December 2017, the Group’s average number of personnel is 1,521 (31 December 2016: 2,050).

The address of the registered office is as follows:

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

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

Subsidiaries

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

Subsidiaries	Registered country	Geographic segment	Nature of business
Yenibiriş İnsan Kaynakları Hizmetleri			
Danışmanlık ve Yayıncılık A.Ş. (“Yenibiriş”)	Turkey	Turkey	Internet publishing
Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş. (“Glokal”)	Turkey	Turkey	Internet publishing
Hürriyet Zweigniederlassung GmbH. (“Hürriyet Zweigniederlassung”)	Germany	Europe	Printing newspaper
Hürriyet Invest B.V. (“Hürriyet Invest”)	Netherlands	Europe	Investment
Trader Media East (“TME”)	Jersey	Europe	Investment
Sporarena Dijital Hizmetler Pazarlama Ve Ticaret A.Ş. (“Sporarena”)	Turkey	Turkey	Internet publishing
TCM Adria d.o.o.	Croatia	Europe	Investment
Mirabridge International B.V.	Netherlands	Europe	Investment
ZAO Pronto Akzhol	Kazakhstan	Russia and EE	Newspaper and internet publishing
TOO Pronto Akmola	Kazakhstan	Russia and EE	Newspaper and internet publishing
OOO Pronto Samara	Russia	Russia and EE	Newspaper and internet publishing
ID Impress Media LLC	Russia	Russia and EE	Publishing
OOO Rukom	Russia	Russia and EE	Internet publishing
OOO Pronto Media Holding Ltd	Russia	Russia and EE	Newspaper and internet publishing
OOO Rektcentr	Russia	Russia and EE	Newspaper and internet publishing
Publishing House Pennsylvania Inc.	USA	Russia and EE	Investment
OOO SP Belpronto	Belarus	Russia and EE	Newspaper and internet publishing
Publishing International Holding BV	Netherlands	Europe	Investment

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint Ventures	Registered country	Geographic segment	Nature of business
TOV E-Prostir	Ukraine	Europe	İnternet publishing
SP Pronto Kiev	Ukraine	Europe	Newspaper and internet publishing

Associates

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Preparation and presentation of financial statements

Statement of Compliance with TAS

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

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

These consolidated financial statements are based on the statutory records, which are maintained under historical cost basis except lands, buildings, investment properties and derivative instruments.

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.

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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

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

2.1 Basis of presentation (Continued)

Functional and presentation currency

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

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

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

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

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

When a foreign operation is partially disposed of or sold, exchange differences recorded in equity are recognised in the 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.

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

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

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

2.1 Basis of presentation (Continued)

(a) Subsidiaries

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

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

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

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

- The size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, over vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities (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.

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

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

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

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

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

2.1 Basis of presentation (Continued)

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

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TAS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39 “Financial instruments: recognition and measurement”, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

Subsidiaries	Proportion of voting power held by Hürriyet and its Subsidiaries (%)		Effective ownership interest (%)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Yenibirış	100.00	100.00	100.00
Glokal	92.00	100.00	92.00	100.00
Hürriyet Zweigniederlassung	100.00	100.00	100.00	100.00
Hürriyet Invest	100.00	100.00	100.00	100.00
TME	97.29	97.29	97.29	97.29
SporArena ⁽¹⁾	100.00	-	100.00	-
ID Impress Media LLC	91.00	91.00	88.53	88.53
TCM Adria d.o.o. ⁽²⁾	100.00	100.00	97.29	97.29
Mirabridge International B.V.	100.00	100.00	97.29	97.29
ZAO Pronto Akzhol ⁽³⁾	80.00	80.00	77.83	77.83
TOO Pronto Akmola ⁽⁴⁾	100.00	100.00	97.29	97.29
OOO Pronto Atyrau ⁽⁵⁾	-	80.00	-	77.83
OOO Pronto Aktobe ⁽⁶⁾	-	64.00	-	62.26
OOO Pronto Aktau ⁽⁷⁾	-	80.00	-	77.83
OOO Pronto Baikal ⁽⁸⁾	-	100.00	-	97.29
OOO Pronto Kazan ⁽⁹⁾	-	72.00	-	70.05
OOO Pronto Oka ⁽¹⁰⁾	-	100.00	-	97.29
OOO Utro Peterburga ⁽¹¹⁾	-	55.00	-	53.51
OOO Pronto Samara	100.00	100.00	97.29	97.29
OOO Rukom ⁽¹²⁾	100.00	100.00	97.29	97.29
OOO Pronto Media Holding ⁽¹³⁾	100.00	100.00	97.29	97.29
OOO SP Belpronto	60.00	60.00	58.37	58.37
OOO Rektcentr	100.00	100.00	97.29	97.29
Publishing House Pennsylvania Inc	100.00	100.00	97.29	97.29
Pronto Ust Kamenogorsk ⁽¹⁴⁾	-	80.00	-	77.83
Publishing International Holding BV	100.00	100.00	97.29	97.29

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

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

2.1 Basis of presentation (Continued)

- ⁽¹⁾ The subsidiary was registered on 6 October 2017.
- ⁽²⁾ The subsidiary is in the process of liquidation as of 12 June 2017.
- ⁽³⁾ The subsidiary is in the process of liquidation as of 30 September 2017.
- ⁽⁴⁾ The subsidiary is in the process of liquidation as of 1 May 2017.
- ⁽⁵⁾ The subsidiary was liquidated as of 16 November 2017.
- ⁽⁶⁾ The subsidiary was liquidated as of 7 June 2017.
- ⁽⁷⁾ The subsidiary was liquidated as of 29 September 2017.
- ⁽⁸⁾ The subsidiary was liquidated as of 5 September 2017.
- ⁽⁹⁾ The subsidiary was liquidated as of 15 November 2017.
- ⁽¹⁰⁾ The subsidiary was liquidated as of 9 June 2017.
- ⁽¹¹⁾ The subsidiary was liquidated as of 14 August 2017.
- ⁽¹²⁾ The subsidiary ceased its operations in 2012.
- ⁽¹³⁾ The subsidiary decided to discontinue its digital platform operations with the board of decision minute dated 22 November 2017.
- ⁽¹⁴⁾ The subsidiary was liquidated as of 23 March 2017.

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

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

(b) Associates and joint ventures

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

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

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

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

2.1 Basis of presentation (Continued)

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

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

(c) *Non-controlling interests*

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

(d) *Financial investments*

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

2.1.4 Offsetting

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

2.1.5 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. Consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended are prepared comparatively with the financial statements prepared as at and the year then ended 31 December 2016.

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

2.1 Basis of presentation (Continued)

In the current period, in case of a necessity, prior period financial statements are reclassified in order to comply with the presentation of its current period consolidated financial statements and significant changes are explained. In accordance with the board decision dated 22 November 2017 of Pronto Media Holding, located in Russia as the indirect subsidiary of Trader Media East Ltd, of which the Group owns 97.29% shares, the Group decided to discontinue the operations of digital platforms within its body, and classified such operations as “discontinued operations.” In order to ensure consistency with the presentation of current period financial statements, the Group included such activities as discontinued operations in the income statement for the accounting period of 1 January - 31 December 2016, related footnotes and cash flow statement.

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

- The “Traffic Support” expenses amounting to TRY5,926,427 reclassified under “Cost of Sales” in the consolidated income statement for the period 1 January-31 December 2016, has been reclassified as "Marketing Expenses" in the related period in order to comply with the financial statements in the consence prepared as of 31 December 2017.

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

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

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

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

a) The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2017:

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

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

2.1 Basis of presentation (Continued)

- TAS 12, “Income Taxes”, effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- Annual Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017:
- TFRS 12, “Disclosure of interests in other entities”; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of TFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

There are no material effects on the consolidated financial statements of these standards, amendments and interpretations mentioned above.

b) Standards, amendments and interpretations published as of 31 December 2017 but not effective yet:

- TFRS 9, “Financial instruments”; effective from periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group evaluated the effect of this standard within its operations and does not expect any material impact. The Group plans to adopt the new standard on the required effective date using the modified retrospective method which requires the recognition of the cumulative effect of initially applying IFRS 9, as at 1 January 2018, to retained earnings and not restate prior years. The Group performed a detailed assessment of TFRS 9.
- Amendment to TFRS 15, “Revenue from contracts with customers”, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. Also an additional practical included expedients related to transition to the new revenue standard. If modified retrospective application is preferred, prior periods will not be restated but comparative quantitative information will be provided in the notes to the financial statements. The Group plans to adopt the new standard on the required effective date using the modified retrospective method which requires the recognition of the cumulative effect of initially applying TFRS 15, as at 1 January 2018, to retained earnings and not restate prior years. The Group performed a detailed assessment of TFRS 15.

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

2.1 Basis of presentation (Continued)

- Amendments to TFRS 4, “Insurance contracts” regarding the implementation of TFRS 9, “Financial Instruments”; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The Group evaluated the effect of this standard within its operations and does not expect any material impact. The amended standard will:
 - the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued that gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss; and
 - the companies whose activities are predominantly connected with insurance that gives an optional temporary exemption to apply TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.
- Amendment to TAS 40, “Investment property” relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The Group evaluated the effect of this standard within its operations and does not expect any material impact.
- Amendments to TFRS 2, “Share based payments” on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority. The Group evaluated the effect of this standard within its operations and does not expect any material impact.
- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
 - TFRS 1, “First time adoption of TFRS”, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
 - TAS 28, “Investments in associates and joint venture” regarding measuring an associate or joint venture at fair value.
- TFRS Interpretation 22, “Foreign currency transactions and advance consideration”; effective from annual periods beginning on or after 1 January 2018. This TFRS Interpretation addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

2.1 Basis of presentation (Continued)

- Amendment to TFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- Amendment to TAS 28, “Investments in associates and joint venture”; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.
- TFRS 16, “Leases”; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. An optional exemption is included for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the updated guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- TFRS Interpretation 23, “Uncertainty over income tax treatments”; effective from annual periods beginning on or after 1 January 2019. This interpretation clarifies how the recognition and measurement requirements of TAS 12 “Income taxes”, are applied where there is uncertainty over income tax treatments. The interpretation had clarified previously that TAS 12, not TAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. TFRS Interpretation 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRS Interpretation 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- TFRS 17, “Insurance contracts”; effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The mentioned standards above are expected to be effective in 2018 and the following years. The Group has not yet determined the possible effects on its financial statements in consequence of applying such standards, other than the abovementioned effects, and does not expect these differences to have a significant effect on its financial statements.

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

2.2 Summary of significant accounting policies

2.2.1 Related parties

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

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

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

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

2.2.2 Financial assets

In accordance with TAS 39, the Group classifies its financial instruments as available-for-sale and loans and receivables. Classification is determined based on the acquisition purpose and specifications of the financial asset at the initial recognition. All financial assets are recognized at cost including transaction costs in the initial measurement.

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

2.2 Summary of significant accounting policies (Continued)

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

Financial assets classified by 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; the carrying value of the financial asset is measured at cost less any impairment loss (Note 7).

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

2.2.3 Trade receivables and provision for doubtful receivables

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

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

2.2 Summary of significant accounting policies (Continued)

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

At each balance sheet date, the Group evaluates whether there are any indications that an asset other than goodwill or intangible assets with indefinite useful lives may be impaired. When an indication of impairment exists, carrying value of the assets is compared with the net realizable value which is the higher of value in use and fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment exists if the carrying value of an asset or a cash generating unit including that asset is greater than its recoverable amount. Impairment losses are recognised in the consolidated statement of income (Note 15, 29). As of 31 December 2017, as explained in Note 3g, the Group has classified the impairment loss arising from the discontinued operations in the current and previous periods in the intangible assets under “Loss for the period from discontinued operations after tax” in the income statement.

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).

2.2.6 Investment properties

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

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

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

2.2 Summary of significant accounting policies (Continued)

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

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

2.2.7 Property, plant and equipment

Property, plant and equipment 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:

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

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

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

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

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

2.2 Summary of significant accounting policies (Continued)

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.

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

2.2.8 Intangible assets and amortisation

Intangible assets excluding goodwill and assets with infinite useful lives comprise trade names and licenses, customer lists, computer software and rights, internet domain names and other intangible assets. All trade names, customer lists and internet domain names have been identified as a result of independent valuations performed for the purchase price allocation related 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:

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

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

Intangible assets with finite useful lives are evaluated for impairment losses and if the book value exceeds the recoverable value, a provision is reserved to decrease the book value to recoverable value. Recoverable amount is considered to be the higher of future net cash flows of the intangible asset or the fair value less costs to sell. Impairment losses are recognized immediately in the consolidated income statement (Note 29 and 3g).

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

2.2 Summary of significant accounting policies (Continued)

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

Web page development costs

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

2.2.9 Significant accounting estimates, assumptions and decisions

Useful lives of intangible assets

Useful lives of some trademarks are expected to be indefinite by the Group management. Where useful life is definite, in case of useful lives of 20 years, such intangible assets’ amortization would have increased by TRY 253,922 (31 December 2016: TRY 10,797,005) and their loss before tax would have increased by TRY 253,922 (31 December 2016: TRY 10,797,005).

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

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

- Had the useful lives been higher by 10%, amortization charges would have decreased by TRY 23,084 and loss before tax would have decreased by TRY 23,084 (31 December 2016: TRY 1,425,248) or
- Had the useful lives been lower by 10%, amortization charges would have increased by TRY 28,214 and loss before tax would have increased by TRY 28,214 (31 December 2016: TRY 1,741,970).

Impairment of intangible assets

The Group conducted intangible asset impairment analysis as of 31 December 2017 and 31 December 2016 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.

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

2.2 Summary of significant accounting policies (Continued)

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

	<u>31 December 2017</u>		<u>31 December 2016</u>	
	EBITDA margin rate (%)	Discount rate (%)	EBITDA margin rate (%)	Discount rate (%)
TME	3.7-11.1	17.9-22.1	42.9	18.0

The Group has set an impairment on intangible assets in consolidated financial statements as of 1 January - 31 December 2017 and 1 January - 31 December 2016 in the amount of TRY 279,096,574 and TRY 77,148,188 respectively. Impairment of intangibles occurred because of the under budget performance of TME. In 2017, the impairment of intangibles mainly occurred from discontinued digital operations of TME and under budget performances of continuing operations (Note 15 and 3g).

If the calculations performed and evaluated as in the current period; if the discount rate applied to cash flow projections on cash-generating units, will be higher for 1% from the management's estimates, as of 31 December 2017 the Group had to recognize more impairment amounting TRY 281,912 (31 December 2016: TRY 21,970,366) on the financial statements and the profit before taxes had to be increased by TRY 396,245 (31 December 2016: TRY 21,970,366).

If the EBITDA rate applied to cash flow projections on cash-generating units, will be higher for 5% from the management's estimates, as of 31 December 2017 the Group had to recognize more impairment amounting TRY 396,245 (31 December 2016: TRY 31,081,948) on the financial statements and the profit before taxes had to be increased by TRY 396,245 (31 December 2016: TRY 31,081,948).

2.2.10 Taxes

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

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

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

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

2.2 Summary of significant accounting policies (Continued)

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

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

Current and deferred tax

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

2.2.11 Financial borrowings and borrowing costs

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

2.2.12 Employment termination benefits

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

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.

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

2.2 Summary of significant accounting policies (Continued)

2.2.13 Provisions, contingent assets and liabilities

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

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

If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised by the Group in the financial statements of the period in which the change occurs.

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

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

2.2.14 Share capital and dividends

Ordinary shares are classified as equity. Dividend income is recognised as income by the Group when the right to obtain a 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).

2.2.15 Foreign currency transactions

Foreign currency transactions and balances

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

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

2.2 Summary of significant accounting policies (Continued)

Foreign group companies

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

The accumulated currency translation differences of a foreign Group companies recognized under other comprehensive income, recycled to the income statement only when the gain or loss arising from the disposal of the asset is recognized.

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

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

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

<u>Country</u>	<u>Currency</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Russia	Ruble	0.0651	0.0573
Eurozone	Euro	4.5155	3.7099
United States of America	Dollar	3.7719	3.5192
Romania	New Leu	0.9637	0.8131

2.2.16 Revenue recognition

Revenue is the fair value amount of sales of goods and services received or receivable which resulted from Group's operations. Net sales represent the invoiced value of goods or services shipped less any trade discounts, rebates and commissions and are presented with the elimination of intercompany balances. Revenue includes the invoiced amount of goods and service sales. It is recognized on an accrual basis over the fair value of acquisition amount based on product or service delivery, transfer of significant risks and rewards related to product to the buyer, reliable estimate of revenue amount and probable economic benefits associated with the transaction will be obtained by the Group.

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

2.2 Summary of significant accounting policies (Continued)

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

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

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.

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.

Other income

Other income is recognized on an accrual basis.

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

2.2 Summary of significant accounting policies (Continued)

2.2.17 Barter agreements

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

2.2.18 Profit / (loss) per share

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

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

2.2.19 Government grants

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

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

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

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

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

2.2 Summary of significant accounting policies (Continued)

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 4).

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 37).

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).

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 4).

2.2.23 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.

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

2.2 Summary of significant accounting policies (Continued)

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

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

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

2.2.24 Segment reporting

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

2.2.25 Derivative instruments and Hedge accounting

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

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

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

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

2.2 Summary of significant accounting policies (Continued)

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.

NOTE 3 - SEGMENT REPORTING

a) Segmental analysis for the period between 1 January - 31 December 2017:

	Turkey	Russia and EE (*)	Europe	Total
Sales	491,416,416	10,015,006	36,809,848	538,241,270
Cost of sales (-)	(269,028,291)	(6,494,484)	(36,559,592)	(312,082,367)
Gross operating profit (loss)	222,388,125	3,520,522	250,256	226,158,903
Marketing expenses (-)	(122,270,935)	(260,708)	-	(122,531,643)
Losses from investments accounted by the equity method (-)	(1,680,725)	-	-	(1,680,725)
Net segment result	98,436,465	3,259,814	250,256	101,946,535
General administrative expenses (-)				(82,637,090)
Other operating income				32,713,917
Other operating expenses (-)				(44,214,050)
Finance expenses (-)				(42,368,638)
Income from investing activities				39,893,378
Expense from investing activities (-)				(24,933,882)
Profit (loss) before tax from continuing operations				(19,599,830)
Tax income (expense) for the period				(2,378,344)
Deferred tax income (expense)				2,437,137
Profit (loss) for the period from continuing operations				(19,541,037)

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NOTE 3 - SEGMENT REPORTING (Continued)

b) Segmental analysis for the period between 1 January - 31 December 2016:

	Turkey	Russia and EE (*)	Europe	Total
Sales	501,541,510	9,803,969	33,081,620	544,427,099
Cost of sales (-)	(276,614,822)	(6,588,605)	(34,637,236)	(317,840,663)
Gross operating profit (loss)	224,926,688	3,215,364	(1,555,616)	226,586,436
Marketing expenses (-)	(121,888,378)	(274,123)	-	(122,162,501)
Losses from investments accounted by the equity method (-)	(391,280)	-	-	(391,280)
Net segment result	102,647,030	2,941,241	(1,555,616)	104,032,655
General administrative expenses (-)				(84,709,048)
Other operating income				40,004,091
Other operating expenses (-)				(28,313,893)
Finance expenses (-)				(47,554,881)
Income from investing activities				22,209,943
Expense from investing activities (-)				(2,087,198)
Profit (loss) before tax from continuing operations				3,581,669
Tax income (expense) for the period				(5,804,670)
Deferred tax income (expense)				214,335
Profit (loss) for the period from continuing operations				(2,008,666)

(*) Disclosures related to the discontinued financial operations in Russia and EE are given in Note 3g.

c) Segment assets:

	31 December 2017	31 December 2016
Turkey	699,810,751	574,755,125
Russia and EE	11,933,772	312,480,102
Europe	48,158,995	37,201,440
	759,903,518	924,436,667
Unallocated assets ⁽¹⁾	2,106,647	1,870,648
Investments accounted by the equity method (Note 12)	7,124,215	7,368,572
Total assets per consolidated financial statements	769,134,380	933,675,887

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

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NOTE 3 - SEGMENT REPORTING (Continued)

d) Segment liabilities:

	31 December 2017	31 December 2016
Turkey	93,901,600	82,300,721
Russia and EE	6,787,552	10,750,931
Europe	19,331,442	15,602,255
	120,020,594	108,653,907
Unallocated liabilities ⁽¹⁾	346,006,876	408,427,049
Total liabilities per consolidated financial statements	466,027,470	517,080,956

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

e) 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 2017	1 January - 31 December 2016
Turkey	32,475,489	34,327,881
Russia and EE	4,757,094	4,082,128
Europe	694,762	1,259,256
Total	37,927,345	39,669,265

Depreciation and amortization charges:

	1 Ocak - 31 December 2017	1 Ocak - 31 December 2016
Turkey	22,822,950	32,587,677
Russia and EE	7,496,171	11,274,510
Europe	1,844,485	3,065,808
Total	32,163,606	46,927,995

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NOTE 3 - SEGMENT REPORTING (Continued)

f) Non-cash other expenses:

	1 January - 31 December 2017			
	Turkey	Russia and EE	Europe	Total
Impairment of tangible assets (Note 14, 29)	(4,634,177)	-	(1,138,631)	(5,772,808)
Provision for impairment of investment property (Note 28, 29)	20,127,878	-	-	20,127,878
Provision of retirement pay and unused vacation (Note 17, 19)	(12,367,835)	(1,274,720)	-	(13,642,555)
Provision for doubtful receivables (Note 8, 27)	(25,952,779)	-	-	(25,952,779)
Provision of legal claims (Note 17, 27)	(3,561,157)	-	-	(3,561,157)
Provision of inventory impairment (Note 11)	(524,601)	-	-	(524,601)
	(26,912,671)	(1,274,720)	(1,138,631)	(29,326,022)

	1 January - 31 December 2016			
	Turkey	Russia and EE	Europe	Total
Provision of retirement pay and unused vacation (Note 17, 19)	(7,884,573)	(1,862,652)	(725,760)	(10,472,985)
Provision for impairment of investment property (Note 28, 29)	16,000,302	-	-	16,000,302
Provision for doubtful receivables (Note 8, 27)	(7,081,424)	(333,232)	-	(7,414,656)
Provision of legal claims (Note 17, 27)	(1,555,124)	-	-	(1,555,124)
Provision of inventory impairment (Note 11)	(1,960,907)	-	-	(1,960,907)
	(2,481,726)	(2,195,884)	(725,760)	(5,403,370)

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NOTE 3 - SEGMENT REPORTING (Continued)

g) Disclosures related to discontinued operations

Discontinuing digital platform operations of Russia and EE

The Board of Directors of Pronto Media Holding which is a subsidiary of Trader Media East Ltd (“TME”) that owned by 97.29% by the Group, has decided to discontinue the digital operations in its territory on 22 November 2017 due to the operational performance below the desired level. In accordance with the decision, digital operations under Pronto Media Holding classified as “Discontinued Operations”. The impairment losses due to discontinued operations recognized under “Discontinued Operations” in income statement.

	1 January- 31 December 2017	1 January- 31 December 2016
Sales	15,996,908	19,674,739
Cost of sales (-)	(10,761,891)	(12,259,149)
General administrative and marketing expenses	(28,192,484)	(26,991,595)
Other operating income (expense), net ⁽¹⁾	(974,255)	(1,230,147)
Finance expenses, net	(3,374,570)	1,227,344
Expenses from investing activities, net ⁽²⁾	(279,183,044)	(77,195,303)
Loss before tax from discontinued operations	(306,489,336)	(96,774,111)
Current tax (expense) / income	-	(24,841)
Deferred tax income	54,129,668	12,146,676
Loss for the period from discontinued operations	(252,359,668)	(84,652,277)

(1) As of 31 December 2017, there is doubtful receivable expense amounting to TRY 990,089 (31 December 2016: TRY 1,255,835) (Note 8).

(2) Related to discontinued operations, the company booked impairment amounting to TRY 279,361,044 (31 December 2016: 77,148,188 TL) in its consolidated financial statements for the ended 31 December 2017.

As explained in detail in Note 2.2.15, foreign currency translation differences recognized under equity attributable to TME activities will be transferred from equity to profit or loss when the necessary conditions are met.

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NOTE 4 - CASH AND CASH EQUIVALENTS

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

	31 December 2017	31 December 2016
Cash	2,660,628	3,867,744
Banks		
- time deposits	59,423,284	17,233,880
- demand deposits	3,862,855	3,194,096
Total	65,946,767	24,295,720

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

	31 December 2017	31 December 2016	31 December 2015
Cash and banks	65,946,767	24,295,720	86,987,420
Total	65,946,767	24,295,720	86,987,420

The maturity analysis of time deposits is as follows:

	31 December 2017	31 December 2016
0-1 months	59,423,284	17,233,880
	59,423,284	17,233,880

The weighted average interest rate for TRY time deposits is 13.57% as of 31 December 2017 (31 December 2016: 9.50%), for USD weighted average interest rate is 0.60% (31 December 2016: None) and the interest rates are fixed.

NOTE 5 - DERIVATIVE INSTRUMENTS

Derivative instruments for hedging:

	31 December 2017	31 December 2016
Derivative instruments	1,098,340	-
Total	1,098,340	-

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NOTE 6 - FINANCIAL INVESTMENTS

Short-term financial investments:

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

	31 December 2017	31 December 2016
Restricted bank balances	68,713	111,500
Total	68,713	111,500

Long-term financial investments:

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

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

(1) Doğan Faktoring A.Ş. changed its trade name as Doruk Faktoring as of 9 November 2017.

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

NOTE 7 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

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

Short-term borrowings:	31 December 2017	31 December 2016
Short-term bank borrowings	10,550,732	72,725,361
	10,550,732	72,725,361
Short term portion of long-term financial liabilities	101,139,261	75,259,960
Total	111,689,993	147,985,321
Long-term borrowings:	31 December 2017	31 December 2016
Long-term bank borrowings	150,478,785	139,729,311
Total	150,478,785	139,729,311

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

Bank borrowings:

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

	Effective interest rate (%)		Original foreign currency		TRY	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Short-term bank borrowings						
- TRY	14.80	12.65	1,022,788	57,530,221	1,022,788	57,530,221
- Russian Ruble (*)	12.51	13.20	145,500,000	265,093,164	9,527,944	15,195,140
Sub-total					10,550,732	72,725,361
Short-term portion of long-term bank borrowings						
- TRY	12.49	13.50	100,537,860	73,601,778	100,537,860	73,601,778
- Euro	5.71	3.75	133,186	446,961	601,401	1,658,182
Sub-total					101,139,261	75,259,960
Total short-term bank borrowings					111,689,993	147,985,321
Long-term bank borrowings						
- TRY	13.69	13.25	121,665,822	139,235,205	121,665,822	139,235,205
- Russian Ruble (*)	12.33	-	440,000,000	-	28,812,963	-
- Euro	-	3.75	-	133,186	-	494,106
Total long-term bank borrowings					150,478,785	139,729,311

(*) As of 31 December 2017, short-term bank borrowings amounting to TRY 9,527,944 and TRY 28,812,963 of long-term bank borrowings are related to “discontinued operations”.

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

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

Year	31 December 2017	31 December 2016
2019	135,323,943	99,563,489
2020	15,154,842	40,165,822
Total	150,478,785	139,729,311

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

Period	31 December 2017	31 December 2016
Up to 6 months	50,540,664	17,971,871
6-12 months	61,149,329	130,013,450
1 to 5 years	150,478,785	139,729,311
Total	262,168,778	287,714,632

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

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

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

Net debt reconciliation

Net financial debt reconciliation as of 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017	31 December 2016
Cash and cash equivalents	65,946,767	24,295,720
Borrowings - due within one year	111,689,993	147,985,321
Borrowings - due after one year	150,478,785	139,729,311
	328,115,545	312,010,352

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

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NOTE 8 - TRADE RECEIVABLE AND PAYABLES

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

Short-term receivables from third parties:

	31 December 2017	31 December 2016
Trade receivables	248,515,051	240,202,004
Credit cards receivables	3,787,318	3,665,493
Notes and cheques receivable	1,614,697	7,071,215
Income accruals	1,868,559	2,216,013
Unearned finance income		
due from term sales	(7,010,597)	(2,780,744)
Less: Provision for doubtful receivables	(64,405,568)	(46,020,143)
Total	184,369,460	204,353,838

According to a revocable factoring agreement signed with Doğan Factoring Hizmetleri A.Ş., trade receivables resulting from advertisements, amounting to TRY 115,560,486 (31 December 2016: TRY 137,135,478) are followed up by Doğan Factoring Hizmetleri A.Ş. ("Doğan Factoring"). Group has not transferred the risk of default of the above mentioned receivables and has continued to recognize its balance sheet. These receivables are related to commercial advertisements and classifieds. Weighted average maturity of the Group's sales followed up by Doğan Factoring is 104 days (31 December 2016: 111 days). The unearned finance income due from term sales related with the receivables followed up by Doğan Factoring is TRY 5,127,989 (31 December 2016: TRY 1,081,406) and the compound interest rate is 15.38% per annum (31 December 2016: 12.68%). The rate used in this method and determined on the basis of compound interest is called "effective interest rate"; the aforementioned rate has been determined taking into consideration the data of the Central Bank of the Republic of Turkey.

As of 31 December 2017 and 31 December 2016 the average maturity days of trade receivables that are not followed by Doğan Faktoring are less than 4 months.

The movements of provision for doubtful receivables are as follows:

	2017	2016
1 January	(46,020,143)	(50,359,674)
Additions during the period (Note 27)	(25,952,779)	(7,414,656)
Collections and reversals during the period (Note 26)	8,666,960	5,408,573
Written-off ⁽¹⁾	-	9,148,330
Collections and provisions related to discontinued operations	(990,089)	(1,255,835)
Currency translation differences	(109,517)	(1,546,881)
31 December	(64,405,568)	(46,020,143)

- (1) 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.

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NOTE 8 - TRADE RECEIVABLE AND PAYABLES (Continued)

Short term payables to third parties:

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

	31 December 2017	31 December 2016
Short-term trade payables	47,201,033	48,999,963
Expense accruals	4,565,740	4,258,964
Unrealized financial expenses due to term purchases	(634,353)	(198,679)
Total	51,132,420	53,060,248

As of 31 December 2017, average turn over date of Group's trade payables is 36 days (31 December 2016: 38 days). As of 31 December 2017, unrealized financial expense due to term purchases is TRY 634,353 (31 December 2016: TRY 198,679) and the compound interest rate is 15.38% per annum (31 December 2016: 12.68%). The compound interest used in the calculations are defined as the effective interest rate; the rate the rate has been determined taking into consideration of data of The Central Bank of the Republic of Turkey.

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

NOTE 9 - OTHER RECEIVABLE AND PAYABLES

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

	31 December 2017	31 December 2016
Other receivables related sale of investment property ⁽¹⁾	2,522,672	1,449,526
Deposits and guarantees given	646,901	607,786
Due from personnel	48,025	48,757
Total	3,217,598	2,106,069

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

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

	31 December 2017	31 December 2016
Deposits and guarantees given	1,934,406	1,562,496
Other receivables related sale of investment property ⁽¹⁾	122,366	1,878,291
Total	2,056,772	3,440,787

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

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NOTE 9 - OTHER RECEIVABLE AND PAYABLES (Continued)

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

Short term trade payables to third parties:

	31 December 2017	31 December 2016
Taxes payable	9,443,938	8,118,486
Deposits and guarantees received	627,870	636,625
Other payables	316,242	136,823
Total	10,388,050	8,891,934

NOTE 10 - PAYABLES REGARDING BENEFITS PROVIDED TO EMPLOYEES

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

	31 December 2017	31 December 2016
Social security premiums	5,350,836	5,376,706
Due to personnel	809,879	1,215,308
Total	6,160,715	6,592,014

NOTE 11 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials and supplies	8,988,260	8,084,730
Finished goods and spare parts	7,357,660	7,698,612
Promotion materials ⁽¹⁾	1,460,286	5,181,097
	17,806,206	20,964,439
Provision for impairment of inventory (-)	(3,958,180)	(7,220,465)
Total	13,848,026	13,743,974

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

Provision for impairment of promotion inventories, raw materials and supplies and finished goods and merchandise goods amounting to TRY 3,958,180 (31 December 2016: TRY 7,220,465) and their movement during the period are as follows:

	2017	2016
1 January	(7,220,465)	(9,421,898)
Provision for promotion inventories	(88,328)	(413,681)
Reversal of provision for promotion materials	3,656,500	2,840,765
Provision for raw materials and supplies	(436,273)	(1,547,226)
Reversal of provision for raw materials and supplies	130,386	1,321,575
31 December	(3,958,180)	(7,220,465)

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NOTE 12 - INVESTMENTS ACCOUNTED BY THE EQUITY METHOD

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

	31 December 2017 percentage of shares, directly or indirectly owned by Hurriyet and its Subsidiaries (%)	31 December 2016 percentage of shares, directly or indirectly owned by Hurriyet and its Subsidiaries (%)
Associate		
Dogan Media	42.42	42.42

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

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

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

31 December 2016	Total assets	Total liabilities	Net assets	Net sales	Net loss for the period
Dogan Media	8,579,485	1,210,913	7,368,572	6,254,454	(391,280)
	8,579,485	1,210,913	7,368,572	6,254,454	(391,280)

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

	Share (%)	31 December 2017	Share (%)	31 December 2016
Dogan Media	42.42	7,124,215	42.42	7,368,572
		7,124,215		7,368,572

The summary of Group’s share in the financial statements of the investments accounted by the equity method at 31 December 2017 and 2016 is as follows:

	2017	2016
1 January	7,368,572	6,566,895
Loss from associates	(1,680,725)	(391,280)
Currency translation differences	1,436,368	1,192,957
31 December	7,124,215	7,368,572

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NOTE 13 - INVESTMENT PROPERTY

The movements in investment property as of 31 December 2017 and 2016 are as follows:

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

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

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

The movements in investment property as of 31 December 2016 are as follows:

	Lands	Buildings	Total
1 January 2016	65,940,285	20,996,821	86,937,106
Additions ⁽¹⁾	-	20,053,729	20,053,729
Disposal	-	(9,897,002)	(9,897,002)
Change in fair value adjustment ⁽²⁾	18,087,500	(302,310)	17,785,190
Currency translation difference	-	802,471	802,471
Transfer ⁽³⁾	88,655,119	23,329,104	111,984,223
31 December 2016	172,682,904	54,982,813	227,665,717

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

(2) 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.

(3) The Group classified its building where locate in Izmir Alsancak in investment property in current period which was classified as fixed assets prior periods.

As of 31 December 2017 and 31 December 2016 there are no mortgages on investment properties.

The Group’s rent income from investment properties amounted to TRY 3,776,057 as of 31 December 2017 (31 December 2016: TRY 3,338,246) (Note 28). The Group’s direct operating expenses arising from the investment properties in the period amounted to TRY 161,499 (31 December 2016: TRY 181,546).

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NOTE 13 - INVESTMENT PROPERTY (Continued)

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

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

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

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

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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 2017 are as follows:

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

As at 31 December 2017 and 2016 there are no tangible fixed assets in machinery and equipment group which have been acquired through leasing.

At 31 December 2017, there are mortgages on property, plant and equipment amounting to TRY 22,577,500 (31 December 2016: TRY 24,114,350) (Note 18).

At 31 December 2017 depreciation expense amounting to TRY 15,806,550 (31 December 2016: TRY 25,579,099) is added to cost of sales (Note 23), amounting to TRY 4,715,135 (31 December 2016: TRY 5,131,574) is added to marketing, selling and distribution and general administrative expenses (Note 24). As of 31 December 2017, depreciation expense amounting to TRY 273,209 is classified to discontinued operations (31 December 2016: TRY 473,599).

- (1) Impairment expenses amounting to TRY 5,772,808 is recognized under “expense from investing activities” (Note 29) and amounting to TRY 134,770,872 is recognized under other comprehensive income
- (2) As explained in Note 2.2.9, the carrying value of tangible assets is reviewed and the impairment is recognized in discontinued operations by the Group (Note 3g).

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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 ⁽¹⁾	Adjustments ⁽²⁾	31 December 2016
Cost							
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
	822,864,236	22,448,039	12,806,265	(7,416,424)	(70,733,585)	(1,683,671)	778,284,860
Accumulated amortization							
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 equipment	(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)
	(635,895,126)	(16,991,506)	(31,184,272)	4,589,951	31,527,762	(254,907)	(648,208,098)
Net book value	186,969,110						130,076,762

(1) 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. TRY 74,860,169 of fair value increase in relation to the classification is accounted in gain on revaluation of property under equity and TRY 2,081,768 of loss on fair value change is accounted in profit or loss.

(2) The Group reviewed its tangible assets and made some adjustments.

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NOTE 15 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortization for the period ended 31 December 2017 are as follows:

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

(1) As disclosed in note 2.2.9, Group has reviewed the carrying value of intangible assets and recognized impairment in discontinued operations (Note 3g).

(2) As of 31 December 2017, website development costs amounting to TRY 3,238,090 capitalized under “other intangible assets” and amortized on a straight-line basis over their useful life.

As of 31 December 2017 the total cost of trademark and licenses with indefinite useful life is TRY 5,078,445 (31 December 2016: TRY 215,940,100). Indetermining the useful life of aforementioned assets as indefinite, stability of the sector, changes in the market demand for the products or services provides through these assets, control duration over assets and other legal classifications have been taken into account.

Amortization expense amounting to TRY 3,004,521 has been included cost of sales (Note 23) and TRY 1,243,799 in marketing, selling and distribution and general administrative expenses as of 31 December 2017 (Note 24) (31 December 2016: TRY 5,026,550). As of 31 December 2017, amortisation expense amounting to TRY 7,120,392 is classified to discontinued operations (31 December 2016: TRY 10,717,173).

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NOTE 15 - INTANGIBLE ASSETS (Continued)

The movements in intangible assets and related accumulated amortization for the period ended 31 December 2016 are as follows:

	1 January 2016	Currency translation differences	Additions	Disposals	Provision for impairment classified to discontinued operations ⁽²⁾	Adjustments ⁽²⁾	31 December 2016
Cost							
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	3,142,438	(651,301)	3,669	-	-	625,547	3,120,353
	475,929,186	161,558,186	6,809,271	(2,919,992)	-	(518,828)	640,857,823
Accumulated amortization							
Ticari marka ve lisanslar	(21,127,428)	(4,123,870)	(731,964)	-	(10,543,052)	-	(36,526,314)
Müşteri listesi	(119,747,127)	(44,098,758)	(7,812,716)	-	(61,279,360)	-	(232,937,961)
Bilgisayar programları ve haklar	(58,796,023)	(9,811,738)	(5,744,090)	654,361	-	1,139,675	(72,557,815)
İnternet alan adları	(10,795,038)	(3,188,867)	(1,304,873)	1,617,951	(5,325,776)	-	(18,996,603)
Diğer maddi olmayan varlıklar	(2,409,339)	647,343	(150,080)	-	-	(725,239)	(2,637,315)
	(212,874,955)	(60,575,890)	(15,743,723)	2,272,312	(77,148,188)	414,436	(363,656,008)
Net book value	263,054,231						277,201,815

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

(2) The Group has reviewed its intangible assets and made some adjustments.

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NOTE 16 - GOVERNMENT GRANTS

The Group benefits under the scope of the social security institution and income tax, %5 of employer share promotion (Law no: 5510), employer share promotion (Law no: 5746), incentive of the minimum wage (Law no: 6661), disable insured (Law no: 4857), priority provinces social security institution stock (Law no: 46486) and R&D income tax (Law no: 5746) are amounting to TRY 3,969,565 (31 December 2016: None). The duration of the above-mentioned incentives as of 31 December 2017 is until 31 December 2018.

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

	31 December 2017	31 December 2016
Provision for unused vacation rights	13,381,264	13,686,035
Provisions for lawsuit and compensation	5,928,728	5,473,663
Provisions for promotion	17,550	306,122
Total	19,327,542	19,465,820

i. *Provision for unused vacation rights*

Short Term Provisions of Employment Termination Benefits:

Movements of provision for unused vacation rights during the periods ended at 31 December 2017 and 2016 are as follows:

	2017	2016
1 January	13,686,035	12,181,762
Additions during the period	4,016,150	3,741,713
Payments related to provisions	(4,501,501)	(3,040,179)
Currency translation differences	180,579	802,739
31 December	13,381,264	13,686,035

ii. *Provision for lawsuit and compensation*

The lawsuits against the Group amounted to TRY 12,241,171 (31 December 2016: TRY 14,402,645). The Group recognises provision related to cases when there is a legal or valid liability resulting from past event and it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimation can be made of the amount of the obligation. As a result of these analysis, as of 31 December 2017 the Group has set a provision of TRY 5,928,728 for lawsuits (31 December 2016: TRY 5,473,663) but not sure about the payment maturity for the litigation.

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

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

	31 December 2017	31 December 2016
Legal lawsuits	11,186,876	13,632,489
Labor lawsuits	1,039,747	765,156
Commercial lawsuits	14,548	5,000
Total	12,241,171	14,402,645

Movements of provision for lawsuits for the periods ending 31 December 2017 and 2016 are as follows:

	2017	2016
1 January	5,473,663	12,735,687
Additions during the period (Note 27)	3,561,157	1,555,124
Currency translation differences	(34,618)	416,013
Additions related to discontinued operations ⁽¹⁾	549,130	-
Payments related to provisions (Note 26) ⁽²⁾	(3,620,604)	(9,233,161)
31 December	5,928,728	5,473,663

- (1) As of 31 December 2017, additions related to discontinued operations are included in general administrative expense in operating expenses (Note 3g).
- (2) As of 31 December 2016, amounting to TRY 1,125,587 is provisions no longer required and remaining balance consist of payments for compensation and provisions.

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NOTE 18 - COMMITMENTS

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

	31 December 2017		31 December 2016	
	Foreign Currency	TRY Equivalent	Foreign Currency	TRY Equivalent
A. CPM's given in the name of its own legal personality				
-Collaterals				
TRY	5,150,911	5,150,911	2,070,443	2,070,443
Rus Rublesi	565,000,000	36,764,550	-	-
-Warranty notes				
TRY	203,937	203,937	-	-
Euro	25,000	112,888	25,000	92,748
-Mortgage				
Euro	5,000,000	22,577,500	6,500,000	24,114,350
B. Total amount of CPM's given on behalf of the fully consolidated companies ⁽¹⁾				
-Commitments				
TRY	3,092,505	3,092,505	357,505	357,505
US Dollar	2,500,000	9,429,750	-	-
Euro	-	-	-	-
Russian Ruble ⁽²⁾	860,000,000	55,960,200	85,000,000	4,872,200
C. Total amount of CPM's given on behalf of third parties for ordinary course of the business	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-
i) Total amount of CPM's given on behalf of the majority shareholder	-	-	-	-
ii) Total amount of CPM's given on behalf of other group companies which are not in scope of B and C	-	-	-	-
TRY	-	-	-	-
US Dollar	-	-	-	-
Euro	-	-	-	-
Other	-	-	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-
Total		133,292,241		31,507,246

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

(2) As explained in Note 3g, collaterals and mortgages are related with discontinued operations.

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NOTE 18 - COMMITMENTS (Continued)

CPM’s given by the Group

There are no CMP’s given to third parties.

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

Barter agreements:

The Group, as a common practice in the media sector, enters into barter agreements which involve the exchange of goods or services without cash collections or payments. As of 31 December 2017, the Group has unused publication of advertisements commitment amounting to TRY 5,794,651 (31 December 2016: TRY 6,362,724) within these barter contracts. The Group has TRY 2,247,533 amounted receivables (31 December 2016: TRY 14,739,254) which were invoiced and recognized to financial statements but not yet goods or services were received.

NOTE 19 - PROVISION FOR EMPLOYMENT BENEFITS

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

Long term provisions for employment termination benefits

	31 December 2017	31 December 2016
Provision for employment termination benefits	46,184,398	45,199,424
Total	46,184,398	45,199,424

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

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires. The amount payable maximum equals to one month of salary is TRY 4,732.48 as of 31 December 2017 (31 December 2016: TRY 4.297,21 TRY) for each year of service. In employee termination benefits provision calculation Group has taken into consideration the ceiling amount TRY5,001.76 which is effective from 1 January 2018 (31 December 2016: TRY 4,426.16 effective from 1 January 2017).

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

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NOTE 19 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

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 30 June 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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

Discount rate is applied as 11.50% ⁽¹⁾ (31 December 2016: 11.20%), inflation rate applied as 7.00% ⁽²⁾ (31 December 2016: 6.50%) and rate of increase in wages applied as 7.00% (31 December 2016: 6.50%) in the calculation.

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

- (1) The discount rate used in the calculation of severance pay determined as 11.50 which is 10 years long term government bond's compound interest rate.
- (2) The maximum range of inflation rate which is declared by Central Bank of Turkey has been used in retirement pay provision calculation.

The movements in provision for employment termination benefits during the periods ended at 31 December 2017 and 2016 are as follows:

	2017	2016
1 January	45,199,424	42,254,261
Actuarial gain / (loss)	1,291,830	2,793,835
Service cost during the period	3,136,855	2,274,964
Interest cost during the period	3,907,758	3,335,767
Payment/ diminishing benefits/transfers/loss due to redundancy	2,581,792	1,120,541
Payments and reversal of provisions during the period	(9,933,261)	(6,579,944)
31 December	46,184,398	45,199,424

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NOTE 20 - PREPAID EXPENSES AND DEFERRED INCOME

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

Short-term prepaid expenses

	31 December 2017	31 December 2016
Prepaid expenses ⁽¹⁾	4,083,170	4,519,587
Total	4,083,170	4,519,587

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

Short-term deferred income

	31 December 2017	31 December 2016
Deferred revenue ⁽²⁾	22,918,640	11,232,874
Advanced received ⁽³⁾	2,900,372	6,992,081
Government incentives	373,919	-
Total	26,192,931	18,224,955

Long-term deferred income

	31 December 2017	31 December 2016
Deferred revenue ⁽²⁾	1,292,312	-
Total	1,292,312	-

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

(3) As of 31 December 2017, advances received is related with "Discontinued operations" (31 December 2016: TRY 4,464,091).

NOTE 21 - OTHER ASSETS AND LIABILITIES

Other Current Assets

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

	31 December 2017	31 December 2016
Advances given to personnel	2,109,177	2,197,130
Prepaid taxes and funds	305,815	639,755
Value added tax ("VAT") receivables	-	903,626
Other	613,132	786,844
Total	3,028,124	4,527,355

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NOTE 21 - OTHER ASSETS AND LIABILITIES (Continued)

Other Short-Term Liabilities

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

	31 December 2017	31 December 2016
Advances received	949,574	1,446,189
Other	231,219	474,428
Total	1,180,793	1,920,617

NOTE 22 - EQUITY

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

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

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

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

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NOTE 22 - EQUITY (Continued)

Premium / (discounts) on shares

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

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

Restricted reserves

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

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

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

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

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

As of 31 December 2017, restricted reserves amounting to TRY 126,234,986 from the sale of real estate will be transferred to special funds in 2018 due to the expiry of the period.

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NOTE 22 - EQUITY (Continued)

Accumulated other comprehensive income/(expenses) 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 2017	31 December 2016
Revaluation gain/(loss) of property	187,778,810	71,169,629
Remeasurment gain (loss) in defined benefit plans	(18,617,479)	(17,590,552)
Total	169,161,331	53,579,077

Revaluation and remeasurement gain/(losses)

The Group management has revalued the lands and buildings that recognized under property, plant and equipment. The revaluation fund presents the difference between the net book value on a cost basis after the deduction of deferred tax effect and the fair value of buildings and lands.

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

With the first transfer in 31 December 2017, the Group had fair value increase amounting to TRY 187,788,810 (31 December 2016: TRY 71,169,629) and this amount is accounted under the equity as gain on revaluation of property.

Remeasurment Gains / (Losses) in Defined Benefit Plans

Provision for employment benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group. Group recognized all actuarial gains and losses in other comprehensive income. Remeasurement loss recognized under equity in the balance sheet amounts to TRY 18,617,479 (31 December 2016: TRY 17,590,552).

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

	31 December 2017	31 December 2016
Currency translation differences ⁽¹⁾	72,041,619	57,552,514
Gain (loss) on hedging	(856,705)	-
Total	71,184,914	57,552,514

- (1) The Board of Directors of Pronto Media Holding which is a subsidiary of Trader Media East Ltd (“TME”) that owned by 97.29% by the Group, has decided to discontinue the digital operations in its territory and impairment losses have been recognized on related operations under “discontinued operations” in the income statement.

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NOTE 22 - EQUITY (Continued)

Gains / (losses) on hedging

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

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,

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

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

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NOTE 22 - EQUITY (Continued)

Disclosure of net profit after deducting accumulated losses in records, which are prepared in accordance with tax legislations of companies' and Uniform Chart of Accounts published by T.C. Ministry of Finance, and other resources which may be subject to profit distribution in the financial statements has been decided by CBM and as of balance sheet date, total net amount that can be subject to profit distribution according to legal records is TRY 207,263,912 (31 December 2016: TRY 158,646,831).

The principles of presentation prepared in accordance with TAS and TFRS published by the CMB in accordance with the provisions of CMB's Communiqué on Principles of Financial Reporting in Capital Markets (Communiqué No: II-14.1) are prepared in accordance with CMB's According to the Consolidated Financial Statements belonging to the period of 01.01.2016 - 31.12.2016; "Net Period Profit" amounted to TRY 72,463,833 when "Deferred Tax Revenue" and "Tax Charge for the Period" and "Non-controlling interests other than Parent Company" are taken into consideration together; "Previous Years' Losses" amounting to TRY 404,269,466 TL calculated in accordance with the CMB profit share guide announced in the Weekly Bulletin dated 27.01.2014 and numbered 2014/2 of the CMB, "General Legal Reserves" and Institutions Tax Exemptions within the scope of Article 5-1 / e of the Tax Law and transferred to the Special Fund within the scope of related regulations of the CMB's profit distribution, when it is taken into consideration in the Real Estate Sales Profits of TRY 1,779,004, shareholders should be informed that no profit can be distributed as a result of taxation, In the financial records of the accounting period of 01.01.2016 - 31.12.2016, which is held according to the Uniform Chart of Accounts issued by the Ministry of Finance, there is a "Period Profit" amounting to TRY 58,320,431; "Net Profit for the Period" was calculated as TRY 52,664,076 after the "Term Tax Payment" amounting to TRY 5,656,355 was paid from this amount; from this point. As a result of the "General Legal Reserves" amounting to TRY 2,267,990 in accordance with paragraph (1) of Article 519 of the Turkish Commercial Code, tax exemptions will be granted and transferred to the Special Fund within the scope of Article 5-1 / e of the Corporate Tax Law. After deducting the "Real Estate Sales Profits" amounting to TRY 1,779,004, the remaining amount of TRY 48.617.081 has been decided to be offset against the "Previous Years' Losses" amounting to TRY 7,304,272 and the "Net Profit for the Period" amounting to TL 41,312,809 has been transferred to the "Extraordinary Reserves" account is given.

NOTE 23 - SALES AND COST OF SALES

Sales:

The detail of sales for the years ended 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Advertisement sales	338,870,795	346,860,461
Circulation and publishing sales	177,523,209	180,813,782
Other	21,847,266	16,752,856
Net sales	538,241,270	544,427,099
Cost of sales (-)	(312,082,367)	(317,840,663)
Gross profit (loss)	226,158,903	226,586,436

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NOTE 23 - SALES AND COST OF SALES (Continued)

Cost of Sales:

The details of cost of sales for the years ended 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Raw material	(128,694,570)	(134,719,188)
<i>Paper</i>	(79,498,496)	(85,644,298)
<i>Printing and ink</i>	(32,709,802)	(32,747,730)
<i>Other</i>	(16,486,272)	(16,327,160)
Personnel expenses	(115,206,181)	(103,283,556)
Amortization (Note 14,15)	(18,811,071)	(25,579,099)
News agency expenses	(9,324,247)	(11,096,173)
Distribution, storage and travel expenses	(6,631,975)	(5,581,880)
Fuel, electricity, water and office expenses	(4,914,159)	(7,010,766)
Maintenance and repair expenses	(3,614,014)	(3,970,093)
Outsourced services	(3,462,236)	(3,221,834)
Communication	(3,087,196)	(2,759,145)
Rent expenses	(2,624,598)	(2,665,003)
Packaging expenses	(1,659,645)	(1,722,850)
Commissions	(989,661)	(4,982,527)
Other	(13,062,814)	(11,248,549)
Total	(312,082,367)	(317,840,663)

NOTE 24 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES

a) General administrative expenses:

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	(31,595,390)	(32,508,100)
Consultancy expenses	(11,889,081)	(11,535,473)
Rent expenses	(10,512,672)	(10,943,527)
Depreciation and amortization charges (Notes 14,15)	(5,486,469)	(9,238,996)
Fuel, electricity, water and office expenses	(5,101,892)	(4,515,036)
Maintenance and repair expenses	(4,445,364)	(4,650,181)
Outsourced services	(2,832,229)	(2,643,752)
Tax expenses	(2,426,946)	(1,872,333)
Transportation, storage and travel expenses	(2,278,454)	(2,579,955)
Other	(6,068,593)	(4,221,695)
Total	(82,637,090)	(84,709,048)

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NOTE 24 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES (Continued)

b) Marketing expenses:

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	(36,213,377)	(35,997,081)
Transportation, storage and travel expenses	(25,808,192)	(26,262,214)
Advertisement expenses	(21,876,415)	(20,659,799)
Promotion expenses	(17,278,739)	(16,300,392)
Consultancy expenses	(11,546,111)	(10,068,220)
Sponsorship and other marketing expenses	(6,730,604)	(9,761,990)
Outsourced services	(2,605,740)	(2,193,677)
Depreciation and amortization charges (Notes 14,15)	(472,465)	(919,128)
Total	(122,531,643)	(122,162,501)

NOTE 25 - EXPENSES BY NATURE

	1 January - 31 December 2017	1 January - 31 December 2016
Payroll expenses	(183,014,948)	(171,788,737)
Depreciation and amortization charges	(24,770,005)	(35,737,223)
Total	(207,784,953)	(207,525,960)

NOTE 26 - OTHER OPERATING INCOME

The details of other operating income for the periods ended at 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Finance income due from term sales	8,816,748	6,539,822
Income due from doubtful trade receivables (Note 8)	8,666,960	5,408,573
Foreign exchange gains	4,388,479	18,308,645
Reversal of provisions (Note 17)	3,620,604	1,125,587
Unrealized finance expense due from term purchases	2,860,113	3,201,111
Interest income on bank deposits	2,220,534	2,061,918
Other	2,140,479	3,358,435
Total	32,713,917	40,004,091

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NOTE 27 - OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended at 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Provision expense for doubtful receivables (Note 8)	(25,952,779)	(7,414,656)
Unrealized finance income		
due from term sales	(7,709,743)	(1,586,022)
Provision for lawsuits (Note 17)	(3,561,157)	(1,555,124)
Foreign exchange loses	(1,886,662)	(10,320,966)
Fines and compensation expense	(1,164,767)	(1,561,643)
Aids and donations	(849,574)	(1,584,830)
Other	(3,089,368)	(4,290,652)
Total	(44,214,050)	(28,313,893)

NOTE 28 - INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the periods ended at 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Gain on fair value changes of the investment property (Note 13)	28,455,722	18,087,500
Gain on sale of fixed assets ⁽¹⁾	7,255,308	439,509
Rent and building service income (Note 13)	3,776,057	3,338,246
Dividend income (Note 33)	311,910	305,826
Foreign exchange gains	94,381	38,862
Toplam	39,893,378	22,209,943

(1) TRY 685,000 consist of sales of land of 72,387.98 m2 located in Mugla Midas on 21 August 2017 and TRY 5,174,974 consist of sales of land of 9,250.07 m2 located in Arsin - Trabzon on 27 October 2017.

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NOTE 29 - EXPENSE FROM INVESTING ACTIVITIES

The details of expenses from investing activities for the periods ended at 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Loss on change in fair value of investment properties (Note 13)	(8,327,844)	(2,087,198)
Loss from sale of fixed assets and investment properties	(8,319,016)	-
Provision for impairment of tangible asset (Note 14)	(5,772,808)	-
Expenses related to investment properties	(2,510,191)	-
Other	(4,023)	-
Total	(24,933,882)	(2,087,198)

NOTE 30 - FINANCIAL EXPENSES

The details of financial expenses for the periods ended at 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Interest expense on bank loans	(40,881,345)	(37,034,327)
Credit comission, banking and factoring expenses	(546,962)	(2,186,654)
Foreign exchange income/ (losses), net	378,253	(6,528,470)
Income / (expenses) of held for trading derivative instruments, net	133,749	(700,891)
Other	(1,452,333)	(1,104,539)
Total	(42,368,638)	(47,554,881)

NOTE 31 - INCOME TAXES

Assets related to current period tax

	31 December 2017	31 December 2016
Corporate and income tax payable	2,378,344	5,656,355
Less: Prepaid taxes	(605,313)	(4,649,501)
Tax payables/(receivables)	1,773,031	1,006,854

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

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NOTE 31 - INCOME TAXES (Continued)

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

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 14th day of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

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

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

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

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NOTE 31 - INCOME TAXES (Continued)

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

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

Exemption for participation in subsidiaries

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

Issued premiums exemption

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

Exemption for participation into foreign subsidiaries

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

Exemption for sale of participation shares and property

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and %50 of gains derived from sale of real property which have remained in assets more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in liabilities and it must 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.

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NOTE 31 - INCOME TAXES (Continued)

Russian Federation

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

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

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

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

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

Belarus

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

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

The tax rates at 31 December 2017, which are used in the calculation of deferred tax, taking each country’s tax legislations into consideration are as follows:

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

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NOTE 31 - INCOME TAXES (Continued)

Deferred Tax

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported for Financial Reporting Standards announced by Public Oversight Authority and financial statements prepared in accordance with the tax legislation. These differences usually 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 2017	31 December 2016
Deferred tax liabilities	(16,553,127)	(48,839,623)
Deferred tax assets	1,800,832	327,267
Deferred tax liabilities, net	(14,752,295)	(48,512,356)

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

	Total		Deferred tax assets /	
	temporary differences		(liabilities)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Provision for retirement benefits and unused vacation rights	58,757,923	58,159,699	12,926,744	11,631,940
Difference between tax base and carrying value of trade receivables	29,589,490	19,828,019	6,688,240	3,965,604
Deferred income	2,769,496	2,525,842	609,287	505,168
Difference between tax bases and carrying value of property, plant and equipment and intangibles	(177,345,966)	(312,400,555)	(24,104,213)	(62,480,111)
Investing properties valuation differences	(110,794,286)	(146,744,326)	(10,759,684)	(7,337,216)
Other, net	471,032	26,011,297	(112,669)	5,202,259
Toplam	(196,552,311)	(352,620,024)	(14,752,295)	(48,512,356)

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NOTE 31 - INCOME TAXES (Continued)

As of 31 December 2017, carry forward tax losses for which no deferred income tax asset was recognized amounted to TRY 295,693,466 (31 December 2016: TRY 264,682,045).

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

	31 December 2017	31 December 2016
2017	-	1,895,260
2018	5,972,388	5,972,388
2019	2,215,343	2,215,343
2020	512,814	512,814
2022	717,027	-
Indefinite (*)	286,275,894	254,086,240
Total	295,693,466	264,682,045

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

The movements of net deferred tax liabilities for the periods ended 31 December 2017 and 2016 are as follows:

	2017	2016
1 January	(48,512,356)	(42,647,166)
Deferred tax income in		
consolidated income statements	2,437,137	214,335
Accounted in equity	(17,682,612)	(2,975,245)
Currency translation differences	(5,124,132)	(15,250,956)
Tax effect of discontinued operations (Note 3g)	54,129,668	12,146,676
31 December	(14,752,295)	(48,512,356)

The analysis of the tax expense / (income) for the periods ended at 31 December 2017 and 2016 are as follows:

	2017	2016
	1 January - 31 December 2017	1 January - 31 December 2016
Current tax income / (expense)	(2,378,344)	(5,804,670)
Deferred tax income / (expense)	2,437,137	214,335
Total	58,793	(5,590,335)

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NOTE 31 - INCOME TAXES (Continued)

The reconciliation of the current period tax expense in the consolidated statement of income for the periods ended at 31 December 2017 and 2016 and consolidated tax and the tax (income) / expense calculated with the current tax rate over income before tax and non-controlling interests are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Loss before taxes and non-controlling interests ^(*)	(326,089,166)	(93,192,444)
Current period tax calculated at the effective tax rates of countries	65,217,833	18,638,489
Expenses not deductible for tax purposes	(1,664,964)	(4,670,813)
Effect of adjustments unaccounted deferred tax	(9,661,936)	(5,386,542)
Exceptions	7,468,794	-
Effects of tax rate change	(7,286,933)	-
Effects of discontinued operations	(54,129,668)	(12,146,676)
Other, net	115,667	(2,024,793)
Tax (income) / expense	58,793	(5,590,335)

(*) Consist of tax losses of continuing and discontinued operations.

NOTE 32 - EARNINGS / (LOSS) PER SHARE

Loss per share as of 31 December 2017 and 2016 is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Net loss for attributable to equity holders of parent company	(264,505,378)	(72,463,833)
Number of ordinary shares in issue (with nominal value of TRY 1 each)	552,000,000	552,000,000
Loss from continuing operations attributable to equity holders of parent company	(0.4792)	(0.1313)

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NOTE 33 - RELATED PARTY DISCLOSURES

i) Balances of related parties:

a) Short term trade receivables from related parties:

	31 December 2017	31 December 2016
Trade receivables from related parties		
Doğan İnternet Yayıncılığı ve Yatırım A.Ş. ("Doğan İnternet") ⁽¹⁾	20,978,395	16,782,647
Doğan Gazetecilik A.Ş. ("Doğan Gazetecilik") ⁽²⁾	9,535,962	9,949,419
Doğan Dağıtım Satış ve Pazarlama A.Ş. ("Doğan Dağıtım") ⁽³⁾	3,204,446	2,160,233
Dogan Media ⁽⁴⁾	1,926,402	178,641
Doğan Müzik Kitap Mağazacılık ve Pazarlama A.Ş. ("Doğan Müzik Kitap") ⁽⁵⁾	1,088,351	476,499
Doğan TV Holding A.Ş. ("Doğan TV Holding") ⁽⁶⁾	721,729	1,105,193
Other	533,303	1,940,471
	37,988,588	32,593,103

- (1) The balance is arising from sales of internet commercials to Doğan İnternet Yayıncılığı ve Yatırım A.Ş. through websites.
(2) Receivable arising from printing newspapers of Doğan Gazetecilik in the Group's printing houses.
(3) Receivables arising from the daily distribution of newspapers of the Group.
(4) The balance arising from printing of newspaper of Dogan Media in Hurriyet Frankfurt Facility and advertisement given.
(5) Receivables arising from commercial advertising services.
(6) 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.

b) Short term payables to related parties:

	31 December 2017	31 December 2016
Trade payables to related parties		
Dogan Media ⁽¹⁾	16,896,193	15,024,033
Doğan Dış Ticaret ve Mümessillik A.Ş. ("Doğan Dış Ticaret") ⁽²⁾	1,787,153	4,660,436
Doğan TV Dijital Platform İşl. A.Ş. ("Doğan TV Digital") ⁽³⁾	798,776	677,029
Doğan Haber Ajansı A.Ş. ⁽⁴⁾ ("DHA")	536,500	-
Eko TV Televizyon ve Radyo Yayıncılık A.Ş. ⁽⁵⁾ ("EKO TV")	532,436	-
Milta Turizm İşletmeleri A.Ş. ("Milta") ⁽⁶⁾	-	2,473,919
DTES Elektrik Enerji Toptan Satış A.Ş. ("DTES") ⁽⁷⁾	-	1,428,241
Other	2,023,975	1,901,177
	22,575,033	26,164,835

- (1) Arising from the cash paid by Doğan Media International for the printing service in Frankfurt Facility.
(2) The Group's raw materials are provided by Doğan Dış Ticaret.
(3) The Group receives internet service.
(4) The Group receives news service.
(5) Consist of purchasing related with the activities performed in 2017.
(6) The Group rendered car rental services by barter agreement from Milta Turizm. The company was liquidated by the demerger on 9 March 2017.
(7) The Company provides electricity service for printing facilities.

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NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

ii) Significant transactions with related parties:

Transactions in related parties for the periods ended as of 31 December 2017 and 2016 are as follows:

a) Significant service and product sales to related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
Doğan Dağıtım ⁽¹⁾	114,501,766	105,068,859
Doğan İnternet ⁽²⁾	39,316,287	32,728,675
Doğan Gazetecilik ⁽³⁾	29,594,362	28,404,163
DTV Haber ve Görsel Yayıncılık A.Ş. ("Kanal D") ⁽⁴⁾	1,306,531	1,203,254
Dogan Media ⁽⁵⁾	121,592	4,683,195
Other	6,147,667	3,405,350
	190,988,205	175,493,496

(1) The group makes the sales of daily newspapers to Doğan Dağıtım.

(2) The sales of internet commercials of the Group are carried out through Doğan İnternet.

(3) The newspapers owned by Doğan Gazetecilik are printed in the Group's printing houses.

(4) Service charges of common area costs.

(5) The Group sells news content to Dogan Media.

b) Significant service and product purchases from related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
Doğan Dış Ticaret ⁽¹⁾	86,518,629	91,029,831
Doğan Dağıtım ⁽²⁾	27,481,193	22,417,357
DHA ⁽³⁾	7,017,441	7,940,152
Doğan Gazetecilik ⁽⁴⁾	3,780,322	3,249,227
Ortadoğu Otomotiv Ticaret A.Ş. ("Ortadoğu Otomotiv") ⁽⁵⁾	3,756,047	3,704,742
Doğan Holding ⁽⁶⁾	3,391,575	4,064,565
Doğan İnternet ⁽⁷⁾	3,361,042	4,179,718
Doğan TV Digital ⁽⁸⁾	1,545,311	2,564,034
Galata Wind Enerji A.Ş. ⁽⁹⁾	1,279,951	-
DTES ⁽⁹⁾	-	6,162,263
Milta ⁽¹⁰⁾	874,907	4,695,850
Doruk Televizyon ⁽¹¹⁾	583,730	956,826
Mozaik İletişim Hizmetleri A.Ş. ("D-Smart") ⁽¹²⁾	333,830	967,381
DTV Haber ve Görsel Yayıncılık A.Ş. ("Kanal D") ⁽¹³⁾	175,785	1,197,355
Other	8,220,889	5,373,870
	148,320,652	158,503,171

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NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

- (1) The Group's raw materials purchases.
- (2) Group's newspaper distribution service purchases.
- (3) The Group renders news services.
- (4) The balance is arising from rent, security and other expenses of the Group's building, which is rented as headquarter.
- (5) Office rent services.
- (6) Financial, legal, information technology and other consultancy services together with other services rendered from Doğan Holding A.Ş.
- (7) Group's advertisement sales and infrastructure service purchases.
- (8) Group purchases internet access service from this company.
- (9) Group receives electricity. On 29 December 2017, DTES Energy Company and Galata Wind Energy was merged.
- (10) The group was taking car hire, plane tickets and accommodation services from Milta. Milta was divided into separate companies as of 9 March 2017 and the Group started to work with Marlin Oto Kiralama Seyahat Hizmetleri A.Ş. ("Marlin Auto") and then Marlin Auto and Dogan Energy merged on 18 August 2017.
- (11) Group's advertisement service purchases.
- (12) Group purchases call center and D-Smart channel advertising services.
- (13) Group's advertisement service purchases.

c) Significant transactions with related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
Doğan Dağıtım	2,615,170	895,348
Doğan Dış Ticaret	2,554,701	1,507,905
Doğan Gazetecilik	1,803,275	450,977
Doğan Holding	1,174,114	16,945
DHA	963,963	230,969
Doğan TV Holding	608,818	-
Doğan İnternet Yayıncılığı	406,746	-
Kanal D	356,387	20,949
Doğan Müzik Kitap	13,649	130,705
Other	1,407,513	901,784
	11,904,336	4,155,582

Amounting to TRY 11,904,336 of other income which totally amounts to TRY 2,621,512 consists of rent income which Hürriyet gathers from the Group companies. (1 January-31 December 2016: TRY 3,338,246).

Dividends income	1 January - 31 December 2017	1 January - 31 December 2016
Doruk Faktoring	255,510	305,826
Coats İplik A.Ş.	56,400	-
	311,910	305,826

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NOTE 33 - RELATED PARTY DISCLOSURES (Continued)

	1 January - 31 December 2017	1 January - 31 December 2016
Financial expense:		
Doruk Faktoring ⁽¹⁾	520,826	636,760
Doğan Dış Ticaret	-	368,091
Milta	-	43,017
	520,826	1,047,868

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

iii) Key Management Personnel:

	1 January - 31 December 2017	1 January - 31 December 2016
Salaries and other short term benefits	11,442,218	11,020,947
Post-employment benefits	286,466	1,481,326
	11,728,683	12,502,273

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

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

34.1 Financial Risk Management

(i) Interest rate risk

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

	31 December 2017	31 December 2016
Financial instruments with fixed interest rate		
Bank deposits (Note 4)	59,423,284	17,233,880
Financial liabilities (Note 7)	262,168,778	287,714,632

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

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. As of 31 December 2017 and 31 December 2016, the Group does not have borrowings at floating rates.

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

(ii) Liquidity risk

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

	Carrying value	Total contractual cash outflow	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
31 December 2017						
Financial liabilities						
Financial payables (Note 7)	262,168,778	305,068,882	45,647,767	96,912,068	162,509,047	-
Trade payables						
-Related party (Note 33)	22,575,033	22,575,033	5,556,992	17,018,041	-	-
-Other (Note 8)	51,132,420	51,634,979	50,922,117	712,863	-	-
Other payables						
-Other (Note 9)	10,388,050	10,388,050	9,128,136	1,259,914	-	-
Payables within employee benefits						
-Due to personnel (Note 10)	809,879	809,879	809,879	-	-	-
	Carrying value	Total contractual cash outflow	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
31 December 2016						
Financial liabilities						
Financial payables (Note 7)	287,714,632	337,009,430	21,027,783	159,635,951	156,345,696	-
Trade payables						
-Related party (Note 33)	26,164,835	26,164,835	26,164,835	-	-	-
-Other (Note 8)	53,060,248	53,258,927	53,258,927	-	-	-
Other payables						
-Other (Note 9)	8,891,934	8,891,934	8,891,934	-	-	-
Payables within employee benefits						
-Due to personnel (Note 10)	1,215,308	1,215,308	1,215,308	-	-	-

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

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

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

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

At 31 December 2017, the Group has long-term bank borrowings amounting to TRY 150,478,785 (31 December 2016: TRY 139,729,311) (Note 7).

(iii) Credit Risk

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

Aging analysis for trade receivables:

As of 31 December 2017 there are past due trade receivables amounting to TRY 111,490,580 which are not considered as doubtful receivables (31 December 2016: TRY 113,109,561). The Group does not foresee any collection risk for the delay up to one month due to sector dynamics and conditions. The Group restructures the trade receivables by applying due date differences which are due over one month and/or the Group does not foresee any collection risk since they are under coverage of guarantees such as mortgage, indemnity or guarantee notes. As of 31 December 2017, the amount of mortgage and indemnity received is TRY 16,366,029 for the related receivables (31 December 2016: TRY 13,086,939).

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

	31 December 2017		31 December 2016	
	Related party	Other receivables	Related party	Other receivables
0-1 month	1,155,770	32,911,074	527,247	22,830,197
1-3 month	2,446,103	23,205,296	135,912	29,975,180
3-6 month	928,730	25,057,890	63,624	33,454,176
6-12 month	221,448	13,879,753	1,194,712	14,429,179
1-2 years	226,450	11,458,066	-	10,499,334
	4,978,501	106,512,079	1,921,495	111,188,066

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

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

<i>Impaired</i>	31 December 2017	31 December 2016
Past due 0 - 3 months	-	2,479,033
Past due 3 - 6 months	-	138,420
Past due 6 months and over	64,405,568	43,402,690
Less: Provision for impairment (Note 8)	(64,405,568)	(46,020,143)

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

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

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

31 December 2017	Trade receivables		Other receivables		Bank deposits	Other assets
	Related party	Other	Related party	Other		
Maximum credit risk exposure as of balance sheet date	37,988,588	184,369,460	-	5,274,370	63,286,139	68,713
<i>- The part of maximum credit risk under guarantee with collateral</i>	-	<i>16,366,029</i>	-	-	-	-
A. Net book value of financial assets that are not past due/impaired	33,010,087	77,857,381	-	5,274,370	63,286,139	68,713
<i>- The part under guarantee with collateral</i>	-	-	-	-	-	-
B. Net book value of financial assets that are renegotiated if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	4,978,501	106,512,079	-	-	-	-
<i>- The part under guarantee with collateral</i>	-	<i>16,366,029</i>	-	-	-	-
D. Net book value of impaired asset						
- Past due (gross carrying amount)	-	64,405,568	-	-	-	-
- Impairment (-)	-	(64,405,568)	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-	-
- Not over due (gross carrying value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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

31 December 2016	Trade receivables		Other receivables		Bank deposits	Other assets
	Related party	Other	Related party	Other		
Maximum credit risk exposure as of balance sheet date	32,593,103	204,353,838	-	5,546,856	20,427,976	111,500
- The part of maximum credit risk under guarantee with collateral	-	13,126,721	-	-	-	-
A. Net book value of financial assets that are not past due/impaired	30,671,608	93,165,772	-	5,546,856	20,427,976	111,500
- <i>The part under guarantee with collateral</i>	-	39,782	-	-	-	-
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>	-	13,086,939	-	-	-	-
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	-	-	-	-	-	-

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

(iv) Foreign currency risk

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

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

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

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

	31 December 2017	31 December 2016
Assets	11,859,060	1,747,982
Liabilities	(7,094,326)	(2,333,503)
Net foreign currency position	4,764,734	(585,521)

Following exchange rates have been used in the translation of foreign currency denominated balance sheet items as of 31 December 2017: 3.7719 TRY= 1 US Dollar and 4.5155 TRY=1 Euro (31 December 2016: 31 December 2016: 3.5192 TRY= 1 US Dollar and 3.7099 TRY=1 Euro).

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

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

31 December 2017	TRY Equivalent	USD	Euro	Other
1. Trade receivables	3,759,431	281,223	577,141	92,607
2a. Monetary Financial Assets (Cash, Banks included)	-	-	-	-
	7,961,316	1,918,349	39,149	548,718
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	138,313	8,845	-	104,951
4. Current Assets (1+2+3)	11,859,060	2,208,417	616,290	746,274
5. Trade receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-
9. Total Assets (4+8)	11,859,060	2,208,417	616,290	746,274
10. Trade Payables	1,518,360	87,924	183,897	356,335
11. Financial Liabilities	4,618,399	-	-	4,618,399
12a. Other Monetary Financial Liabilities	957,567	96,259	11,020	544,728
12b. Other Non-Monetary Financial Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	7,094,326	184,182	194,917	5,519,462
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	-	-	-	-
18. Total Liabilities (13+17)	7,094,326	184,182	194,917	5,519,462
19. Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	4,764,734	2,024,235	421,373	(4,773,188)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	4,626,421	2,015,390	421,373	(4,878,137)
22. Fair value of foreign currency hedged financial assets	-	-	-	-

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

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

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

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

31 December 2017

	Profit/Loss	
	Foreign currency appreciation	Foreign currency depreciation
If the US dollar had changed by 10% against the TRY		
USD net (liabilities) / assets	763,521	(763,521)
Hedging amount of USD	-	-
USD net effect on (loss) / income	763,521	(763,521)
If the EUR had changed by 10% against the TRY		
Euro net (liabilities) / assets	190,271	(190,271)
Hedging amount of Euro	-	-
Euro net effect on (loss) / income	190,271	(190,271)
If other foreign currency had changed by 10% against the TRY		
Other foreign currency net (liabilities) / assets	(477,319)	477,319
Hedging amount of other foreign currency	-	-
Other foreign currency net effect on (loss) / income	(477,319)	477,319

31 December 2016

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

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

34.2 Capital risk management

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

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

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

	31 December 2017	31 December 2016
Total liability ⁽¹⁾	262,168,778	287,714,632
Less: Cash and cash equivalents (Note 4)	(65,946,767)	(24,295,720)
Net liability	196,222,011	263,418,912
Equity	303,106,910	416,594,931
Net liability and Equity	499,328,921	680,013,843
Net liability / Total equity ratio	39%	39%

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

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

31 December 2017	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Financial liabilities at amortized cost	Hedging instruments	Fair value through profit or loss	Carrying Value	Note
Financial assets							
Cash and cash equivalents	65,946,767	-	-	-	-	65,946,767	4
Trade receivables							
from non-related parties	184,369,460	-	-	-	-	184,369,460	8
Trade receivables from related parties	37,988,588	-	-	-	-	37,988,588	33
Other receivables							
from non-related parties	5,274,370	-	-	-	-	5,274,370	9
Financial investments	68,713	1,343,821	-	-	-	1,412,534	6
Financial liabilities							
Financial borrowings	-	-	262,168,778	-	-	262,168,778	7
Trade payables							
to non-related parties	-	-	51,132,420	-	-	51,132,420	8
Trade payables to related parties	-	-	22,575,033	-	-	22,575,033	33
Employee benefit payables	-	-	809,879	-	-	809,879	10
Other payables							
to non-related parties	-	-	10,388,050	-	-	10,388,050	9
Other short-term liabilities	-	-	1,180,793	-	-	1,180,793	21
Derivative instruments	-	-	-	1,098,340	-	1,098,340	5

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

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

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

Fair value of financial instruments

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

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

NOTE 36 - INTERESTS IN OTHER ENTITIES

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

	<u>31 December 2017</u>	<u>31 December 2016</u>
Current Assets	5,173,746	10,088,139
Non Current Assets	9,053,856	263,750,903
Current Liabilities	33,609,032	34,009,563
Non Current Liabilities ^(*)	30,598,479	50,897,822
Total Equity	(49,979,909)	188,931,657
	<u>1 January - 31 December 2017</u>	<u>1 January - 31 December 2016</u>
Revenue	10,015,006	9,803,969
Costs	(6,494,484)	(6,588,605)
Gross profit (loss)	3,520,522	3,215,364
Net profit (loss) for the period	(4,385,850)	(10,089,339)

(*) Non-current liabilities comprise deferred tax liabilities and long term borrowings.

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NOTE 37 - SUBSEQUENT EVENTS AFTER REPORTING PERIOD

Approval of Financial Statements

The consolidated financial statements for the period ended 31 December 2017 were approved by the Board of Directors on 5 March 2018. Financial statements will be finalized after approval of General Assembly.

Subsidiary Investment

Glokal Digital Hizmetler Pazarlama ve Ticaret A.Ş., subsidiary of the Group, which Group participate its fully paid capital amounting to TRY 11,167,438 with 92%, decided to establish a Company in order to operate in sales and marketing services related to the sale of first hand real estate with a new website / platform channel to be formed in Turkish and / or foreign languages on 2 January 2018. with Prof Estate Ltd which a resident in United Kingdom, participating capital with 86% by Glokal and 14% by Prof Estate Ltd. The new company aims to bring potential buyers of project sales of construction companies by offering new products with different technological approaches.

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