

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**CONVENIENCE TRANSLATION OF THE
CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT
FOR THE YEAR ENDED 1 JANUARY – 30 SEPTEMBER 2016
INTO ENGLISH**

(ORIGINALLY ISSUED IN TURKISH)

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HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2016 AND 31 DECEMBER 2015

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

	Note	(Unaudited) Current Period	(Audited) Prior Period
	references	30 September 2016	31 December 2015
ASSETS			
Current assets		300.164.550	315.814.507
Cash and cash equivalents	5	38.076.392	86.987.420
Trade receivables			
-Trade receivables from related parties	34	31.162.898	26.372.328
-Trade receivables from non-related parties	9	210.932.754	181.683.764
Other receivables			
-Other receivables from non-related parties	10	687.984	993.681
Inventories	12	11.499.135	11.596.510
Prepaid expenses	21	3.224.724	2.726.015
Assets related with current tax	32	421.133	1.372.140
Other current assets	22	4.159.530	4.082.649
Non-current assets		547.448.402	557.533.933
Financial investments	6	1.343.822	1.393.257
Other receivables	10	1.457.247	1.444.690
Investments accounted by the equity method	13	5.997.571	6.566.895
Investment property	14	121.843.775	86.937.106
Property, plant and equipment	15	157.915.396	186.969.110
Intangible assets			
-Other intangible assets	16	253.621.590	263.054.231
Deferred tax assets	32	4.076.463	10.005.631
Other non-current assets	22	1.192.538	1.163.013
Total assets		847.612.952	873.348.440

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

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2016 AND 31 DECEMBER 2015

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

	Note	(Unaudited) Current Period	(Audited) Prior Period
	references	30 September 2016	31 December 2015
LIABILITIES			
Current liabilities		262.056.080	361.956.283
Short-term borrowings	7	70.702.727	55.402.170
Short-term portion of long-term borrowings	7	63.770.201	198.263.511
Trade payables			
-Trade payables to related parties	34	22.683.755	24.120.290
-Trade payables to non-related parties	9	51.585.821	36.660.202
Employee benefit payables	11	8.308.448	6.021.343
Other payables			
-Other payables to non-related parties	10	9.088.333	8.595.760
Derivative instruments	8	888.118	-
Deferred income	21	15.217.952	5.590.682
Current income tax liabilities	32	-	261.684
Short-term provisions			
-Short-term provisions for employment benefits	18	12.869.825	12.181.762
-Other short-term provisions	18	5.278.348	12.735.687
Other short-term liabilities	22	1.662.552	2.123.192
Non-current liabilities		237.689.698	158.172.934
Long-term borrowings	7	149.827.719	62.343.476
Other payables	10	52.240	698.515
Long-term provisions			
-Long-term provisions for employment benefits	20	41.728.683	42.254.261
Deferred tax liability	32	46.081.056	52.652.797
Other long-term liabilities		-	223.885

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2016 AND 31 DECEMBER 2015

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

	Note references	(Unaudited) Current Period 30 September 2016	(Audited) Prior Period 31 December 2015
EQUITY			
Total equity		347.867.174	353.219.223
Equity attributable to equity holders of the parent company			
Share capital	23	552.000.000	552.000.000
Inflation adjustment to share capital	23	77.198.813	77.198.813
Share premiums		76.944	76.944
Other comprehensive income and expenses that will not be reclassified subsequently to profit or loss			
-Revaluation and remeasurement gains			
-Gain or loss on revaluation of property	23	11.347.821	1.024.515
-Actuarial gain/(losses) in defined benefit plan	23	(15.355.484)	(15.355.484)
Other comprehensive income and expenses that may be reclassified subsequently to profit or loss			
-Currency translation differences	23	13.829.565	(15.308.843)
Gains or (losses) from hedging			
-Gains/(losses) from hedging cashflow risk	23	(175.811)	-
Restricted reserves	23	187.166.210	187.166.210
Retained Earnings / Accumulated losses		(443.488.235)	(383.832.770)
Net loss for the period		(39.661.228)	(30.499.114)
Non-controlling interests		4.928.579	(19.251.048)

These consolidated financial statements as at and for the period ended 30 September 2016 were approved by the Board of Directors on 7 November 2016.

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016 AND 2015

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

		(Unaudited) Current Period 1 January- 30 September 2016	(Unaudited) Current Period 1 June- 30 September 2016	(Unaudited) Prior Period 1 January- 30 September 2015	(Unaudited) Prior Period 1 June- 30 September 2015
Sales	24	419.846.765	129.188.557	440.813.282	132.975.073
Cost of sales (-)	24	(245.672.060)	(79.934.036)	(247.812.106)	(79.329.324)
Gros profit		174.174.705	49.254.521	193.001.176	53.645.749
General administrative expenses (-)	25	(76.405.780)	(24.437.877)	(84.069.872)	(27.034.036)
Marketing expenses (-)	25	(89.225.229)	(26.818.125)	(98.692.482)	(31.111.248)
Other operating income	27	39.645.167	10.806.063	75.724.157	40.390.371
Other operating expenses (-)	28	(23.021.058)	(319.141)	(41.957.113)	(14.822.692)
Operating profit		25.167.805	8.485.441	44.005.866	21.068.144
Share of loss of investments accounted by the equity method	13	(1.090.497)	(502.129)	(1.089.238)	(429.319)
Income from investing activities	29	8.493.383	842.717	11.695.660	9.219.565
Expenses from investing activities (-)	30	(54.678.960)	(5.937.753)	(36.393.404)	(1.474.510)
Operating (loss) / profit before finance expense		(22.108.269)	2.888.276	18.218.884	28.383.880
Finance expenses (-) / income	31	(34.376.917)	(7.568.402)	(30.604.004)	(22.477.286)
(Loss) / profit before tax		(56.485.186)	(4.680.126)	(12.385.120)	5.906.594
Tax income / (expense)		3.551.936	(3.578.514)	(984.778)	579.225
Current tax (expense) / income	32	(4.488.714)	(1.457.294)	(9.419.519)	(1.268.170)
Deferred tax income	32	8.040.650	(2.121.220)	8.434.741	1.847.395
Net loss for the period		(52.933.250)	(8.258.640)	(13.369.898)	6.485.819
Allocation of net loss for the period					
Attributable to non-controlling interests		(13.272.022)	(1.801.730)	(11.980.667)	(1.444.925)
Attributable to equity holders of the parent company		(39.661.228)	(6.456.910)	(1.389.231)	7.930.744
Loss per share					
Gain / (loss) from continuing operations per share	33	(0,0719)	(0,0117)	(0,0025)	0,0144

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016 AND 2015

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

	(Unaudited) Current Period 1 January- 30 September 2016	(Unaudited) Current Period 1 June- 30 September 2016	(Unaudited) Prior Period 1 January- 30 September 2015	(Unaudited) Prior Period 1 June- 30 September 2015
Other comprehensive (expense) / income				
Net loss for the period	(52.933.250)	(8.258.640)	(13.369.898)	6.485.819
Other comprehensive income and expenses that will not be reclassified subsequently to profit and loss				
- Gain or loss on revaluation of property	11.160.797	-	995.530	995.530
Income tax relating to items that will not be reclassified subsequently to profit or loss				
-Gain or loss on revaluation of property, tax effect	(558.040)	-	-	-
Other comprehensive income and expenses that may be reclassified subsequently to profit and loss				
-Gain on foreign currency conversion adjustment	37.134.977	17.311.083	(20.733.323)	(31.443.219)
-Other comprehensive income related to hedging on cashflow risk	(219.764)	843.715	-	-
Income tax relating to items that may be reclassified subsequently to profit and loss				
-Other comprehensive income related to hedging on cashflow risk, tax effect	43.953	(168.743)	-	-
Other comprehensive income after income tax	47.561.923	17.986.055	(19.737.793)	(30.447.689)
Total comprehensive expense	(5.371.327)	9.727.415	(33.107.691)	(23.961.870)
Allocation of total comprehensive income / (expense)				
Attributable to non-controlling interests	(4.996.002)	(1.202.490)	(20.871.017)	(13.088.604)
Attributable to equity holders of the parent company	(375.325)	10.929.905	(12.236.674)	(10.873.266)

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HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016 AND 2015

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

	Note references	Share capital	Inflation adjustment		Losses on hedging instruments	Currency translation differences	Other comprehensive income and expenses that may be reclassified subsequently to profit or loss	Revaluation gains of property	Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Restricted reserves	Retained earnings / accumulated (losses)	Net profit / (loss) for the period	Retained earnings	Equity attributable to equity holders of the parent company		Non-controlling interests	Total equity
			to share capital / (discounts)	Share premiums					that will not be reclassified subsequently to profit or loss	in defined benefit plan					of the parent company	Non-controlling interests		
Balances at 1 January 2015	23	552.000.000	77.198.813	76.944	-	6.633.568	6.633.568	-	(15.331.957)	(15.331.957)	165.883.369	(201.896.442)	(168.672.590)	(370.569.032)	415.891.705	11.302.468	427.194.173	
Transfer	-	-	-	-	-	-	-	-	-	-	21.282.841	(189.955.431)	168.672.590	(21.282.841)	-	-	-	
Other addition from shareholders	-	-	-	-	-	-	-	-	-	-	-	5.031.497	-	5.031.497	-	-	5.031.497	
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(441.187)	(441.187)
Disposal of subsidiary (Note 35)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	1.253.921	1.253.921	-	2.987.605	-	2.987.605	4.241.526	71.809	4.313.335	
Total comprehensive income / (expense)	-	-	-	-	(11.842.973)	(11.842.973)	995.530	-	995.530	-	-	-	(1.389.231)	(1.389.231)	(12.236.674)	(20.871.017)	(33.107.691)	
-Other comprehensive income	-	-	-	-	(11.842.973)	(11.842.973)	995.530	-	995.530	-	-	-	-	-	(10.847.443)	(8.890.350)	(19.737.793)	
-Net loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	(1.389.231)	(1.389.231)	(1.389.231)	(11.980.667)	(13.369.898)	
Balances at 30 September 2015		552.000.000	77.198.813	76.944	-	(5.209.405)	(5.209.405)	995.530	(14.078.036)	(13.082.506)	187.166.210	(383.832.771)	(1.389.231)	(385.222.002)	412.928.054	(9.995.215)	402.932.839	
Balances at 1 January 2016	23	552.000.000	77.198.813	76.944	-	(15.308.843)	(15.308.843)	1.024.515	(15.355.484)	(14.330.969)	187.166.210	(383.832.770)	(30.499.114)	(414.331.884)	372.470.271	(19.251.048)	353.219.223	
Transfer	-	-	-	-	-	-	-	-	-	-	-	(30.499.114)	30.499.114	-	-	-	-	
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(79.797)	(79.797)
The effect of change in holdings on subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(29.156.351)	-	(29.156.351)	(29.156.351)	29.255.426	99.075	
Total comprehensive income / (expense)	-	-	-	-	(175.811)	29.138.408	28.962.597	10.323.306	-	10.323.306	-	-	(39.661.228)	(39.661.228)	(375.325)	(4.996.002)	(5.371.327)	
-Other comprehensive income	-	-	-	-	(175.811)	29.138.408	28.962.597	10.323.306	-	10.323.306	-	-	-	-	39.285.903	8.276.020	47.561.923	
-Net loss for the period	-	-	-	-	-	-	-	-	-	-	-	(39.661.228)	(39.661.228)	(39.661.228)	(3.272.022)	(52.933.250)		
Balances at 30 September 2016	23	552.000.000	77.198.813	76.944	(175.811)	13.829.565	13.653.754	11.347.821	(15.355.484)	(4.007.663)	187.166.210	(443.488.235)	(39.661.228)	(483.149.463)	342.938.595	4.928.579	347.867.174	

(1) By the existence of Non-controlling Interests which have not participated the capital increase in TME, the effective ownership interest of the Group increased to 97,29% from 78,57%. 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 deficit account under equity.

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016 AND 2015

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

	Note Reference	(Unaudited) Current Period 1 January- 30 September 2016	(Unaudited) Prior Period 1 January- 30 September 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		(3.546.433)	22.961.223
Loss for the continuing operations		(52.933.250)	(13.369.898)
Adjustments to reconcile loss for the period		103.613.859	94.338.463
Adjustments related to depreciation and amortization expenses	15, 16	34.747.419	43.763.791
Adjustments related to impairment / (reversal)		56.675.654	36.392.283
Adjustments related to impairment / (reversal) of receivables	28	9.230.653	7.045.718
Adjustments related to provision for impairment of inventories	12	3.039.678	2.502.625
Adjustments related to reversal for impairment of investment property	30	46.988.792	34.845.374
Adjustments related to increase in value of investment property	14	(2.583.469)	(8.001.434)
Adjustments related to provisions		(8.284.534)	(7.410.644)
Adjustments related to (reversal) of provision for employment benefits	18, 20	6.496.456	6.347.291
Adjustments related to lawsuit / (reversal) of provision for lawsuit	18, 28	(12.159.112)	(11.818.443)
Adjustments related to reversal of provisions		597.423	(1.553.229)
Adjustments related to free provisions / (reversal) for probable risks	27	(4.151.302)	-
Adjustments related to other provisions / (reversals)		932.001	(386.263)
Adjustments related to interest expense and interest income		23.261.586	6.316.625
Adjustments related to interest income	27	(1.637.445)	(2.346.591)
Adjustments related to interest expense	31	28.666.280	14.436.504
Unearned finance expense due to term purchases	28	(165.744)	(1.806.559)
Deferred finance income due to term sales	27, 28	(3.601.505)	(3.966.729)
Adjustments related to unrealized foreign exchange (income) / expense		(3.019.815)	12.002.901
Adjustments related to fair value losses		668.354	-
Adjustments related to loss / (gain) on fair value of derivative instruments	8	668.354	-
Adjustments related to retained earnings of investments valued by equity method		1.090.497	1.089.238
Adjustments related to retained earnings of subsidiaries	13	1.090.497	1.089.238
Adjustments related to tax (income) / expense	32	(3.551.936)	984.778
Other adjustments related to noncash items		2.132.309	1.203.813
Adjustments related to (gain) / loss on disposal of current asset		(105.675)	(4.322)
Adjustments related to (gain) / loss on disposal of fix assets			
Adjustments related to (gain) / loss on disposal of property, plant and equipment	29, 30	(105.675)	(4.322)
Changes in working capital		(45.699.802)	(46.600.097)
Adjustments related to (increase) / decrease in trade receivables		(61.043.639)	(3.953.831)
(Increase) / decrease in trade receivables from related parties		(17.385.112)	71.815
(Increase) / decrease in trade receivables from third parties		(43.658.527)	(4.025.646)
Adjustments related to (increase) / decrease in inventories		(326.568)	(2.685.775)
Increase in prepaid expenses		(498.709)	(893.628)
Adjustments related to (increase) / decrease in trade payables		15.710.579	(3.461.491)
Decrease in trade payables to related parties		(1.436.535)	(4.389.891)
Increase / (decrease) in trade payables to third parties		17.147.114	928.400
Increase in payables related to employee benefits	11	2.287.105	2.513.819
Increase in deferred income		6.288.240	1.342.846
Adjustments related to other increase / (decrease) in working capital		(8.116.810)	(39.462.037)
Decrease in other assets related to operating activities		3.238.802	(24.811.137)
(Decrease) / increase in other liabilities related to operating activities		(11.355.612)	(14.650.900)

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016 AND 2015

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

		(Unaudited) Current Period 1 January- 30 September 2016	(Unaudited) Prior Period 1 January- 30 September 2015
	Note Reference		
Cash generated from operations		4.980.807	34.368.468
Employment benefits paid	18, 20	(6.898.443)	(7.946.804)
Taxes returns / (payments)	32	(3.799.391)	(5.485.904)
Other cash inflows/(outflows)	9	2.170.594	2.025.463
CASH FLOWS FROM INVESTING ACTIVITIES		3.419.638	6.738.445
Cash inflows related to proceeds from disposal of subsidiary resulting in loss of control	35	-	2.826.129
Cash inflows from sale of tangible and intangible assets		2.672.804	9.873.373
Proceeds from sales of property, plant and equipment	15	2.672.804	9.873.373
Cash outflows from purchase of tangible and intangible assets		(9.603.758)	(12.964.390)
Purchases of property, plant and equipment	15	(4.901.866)	(4.160.011)
Purchases of intangible assets	16	(4.701.892)	(8.804.379)
Dividends received	29	305.826	-
Interests received		10.044.766	7.003.333
CASH FLOWS FROM FINANCING ACTIVITIES		(56.422.470)	(50.603.628)
Cashflows from changes in ownership of an affiliate not resulting loss of control		99.075	#BAŞV!
Cash inflows from capital advances		-	6.289.371
Cash inflows from borrowings		129.276.963	58.830.109
Cash inflows from loans		129.276.963	58.830.109
Cash outflows related to debt payments		(158.704.112)	(102.052.942)
Cash outflows from loan repayment		(158.704.112)	(99.837.568)
Cash outflows related to other financial liabilities		-	(2.215.374)
Dividends paid		(79.797)	(441.187)
Interests paid	31	(27.047.366)	(13.165.475)
Other cash inflows/ (outflows)	5	32.767	(63.504)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES		(56.549.265)	(20.903.960)
Effects of exchange rate changes on cash and cash equivalents		7.638.237	10.132.988
NET DECREASE IN CASH AND CASH EQUIVALENTS		(48.911.028)	(10.770.972)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	86.987.420	56.604.647
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	38.076.392	45.833.675

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

As of 30 September 2016, the Group’s average personnel number is 2.072 (31 December 2015: 2.376).

The address of the registered office is as follows:

100. Yıl Mahallesi, Matbaacılar Caddesi No:78
34204 Bağcılar/İstanbul
Turkey

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa İstanbul A.Ş. (“BİAŞ or “Borsa” or “BİST”) since 25 February 1992. In accordance with the resolution numbered 21/655 on 23 July 2010 of CMB; according to the records of Central Registry Agency (CRA); shares representing 22,34 % as of 30 September 2016 (31 December 2015: 22,31%) of Hürriyet are accepted as “in circulation”. As of the date of this report, this ratio is 22,34 % (Note 23).

Subsidiaries

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

Subsidiaries	Registered country	Geographic segment	Nature of business
Yenibiriş İnsan Kaynakları Hizmetleri			
Danışmanlık ve Yayıncılık A.Ş. (“Yenibiriş”)	Turkey	Turkey	Internet publishing
Glokal Dijital Hizmetler Pazarlama ve Ticaret A.Ş. (“Glokal”)	Turkey	Turkey	Internet publishing
Hürriyet Zweigniederlassung GmbH. (“Hürriyet Zweigniederlassung”)	Germany	Europe	Newspaper publishing
Hürriyet Invest B.V. (“Hürriyet Invest”)	Holland	Europe	Investment
Trader Media East (“TME”)	Jersey	Europe	Investment
TCM Adria d.o.o.	Crotia	Europe	Investment
Mirabridge International B.V.	Holland	Europe	Investment
ZAO Pronto Akzhol	Kazakhstan	Russia and EE	Newspaper and internet publishing
TOO Pronto Akmola	Kazakhstan	Russia and EE	Newspaper and internet publishing
OOO Pronto Atyrau	Kazakhstan	Russia and EE	Newspaper and internet publishing
OOO Pronto Aktobe	Kazakhstan	Russia and EE	Newspaper and internet publishing
OOO Pronto Aktau	Kazakhstan	Russia and EE	Newspaper and internet publishing
OOO Pronto Baikal	Russia	Russia and EE	Newspaper and internet publishing
OOO Pronto Kazan	Russia	Russia and EE	Newspaper and internet publishing
OOO Pronto Oka	Russia	Russia and EE	Newspaper and internet publishing
OOO Utro Peterburga	Russia	Russia and EE	Newspaper and internet publishing
OOO Pronto Samara	Russia	Russia and EE	Newspaper and internet publishing
ID Impress Media Marketing LLC	Russia	Russia and EE	Publishing

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries (Continued)

Subsidiaries	Registered country	Geographic segment	Nature of business
OOO Pronto Smolensk	Russia	Russia and EE	Newspaper and internet publishing
OOO Rukom	Russia	Russia and EE	Internet publishing
OOO Pronto Media Holding	Russia	Russia and EE	Newspaper and internet publishing
OOO Rektcentr	Russia	Russia and EE	Newspaper and internet publishing
Publishing House Pennsylvania Inc.	USA	Russia and EE	Investment
OOO SP Belpronto	Belarus	Russia and EE	Newspaper and internet publishing
Pronto Ust Kamenogorsk	Kazakhstan	Russia and EE	Newspaper publishing
Publishing International Holding BV	Holland	Europe	Investment

Associates

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

Associates	Registered country	Geographic segment	Nature of business
ASPM Holding B.V. (“ASPM”)	Holland	Europe	Investment

Joint Ventures

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

Joint Ventures	Registered country	Geographic segment	Nature of business
Doğan Media International GmbH (“Doğan Media”)	Germany	Europe	Newspaper publishing

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

Statement of Compliance in TAS

The accompanying consolidated financial statements are prepared in accordance with 2016 TAS Taxonomy based on the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets” and Turkish Accounting 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 TL in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

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

2.1 Basis of presentation (Continued)

Statement of Compliance in TAS (Continued)

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

2.1.1 Financial reporting standards (Continued)

Adjustment to the financial statements in hyperinflationary periods

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, TAS 29, “Financial Reporting in Hyperinflationary Economies” (“TAS 29”) has not been applied in the financial statements for the accounting year commencing 1 January 2005.

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

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

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

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

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

2.1.3 Consolidation principles

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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

2.1 Basis of presentation (Continued)

2.1.3 Consolidation principles (Continued)

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

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

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

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all the relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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

2.1 Basis of presentation (Continued)

2.1.3 Consolidation principles (Continued)

(a) Subsidiaries (Continued)

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

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

The Subsidiaries and their effective ownership interests at 30 September 2016 and 31 December 2015 are as follows:

Subsidiaries	Proportion of voting power held by Hürriyet and its Subsidiaries (%)		Effective ownership interests (%)	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Yenibiriş A.Ş.	100,00	100,00	100,00	100,00
Glokal ⁽¹⁾	100,00	-	100,00	-
Hürriyet Zweigniederlassung	100,00	100,00	100,00	100,00
Hürriyet Invest	100,00	100,00	100,00	100,00
TME ⁽²⁾	97,29	78,57	97,29	78,57
ID Impress Media Marketing LLC	91,00	91,00	88,53	71,50
TCM Adria d.o.o.	100,00	100,00	97,29	78,57
Mirabridge International B.V.	100,00	100,00	97,29	78,57
ZAO Pronto Akzhol	80,00	80,00	77,83	62,86
TOO Pronto Akmola	100,00	100,00	97,29	78,57
OOO Pronto Atyrau	80,00	80,00	77,83	62,86
OOO Pronto Aktobe	64,00	64,00	62,26	50,28
OOO Pronto Aktau	80,00	80,00	77,83	62,86
OOO Pronto Baikal ⁽³⁾	100,00	100,00	97,29	78,57
OOO Pronto DV ⁽⁴⁾	-	100,00	-	78,57
OOO Pronto Kazan ⁽⁵⁾	72,00	100,00	70,05	78,57

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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

2.1 Basis of presentation (Continued)

2.1.3 Consolidation principles (Continued)

(a) Subsidiaries (Continued)

Subsidiaries	Proportion of voting power held by Hürriyet and its Subsidiaries (%)		Effective ownership interests (%)	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
OOO Pronto Novosibirsk ⁽⁶⁾	-	100,00	-	78,57
OOO Pronto Oka ⁽⁷⁾	100,00	100,00	97,29	78,57
OOO Utro Peterburga ⁽⁷⁾	55,00	55,00	53,51	43,21
OOO Pronto Samara	100,00	100,00	97,29	78,57
OOO Pronto Smolensk ⁽⁸⁾	100,00	100,00	97,29	78,57
OOO Rukom ⁽⁹⁾	100,00	100,00	97,29	78,57
OOO Pronto Vladivostok ⁽¹⁰⁾	-	90,00	-	70,71
OOO Pronto Media Holding	100,00	100,00	97,29	78,57
LLC Pronto Soft ⁽¹¹⁾	-	90,00	-	70,71
OOO SP Belpronto	60,00	60,00	58,37	47,14
OOO Rektcentr	100,00	100,00	97,29	78,57
Publishing House Pennsylvania Inc	100,00	100,00	97,29	78,57
Pronto Ust Kamenogorsk	80,00	80,00	77,83	62,86
Publishing International Holding BV	100,00	100,00	97,29	78,57
Impress Media Marketing LLC ⁽¹²⁾	-	91,00	-	71,50

- (1) The subsidiary was established on 26 May 2016.
- (2) By the existence of Non-controlling Interests which have not participated the capital increase in TME, the effective ownership interest of the Group increased to 97,29% from 78,57%.
- (3) The subsidiary is in the process of liquidation as of 5 October 2015.
- (4) The subsidiary is has been disposed as of 23 June 2016.
- (5) The subsidiary is in the process of liquidation as of Nov 2015.
- (6) The subsidiary is has been disposed.
- (7) The subsidiary ceased its operations in 2010.
- (8) The subsidiary is in the process of liquidation as of 19 May 2015.
- (9) The subsidiary ceased its operations in 2010.
- (10) The subsidiary has been disposed.
- (11) The subsidiary has been disposed as of February 2016.
- (12) The subsidiary has been excluded as of March 2016

(b) Investments in associates and joint ventures

Joint ventures are the entities where Hürriyet and its subsidiaries together with one or more parties are subject to joint control and undertake an economic operation through an agreement. 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. Joint ventures were consolidated using the proportional consolidation method until 31 December 2012. In accordance with the amendments to TFRS 11 effective from 1 January 2013, joint ventures are recognized under the equity method starting from this date.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

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

2.1 Basis of presentation (Continued)

2.1.3 Consolidation principles (Continued)

(b) Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with TFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate or 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 joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or 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 joint venture (Note 13).

Gains or losses from transactions between one of Group companies and its associate is eliminated in extent of Group’s share on the associate.

(c) Non-controlling interests

The share of the 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

All items, significant in terms of content and amount, are stated separately in the consolidated financial statements even if they bear the same characteristics. Insignificant amounts or items displaying similar characteristics are stated collectively.

2.1.5 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. In 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. The Group has presented its “Intangible asset purchases recognized as expense” amounting to TL 1.662.918 in other incomes from operating activities in profit or loss table. In the current period, Group management classified aforementioned intangible asset purchases recognized as expense under “Other Incomes from Investing Activities” for the interim period ended 30 June 2016.

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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

2.1 Basis of presentation (Continued)

2.1.6 Application of new and revised international financial reporting standards

a) **Amendments to Standarts affecting amounts reported and/or disclosures in the financial statements**

None.

b) **New and Revised Standarts applied with no material effect on the consolidated financial statements**

Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants</i> ¹
Amendments to TFRS 11 and TFRS 1	<i>Accounting for Acquisition of Interests in Joint operations</i> ¹
Annual Improvements to 2011-2013 Cycle	<i>TFRS 1</i> ²
Amendments to TAS 1	<i>Disclosure Initiative</i> ²
Annual Improvements to 2012-2014 Cycle	<i>TFRS 5, TFRS 7, TAS 34, TAS 19</i> ²
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements</i> ²
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ²
TFRS 14	<i>Regulatory Deferral Accounts</i> ²

¹ Effective for annual periods beginning on or after 31 December 2015.

² Effective for annual periods beginning on or after 1 January 2016.

(c) New and revised TFRSs in issue but not yet effective

The Group has not applied the following new and revised TAS that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
TFRS 15 ¹	<i>Revenue from Contracts with Customers</i>

¹ Effective for annual periods beginning on or after 1 January 2018.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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.

For the purpose of accompanying consolidated financial statements, related parties are referred to as legal entities in which Doğan Holding directly or indirectly has participation, including any entities under joint control; real persons and/or legal entities that have direct or indirect control or joint control over the Company and their close family members (immediate family members) and legal entities having direct or indirect control or joint control by them and legal entities having significant effect over the Company or their key management personnel; Company's affiliates, subsidiaries and members of the BOD, key management and their close family members (immediate family members) and real persons and/or legal entities that are directly or indirectly controlled individually or jointly (Note 34).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

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

2.2 Summary of significant accounting policies (Continued)

2.2.2 Financial assets

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

Financial assets classified by the Group as “available for sale financial assets” that do not have any control power or significant effect have no fair value. When fair value cannot be reliably measured as other fair value estimation methods are not applicable; the carrying value of the financial asset is measured at cost less any impairment loss (Note 6).

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

2.2.3 Trade receivables and provision for doubtful receivables

Trade receivables, formed as a result of provided goods or services by the Group, are presented after netting of with unaccrued finance income. After netting of trade receivables with unaccrued finance income, remaining trade receivable balance is discounted by using the effective interest rate in the subsequent period in which the original invoice is issued. Short-term trade receivables with undetermined interest rate are presented at cost value when the original effective interest rate effect is insignificant (Note 9).

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 27 and 28).

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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 16).

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 12).

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 12).

Promotion materials

Assessment of impairment on promotion materials and determination of impairment amount is carried out by the Group management. Impairment amount is determined by considering the purchase dates and rates identified by management. (Note 12)

2.2.6 Investment properties

Land and buildings that are held to earn rentals and/or for capital appreciation are classified as investment property. Investment properties are carried at cost less transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the year which they arise (Note 14).

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

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

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

2.2 Summary of significant accounting policies (Continued)

2.2.6 Investment properties (Continued)

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

2.2.7 Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided using the straight-line method based on the estimated useful lives of tangible assets (except lands). Lands are not depreciated considering as they have indefinite useful lives (Note 15).

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

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

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

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

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

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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

2.2 Summary of significant accounting policies (Continued)

2.2.8 Financial leases

Leases are classified as finance leases by the Group whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest.

Principal lease payments are treated as liabilities and reduced with their payments. Interest charges are charged directly against income statement over the financial lease period. Capitalized leased assets are depreciated over the estimated useful life of the asset.

2.2.9 Intangible assets

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

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

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

Intangible assets with finite useful lives are carried at their acquisition cost and amortised using the straight-line method over their estimated useful lives (Note 16).

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.

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

2.2 Summary of significant accounting policies (Continued)

2.2.9 Intangible assets (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 16). Following the planning phase and operation; all costs are recognized as expense. Maintenance costs of web pages are accounted as operational expenses.

2.2.10 Goodwill

Goodwill and negative goodwill amount, which represent the difference between the purchase price and the fair value of the acquiree’s net assets, arising from business combinations effected prior to 30 June 2004 in the consolidated financial statements is capitalized and amortized over the useful life by using the straight-line method prior to 31 December 2004. Goodwill arising from business combinations effected subsequent to 31 March 2004 is not amortized and instead reviewed for any impairment losses in accordance with TFRS 3 Business Combinations.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired as of the balance sheet dates. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period (Note 16).

2.2.11 Critical accounting estimates and judgements

Useful lives of intangible assets

Useful lives of some trademarks are expected to be indefinite by the Group management. Where useful life is definite, in case of useful lives of 20 years, such intangible assets’ amortization would have increased by TL 5.573.961 (30 September 2015: TL 6.656.753) and their loss before tax would have increased by TL 5.573.961 (30 September 2015: TL 6.656.753).

Group amortizes trade names, customer lists and domain names with definite useful lives specified in Note 2.2.9.

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

2.1 Summary of significant accounting policies (Continued)

2.2.11 Critical accounting estimates and judgements (Continued)

Useful lives of intangible assets (Continued)

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

- Had the useful lives been higher by 10%, amortization charges would have decreased by TL 506.724 and loss before tax would have decreased by TL 506.724 (30 September 2015: TL 605.159) or
- Had the useful lives been lower by 10%, amortization charges would have increased by TL 619.329 and loss before tax would have increased by TL 619.329 (30 September 2015: TL 739.639).

Impairment of intangible assets

The Group conducted intangible asset impairment analysis as of 30 September 2016 and 31 December 2015 according to the details occurred as explained below:

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

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

	30 June 2016		31 December 2015	
	EBITDA margin rate	Discount rate	EBITDA margin rate	Discount rate
	(%)	(%)	(%)	(%)
TME	40	18,4	40	18,4

The Group has set a impairment on intangible assets in consolidated financial statements as of 30 June 2016 in the amount of TL 44.019.751 (31 December 2015: TL 44.962.304) (Note: 16). Impairment of intangibles occurred because of under budget performance of TME.

If after-tax discount rate applied to cash flow projection on cash generating units is 1% more than management's estimates, the Group would account an additional provision amounting to TL 15.272.198 (31 December 2015: TL 16.429.252) to its financial statements and net profit before tax would decrease by TL 15.272.198 (31 December 2015: TL 16.429.252).

If the cash generating units to cash flow projections applied to EBITDA ratio is 5% lower than management's estimates, the Group would account an additional provision amounting to TL 23.231.625 (31 December 2015: TL 19.898.894) to its financial statements and net loss before tax would increase by TL 23.231.625 (31 December 2015: TL 19.898.894).

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

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

2.2 Summary of significant accounting policies (Continued)

2.2.12 Taxes

Taxation on profit or loss 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 previous year's tax liabilities. Turkish tax legislation does not permit a parent company, its subsidiaries and joint ventures to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

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

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized (Note 32). Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

2.2.13 Financial borrowings

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 income statement as finance expense over the period of the borrowings (Note 7).

2.2.14 Employment termination benefits

The Group is required to pay termination benefits to employees who is retired, whose employment is terminated without due causes in Labour Law, in accordance with the Law related with The Arrangement of the Relationships within the Employees in Press Sector (employees in media sector) and other laws. The total provision represents the present value of future probable obligation of the Group arising from the retirement of its employees regarding the actuarial projections (Note 20).

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

2.2.15 Provisions, contingent assets and liabilities

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

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

2.2 Summary of significant accounting policies (Continued)

2.2.15 Provisions, contingent assets and liabilities (Continued)

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

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 18).

2.2.16 Share capital and dividends

Ordinary shares are classified as equity. Dividend income is recognised as income by the Group when right to obtain of dividend is generated in the consolidated financial statements. Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s consolidated financial statements in the period in which the dividends are approved by the Company’s shareholders (Note 23).

2.2.17 Foreign currency transactions

Functional currency

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

Foreign currency transactions and balances

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

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

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

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

2.2 Summary of significant accounting policies (Continued)

2.2.17 Foreign currency transactions (Continued)

Foreign currency transactions and balances (Continued)

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

A significant portion of the Group’s foreign operations are performed in Russia, Europe and Eastern Europe countries (Note 4). Foreign currencies and exchange rates at 30 September 2016 and 31 December 2015 are summarized below:

<u>Country</u>	<u>Currency</u>	<u>30 September 2016</u>	<u>31 December 2015</u>
Rusya	Ruble	0,0472	0,0396
Avro bölgesi (“Eurozone”)	Avro	3,3608	3,1776
Amerika Birleşik Devletleri	Dolar	2,9959	2,9076
Romanya	Yeni Ley	0,7507	0,7055
Kazakistan	Tenge	0,0089	0,0291
Belarus	Beyaz Rusya Rublesi	0,0002	0,0002

2.2.18 Revenue recognition

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

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

The difference between the fair value and the nominal amount of the consideration is recognized as financing income on the related periods (Note 24).

Revenues from advertisement

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

Revenues from newspaper sales

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

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

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

2.2 Summary of significant accounting policies (Continued)

2.2.18 Revenue recognition (Continued)

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.

2.2.19 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 19). Barter agreements is recognized on an accrual basis.

2.2.20 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.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares "bonus shares" to existing shareholders from retained earnings (Note 23). For the purpose of earnings per share computations, such bonus shares issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by considering the retrospective effects of the issuances of the shares (Note 33).

In case of dividend payment, earnings per share are determined on existing number of shares rather than the weighted average numbers of shares.

2.2.21 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk over the change in their value, whose maturity at the time of purchase is three months or less (Note 5).

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

2.2 Summary of significant accounting policies (Continued)

2.2.22 Subsequent events

Subsequent events and announcements related to net income or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when the balance sheet is authorised for issue.

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 39).

2.2.23 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 highly liquid with 3 months or less to maturity (Note 5).

2.2.24 Financial liabilities to non-controlling interests put options

Under the certain terms of acquisition agreements, the Group is committed to acquire the interests owned by non-controlling shareholders in consolidated subsidiaries, upon the request of non-controlling interest holders. Related subsidiaries subjected option agreements has been sold, however there was controversy between TCM Adria d.o.o, a subsidiary of the Group, which has 70% shares of Oglasnik d.o.o and owners of remaining 30% and non controlling interests about put option of non controlling interest's shares to TCM Adria d.o.o and/or to the Group. As a result of the negotiations parties agreed that the amount to be paid to non-controlling interests and related amount has been classified as a litigation provision in the accompanying financial statements (Note 18).

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

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

2.2 Summary of significant accounting policies (Continued)

2.2.25 Non-current assets held for sale and discontinued operations

Assets held for sale are operations that the Group disposes of or classified as available for sale and cash flows which can be treated as a part separately from the Group. Non-current assets held for sale and discontinued operations represents a separate major line of business or geographical area of operations; is part of single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The Group must evaluate its discontinued operations with the lower of carrying value and fair values less costs to sell (Note 35).

2.2.26 Segment reporting

The chief operating decision maker of the Group is the Executive Committee and / or Board of Directors. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group has selected the geographical segment as the Group’s primary segment reporting format based on the risks and returns in geographical areas reflecting the primary source of the enterprise’s risks and returns (Note 4).

2.2.27 Derivative instruments and Hedge accounting

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

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

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

According to valuation studies, changes in the fair value of derivatives at fair value through profit or loss are included in the statement of comprehensive income (Note 8).

NOTE 3 - BUSINESS COMBINATIONS

There are no business combinations as of 30 September 2016 and 31 December 2015 regarding to “IFRS 3 Business Combination”.

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NOTE 4 - SEGMENT REPORTING

a) Segmental analysis for the period between 1 January – 30 September 2016:

	Turkey	Russia and EE	Europe	Total
Sales	372.894.607	22.021.191	24.930.967	419.846.765
Cost of sales (-)	(208.966.173)	(14.285.647)	(22.420.240)	(245.672.060)
Gross operating profit	163.928.434	7.735.544	2.510.727	174.174.705
Marketing expenses (-)	(85.463.369)	(3.761.860)	-	(89.225.229)
Losses from investments accounted by the equity method (-)	(1.090.497)	-	-	(1.090.497)
Net segment result	77.374.568	3.973.684	2.510.727	83.858.979
General administrative expenses (-)				(76.405.780)
Other operating income				39.645.167
Other operating expenses (-)				(23.021.058)
Finance expenses (-)				(34.376.917)
Income from investing activities				8.493.383
Expense from investing activities (-)				(54.678.960)
Loss before tax				(56.485.186)
Tax expenses for the period				(4.488.714)
Deferred tax income				8.040.650
Loss for the period				(52.933.250)

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NOTE 4 - SEGMENT REPORTING (Continued)

b) Segmental analysis for the period between 1 July – 30 September 2016:

	Turkey	Russia and EE	Europe	Total
Sales	114.927.164	6.922.075	7.339.318	129.188.557
Cost of sales (-)	(68.557.698)	(4.740.454)	(6.635.884)	(79.934.036)
Gross operating profit	46.369.466	2.181.621	703.434	49.254.521
Marketing expenses (-)	(25.089.371)	(1.728.754)	-	(26.818.125)
Losses from investments accounted by the equity method (-)	(502.129)	-	-	(502.129)
Net segment result	20.777.966	452.867	703.434	21.934.267
General administrative expenses (-)				(24.437.877)
Other operating income				10.806.063
Other operating expenses (-)				(319.141)
Finance expenses (-)				(7.568.402)
Income from investing activities				842.717
Expense from investing activities (-)				(5.937.753)
Loss before tax				(4.680.126)
Tax expenses for the period				(1.457.294)
Deferred tax income				(2.121.220)
Loss for the period				(8.258.640)

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

NOTE 4 - SEGMENT REPORTING (Continued)

c) Segmental analysis for the period between 1 January – 30 September 2015:

	Turkey	Russia and EE	Europe	Total
Sales	369.134.993	46.233.817	25.444.472	440.813.282
Cost of sales (-)	(199.802.362)	(25.815.608)	(22.194.136)	(247.812.106)
Gross operating profit	169.332.631	20.418.209	3.250.336	193.001.176
Marketing expenses (-)	(86.744.894)	(11.947.588)	-	(98.692.482)
Losses from investments accounted by the equity method (-)	(1.089.238)	-	-	(1.089.238)
Net segment result	81.498.499	8.470.621	3.250.336	93.219.456
General administrative expenses (-)				(84.069.872)
Other operating income				75.724.157
Other operating expenses (-)				(41.957.113)
Finance expenses (-)				(30.604.004)
Income from investing activities				11.695.660
Expense from investing activities (-)				(36.393.404)
Loss before tax				(12.385.120)
Tax expenses for the period				(9.419.519)
Deferred tax income				8.434.741
Loss for the period				(13.369.898)

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 4 - SEGMENT REPORTING (Continued)

d) Segmental analysis for the period between 1 July – 30 September 2015:

	Turkey	Russia and EE	Europe	Total
Sales	111.255.973	12.199.387	9.519.713	132.975.073
Cost of sales (-)	(64.714.824)	(5.961.829)	(8.652.671)	(79.329.324)
Gross operating profit	46.541.149	6.237.558	867.042	53.645.749
Marketing expenses (-)	(28.783.051)	(2.328.197)	-	(31.111.248)
Losses from investments accounted by the equity method (-)	(429.319)	-	-	(429.319)
Net segment result	17.328.779	3.909.361	867.042	22.105.182
General administrative expenses (-)				(27.034.036)
Other operating income				40.390.371
Other operating expenses (-)				(14.822.692)
Finance expenses (-)				(22.477.286)
Income from investing activities				9.219.565
Expense from investing activities (-)				(1.474.510)
Loss before tax				5.906.594
Tax expenses for the period				(1.268.170)
Deferred tax income				1.847.395
Loss for the period				6.485.819

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 4 - SEGMENT REPORTING (Continued)

e) Segment assets:

	30 September 2016	31 December 2015
Turkey	508.572.226	551.345.555
Russia and EE	293.455.891	265.585.458
Europe	34.562.501	38.147.110
	836.590.618	855.078.123
Unallocated assets	5.024.763	11.703.422
Investments accounted by the equity method	5.997.571	6.566.895
Total assets per consolidated financial statements	847.612.952	873.348.440

Group's assets other than segment assets include prepaid taxes (Note 32), VAT receivables (Note 22) and deferred taxes assets (Note 32).

f) Segment liabilities:

	30 September 2016	31 December 2015
Turkey	93.423.746	54.160.051
Russia and EE	8.281.951	108.243.241
Europe	10.095.734	20.700.692
	111.801.431	183.103.984
Unallocated liabilities	387.944.347	337.025.233
Total liabilities per consolidated financial statements	499.745.778	520.129.217

Group's liabilities other than other segments liabilities is composed of financial borrowings (Note 7), derivatives instruments (Note 8), provisions (Note 18), employee termination benefits (Note 20), VAT payable (Note 22) and unused vacation provision (Note 18), current tax liability and deferred tax liabilities (Note 32).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

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

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Turkey	19.021.786	4.237.359	7.643.439	684.081
Russia and EE	3.138.984	1.217.948	5.012.630	1.507.417
Europe	37.530	4.385	1.393.729	1.147.674
Total	22.198.300	5.459.692	14.049.798	3.339.172

Depreciation and amortization charges:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Turkey	23.831.077	7.451.189	27.906.061	9.162.974
Russia and EE	8.667.417	1.375.425	13.886.140	5.217.234
Europe	2.248.925	760.310	1.971.590	357.581
Total	34.747.419	9.586.924	43.763.791	14.737.789

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 4 - SEGMENT REPORTING (Continued)

h) Non-cash other expenses:

	1 January - 30 September 2016			Total
	Turkey	Russia and EE	Europe	
Provision for impairment of intangible assets (Note 16)	2.969.041	44.019.751	-	46.988.792
Provision for impairment of investment property (Note 30)	2.985.994	-	-	2.985.994
Purchase of intangible assets recorded as expense (Note 30)	-	4.704.174	-	4.704.174
Provision of retirement pay and unused vacation (Note 18,20)	5.359.554	1.136.902	-	6.496.456
Provision for doubtful receivables (Note 9, 28)	8.003.651	1.227.002	-	9.230.653
Provision of legal claims (Note 18)	932.001	-	-	932.001
Expenses of held for trading derivative instruments (Note 31)	668.354	-	-	668.354
Provision of inventory impairment (Note 12)	3.039.678	-	-	3.039.678
	23.958.273	51.087.829	-	75.046.102

	1 January - 30 September 2015			Total
	Turkey	Russia and EE	Europe	
Provision for impairment of intangible assets (Note 16)	-	34.845.374	-	34.845.374
Provision of retirement pay and unused vacation (Note 18,20)	4.269.596	2.077.695	-	6.347.291
Provision for doubtful receivables (Note 9, 28)	7.045.718	-	-	7.045.718
Provision of legal claims (Note 18)	3.459.502	-	-	3.459.502
Provision of inventory impairment (Note 12)	2.502.625	-	-	2.502.625
	17.277.441	36.923.069	-	54.200.510

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 5 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Cash	5.648.219	275.621
Banks		
- time deposits	21.751.940	81.007.641
- demand deposits	10.676.233	5.704.158
Total	38.076.392	86.987.420

The Group has blocked deposits amounting to TL 82.543 as of 30 September 2016 (31 December 2015: TL 167.977), and the blocked deposits are represented in other current assets.

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

	30 September 2016	31 December 2015
Cash and banks	38.076.392	86.987.420
Total	38.076.392	86.987.420

The maturity analysis of time deposits is as follows:

	30 September 2016	31 December 2015
0-1 months	21.751.940	81.007.641
	21.751.940	81.007.641

There are no time deposits with variable interest rates at 30 September 2016 and 31 December 2015. The gross interest rate for TL time deposits is 9,50% as of 30 September 2016 (31 December 2015: 13,55%). There are no time deposits with foreign currencies (31 December 2015: 0,25% for US Dollar).

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 6 - FINANCIAL INVESTMENTS

Financial assets available for sale:

The details of financial assets available for sales as of 30 September 2016 and 31 December 2015 are as presented below:

	Share %	30 September 2016	Share %	31 December 2015
Doğan Faktoring A.Ş. ("Doğan Faktoring")	5,11	1.029.898	5,11	1.029.898
Coats İplik Sanayi A.Ş.	0,50	257.850	0,50	257.850
Other	<1	56.074	<1	105.509
Total		1.343.822		1.393.257

Financial investments are carried at cost less provision for impairment since they are not traded in an active market.

NOTE 7 - FINANCIAL LIABILITIES

The details of financial liabilities at 30 September 2016 and 31 December 2015 are as follows:

Short-term borrowings:	30 September 2016	31 December 2015
Short-term bank borrowings	70.702.727	55.402.170
	70.702.727	55.402.170
Short term portion of long-term financial liabilities	63.770.201	198.263.511
Total	134.472.928	253.665.681

Long-term financial liabilities:	30 September 2016	31 December 2015
Long-term bank borrowings	149.827.719	62.343.476
Total	149.827.719	62.343.476

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

Bank borrowings:

The details of bank borrowings at 30 September 2016 and 31 December 2015 are as follows:

	Effective interest rate (%)		Original foreign currency		TL	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Short-term bank borrowings						
- TL	13,00	13,33	62.093.457	48.173.097	62.093.457	48.173.097
- Russian Ruble	13,46	19,43	182.593.211	181.205.912	8.609.270	7.229.073
Sub-total					70.702.727	55.402.170
Short-term portion of long-term bank borrowings						
- US Dollar	-	3,75	-	35.215.000	-	102.391.134
- TL	13,50	11,01	28.000.000	61.875.532	28.000.000	61.875.532
- Euro	3,55	3,35	10.643.359	10.698.907	35.770.201	33.996.845
Sub-total					63.770.201	198.263.511
Total short-term bank borrowings					134.472.928	253.665.681
Long-term bank borrowings						
- Euro	3,90	3,75	246.286	580.147	827.719	1.843.476
- TL	13,70	13,50	149.000.000	60.500.000	149.000.000	60.500.000
Total long-term bank borrowings					149.827.719	62.343.476

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

Bank borrowings (Continued)

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

Year	30 September 2016	31 December 2015
2017	60.880.108	61.920.264
2018	88.947.611	423.212
Total	149.827.719	62.343.476

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

Period	30 September 2016	31 December 2015
Up to 6 months	281.793.438	315.373.636
6-12 months	2.507.209	635.521
Total	284.300.647	316.009.157

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

Group borrows loans on fixed and floating interest rates. Distribution of variable and fixed interest loans are presented in Note 36.1 (i).

The Group's bank borrowings with variable interest rate is amounting to TL 33.814.409 as of 30 September 2016 (31 December 2015: TL 41.248.822) (Note 36.1(i)).

NOTE 8 – DERIVATIVE INSTRUMENTS

Currency derivative transactions:

As of balance sheet date, fair value of undue forward exchange agreements that the Group's required to perform is as follows.

	30 September 2016	31 December 2015
Forward transactions	888.118	-
Total	888.118	-

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 8 – DERIVATIVE INSTRUMENTS (Continued)

Currency derivative transactions (Continued)

The aforesaid agreements are related to hedge the foreign currency risks and for half of 2016. They are renewed if necessary.

As of 30 September 2016 fair value of derivatives instruments has been estimated as a financial liability is amount of TL 888.118 (31 December 2015: None). The Group has currency swap transactions amounted at EUR 5.000.000 and US Dollar 1.270.638 as of 30 September 2016 (31 December 2015: None). A portion of the Group’s foreign exchange swap transaction involves necessary foreign currency amounts translating into TL with a fixed exchange rate related to loan repayment. As of 30 September 2016, TL 668.354 part of total amount, which didn’t meet hedge accounting criteria, has been accounted under profit or loss statement.

Other portion involves Group’s foreign exchange agreements to secure cash flows related with repayment of foreign currency denominated paper purchases. As of 30 September 2016 according to hedge accounting 219.764 TL loss has been accounted under equity as losses on hedging instruments after the value of tax effect.

NOTE 9 - TRADE RECEIVABLE AND PAYABLES

Short-term trade receivables net off of unearned finance income at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Trade receivables	255.241.609	226.971.486
Notes and cheques receivable	2.427.790	2.084.896
Credit card receivables	5.724.530	2.764.704
Income accruals	1.264.490	1.861.913
Unearned finance income		
due from term sales	(1.079.949)	(1.639.561)
Less: Provision for doubtful receivables	(52.645.716)	(50.359.674)
Short-term trade receivables	210.932.754	181.683.764

According to a revocable factoring agreement signed with Doğan Factoring Hizmetleri A.Ş., trade receivables resulting from advertisements, amounting to TL 138.409.822 (31 December 2015: TL 130.206.124) are followed up by Doğan Factoring Hizmetleri A.Ş. (“Doğan Factoring”). Group has not transferred the risk of not collecting the above mentioned receivables and has continued to recognize in its balance sheets. These receivables are related to commercial advertisements and classifieds. Weighted Average maturity of the Group’s trade receivables followed up by Doğan Factoring is 109 days (31 December 2015: 106 days). The unearned finance income due from term sales related with the receivables followed up by Doğan Factoring is TL 770.782 (31 December 2015: TL 811.732) and the compound interest rate is 12,68% per annum (31 December 2015: 12,68%).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 9 - TRADE RECEIVABLE AND PAYABLES (Continued)

The movements of provision for doubtful receivables are as follows:

	2016	2015
1 January	(50.359.674)	(53.178.972)
Provisions during the period (Note 28)	(9.230.653)	(7.045.718)
Collections during the period (Note 27)	2.170.594	2.025.463
Disposal of subsidiary (Note 35)	-	1.398.192
Reversal provisions (Note 27)	4.151.302	-
Currency translation differences	622.715	(402.876)
30 September	(52.645.716)	(57.203.911)

Trade payables at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Short-term trade payables	46.850.065	33.240.750
Expense accruals	5.000.708	3.696.166
Unrealized financial expenses due to term purchases	(264.952)	(276.714)
Total	51.585.821	36.660.202

As of 30 September 2016, average turn over date of Group's trade payables is 34 days (31 December 2015: 39 days). As of 30 September 2016, unrealized financial expense due to term purchases is TL 264.952 (31 December 2015: TL 276.714) and the compound interest rate is 12,68% per annum (31 December 2015: 12,68 %).

Explanations about the nature and level of risks related to trade receivable and payables are provided in Note 36.

NOTE 10 - OTHER RECEIVABLE AND PAYABLES

Other short-term receivables at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Deposits and guarantees given	607.786	502.824
Other receivables	80.198	490.857
Total	687.984	993.681

Other long-term receivables at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Deposits and guarantees given	1.457.247	1.444.690
Total	1.457.247	1.444.690

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

NOTE 10 - OTHER RECEIVABLE AND PAYABLES (Continued)

Other short-term payables at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Taxes payable	7.746.701	8.030.535
Deposits and guarantees received	576.973	565.225
Other payables	764.659	-
Total	9.088.333	8.595.760

Other long-term payables at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Deposits and guarantees received	52.240	157.160
Due to personnel	-	541.355
Total	52.240	698.515

NOTE 11 – EMPLOYEE BENEFIT PAYABLES

Employee benefit payables as of 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Due to personnel	4.928.015	2.866.716
Social security premiums	3.380.433	3.154.627
Total	8.308.448	6.021.343

NOTE 12 - INVENTORIES

	30 September 2016	31 December 2015
Raw materials and supplies	8.150.140	8.888.948
Finished goods and merchandise	2.050.800	1.785.337
Promotion materials ⁽¹⁾	1.298.195	922.225
Total	11.499.135	11.596.510

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 12 – INVENTORIES (Continued)

Provision for impairment of promotion inventories, raw materials and supplies and finished goods and merchandise goods amounting to TL 8.938.819 (30 September 2015: TL 8.168.817) and their movement during the period are as follows:

	2016	2015
1 January	(9.421.898)	(5.779.170)
Provision for promotion inventories	(1.539.338)	(2.322.262)
Reversal of provision for promotion materials	2.188.700	31.540
Provision for raw materials and supplies	(1.500.340)	(180.363)
Reversal of provision for raw materials and supplies	1.334.057	81.438
30 September	(8.938.819)	(8.168.817)

NOTE 13 - INVESTMENTS ACCOUNTED BY THE EQUITY METHOD

As of 30 September 2016 and 31 December 2015, the corresponding portion of associate's and joint venture's current assets, non-current assets, short-term and long-term liabilities and shareholders' equity, which are consolidated with the equity method in accordance with TFRS 11 are as follows:

Associate	30 September 2016 percentage of shares, directly or indirectly owned by Hurriyet and its Subsidiaries (%)	31 December 2015 percentage of shares, directly or indirectly owned by Hurriyet and its Subsidiaries (%)
Doğan Media International GmbH ("Doğan Media")	42,42	42,42

Joint Venture	30 September 2016 percentage of shares, directly or indirectly owned by Hurriyet and its Subsidiaries (%)	31 December 2015 percentage of shares, directly or indirectly owned by Hurriyet and its Subsidiaries (%)
ASPM Holding B.V.	49,61	40,07

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 13 - INVESTMENTS ACCOUNTED BY THE EQUITY METHOD (Continued)

Profit and loss resulting from transactions between the Group Companies and its associate are eliminated with the direct proportion of the ownership percentage. As of 30 September 2016, the Group's share of financial statements which are valued by equity method, are as follows:

30 September 2016	Total assets	Total liabilities	Net assets	Net sales	Net loss for the period
Doğan Media	7.132.297	1.134.726	5.997.571	8.657.005	(1.090.497)
	7.132.297	1.134.726	5.997.571	8.657.005	(1.090.497)

The summary of Group's share of the financial statements of the investments accounted by the equity method at 31 December 2015 is as follows:

31 December 2015	Total assets	Total liabilities	Net assets	Net sales	Net loss for the period
Doğan Media	8.155.344	1.588.449	6.566.895	15.628.819	(583.818)
	8.155.344	1.588.449	6.566.895	15.628.819	(583.818)

The investments accounted by the equity method as of 30 September 2016 and 31 December 2015 are as follows:

	Share (%)	30 September 2016	Share (%)	31 December 2015
Doğan Media	42,42	5.997.571	42,42	6.566.895
		5.997.571		6.566.895

The summary of Group's share in the financial statements of the investments accounted by the equity method at 30 September 2016 and 2015 is as follows:

	2016	2015
1 January	6.566.895	9.013.738
Loss from associates	(1.090.497)	(1.089.238)
Currency translation differences	521.173	1.169.433
30 September	5.997.571	9.093.933

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 14 - INVESTMENT PROPERTY

The movements in investment property as of 30 September 2016 are as follows:

Fair value:	Lands	Buildings	Total
1 January	65.940.285	20.996.821	86.937.106
Additions ⁽¹⁾	-	12.594.542	12.594.542
Disposal ⁽¹⁾	-	(1.875.412)	(1.875.412)
Change in fair value adjustment	4.185.500	(1.602.031)	2.583.469
Currency translation differences	-	104.070	104.070
Transfer	-	21.500.000	21.500.000
30 September	70.125.785	51.717.990	121.843.775

⁽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.

The Group's rent income from investment properties amounted to TL 92.502 as of 30 September 2016 (30 September 2015: TL 84.093). The Group's direct operating expenses arising from the investment properties in the period amounted to TL 153.214 (30 September 2015: TL 125.280).

The movements in investment property as of 30 September 2015 are as follows:

Fair value:	Lands	Buildings	Total
1 January	59.592.785	23.324.425	82.917.210
Additions ⁽¹⁾	-	1.085.408	1.085.408
Disposal ⁽¹⁾	-	(6.650.693)	(6.650.693)
Change in fair value adjustment	6.347.500	1.653.934	8.001.434
Transfer	-	1.437.411	1.437.411
30 September	65.940.285	20.850.485	86.790.770

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2016	Currency translation differences	Additions	Disposals	Transfers ⁽²⁾	Adjustments ⁽¹⁾	30 September 2016
Cost							
Land and land improvements	18.228.354	516.559	-	-	-	100.919	18.845.832
Buildings	173.155.205	2.137.698	738.961	(258.445)	(17.752.819)	(2.321.594)	155.699.006
Machinery and equipment	568.761.000	4.320.420	1.374.423	(31.070)	-	32.254	574.457.027
Motor vehicles	1.972.163	-	1.113.305	-	-	1.652.142	4.737.610
Furnitures and fixtures	46.797.304	950.656	1.525.989	(1.619.400)	-	(1.858.802)	45.795.747
Leasehold improvements	12.545.794	28.333	74.829	-	-	508.071	13.157.027
Other intangible assets	1.205.571	69.505	23.079	-	-	-	1.298.155
Construction in progress	198.845	72.854	51.280	-	-	(27.014)	295.965
	822.864.236	8.096.025	4.901.866	(1.908.915)	(17.752.819)	(1.914.024)	814.286.369
Accumulated amortization							
Land and land improvements	(728.959)	-	(24.386)	-	-	158.053	(595.292)
Buildings	(75.052.003)	(1.015.267)	(2.783.101)	74.285	7.413.616	94.784	(71.267.686)
Machinery and equipments	(513.868.610)	(4.157.146)	(16.305.955)	25.376	-	(189.401)	(534.495.736)
Motor vehicles	(1.699.363)	-	(301.961)	-	-	(1.229)	(2.002.553)
Furnitures and fixtures	(37.766.267)	(853.740)	(3.292.758)	1.524.397	-	(86.879)	(40.475.247)
Leasehold improvements	(5.965.091)	(25.060)	(153.119)	-	-	(370.805)	(6.514.075)
Other intangible assets	(814.833)	(51.220)	(154.331)	-	-	-	(1.020.384)
	(635.895.126)	(6.102.433)	(23.015.611)	1.624.058	7.413.616	(395.477)	(656.370.973)
Net book value	186.969.110						157.915.396

⁽¹⁾ The Group has reviewed its tangible assets and made some adjustments.

⁽²⁾ The Group classified its building where locate in Izmir Alsancak in investment property in current period which was followed as a fixed assets prior periods.

At 30 September 2016, net book value of the property, plant and equipment included in machinery and equipments and acquired through financial leases is amounting to TL 389.372 (31 December 2015: TL 1.280.026). At 30 September 2016, there are mortgages on property, plant and equipment amounting to TL 21.845.200 (31 December 2015: TL 20.654.400) (Note 19).

For the period ended at 30 September 2016 depreciation expense amounting to TL 17.995.998 (30 September 2015: TL 21.922.242) is added to cost of sales (Note 24), amounting to TL 5.019.613 (30 September 2015: TL 5.258.414) is added to marketing, selling and distribution and general administrative expenses (Note 25).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movements of property, plant and equipment and related accumulated depreciation for the period ended 30 September 2015 are as follows:

	1 January 2015	Currency translation differences	Additions	Disposals	Transfers	Disposal of subsidiary ⁽¹⁾	30 September 2015
Cost							
Land and land improvements	17.417.750	1.603.813	-	-	-	#BAŞV!	#BAŞV!
Buildings	151.297.483	4.403.793	-	(850.494)	(1.437.411)	#BAŞV!	#BAŞV!
Machinery and equipment	572.733.793	7.668.357	1.556.818	(53.802)	90.456	(188.715)	#BAŞV!
Motor vehicles	3.631.525	835.637	-	(53.322)	-	(2.518.090)	#BAŞV!
Furnitures and fixtures	63.875.312	(90.581)	2.256.956	(4.597.295)	-	(12.779.022)	#BAŞV!
Leasehold improvements	36.951.025	166.522	25.012	-	-	(230)	#BAŞV!
Other intangible assets	960.143	1.543.657	2.777	-	-	#BAŞV!	#BAŞV!
Construction in progress	3.523.100	(2.481.354)	318.448	(989.675)	(314.445)	#BAŞV!	#BAŞV!
	850.390.131	13.649.844	4.160.011	(6.544.588)	(1.661.400)	#BAŞV!	#BAŞV!
Accumulated amortization							
Land and land improvements	(481.664)	-	(38.762)	-	-	#BAŞV!	#BAŞV!
Buildings	(45.296.842)	(5.473.616)	(2.723.331)	269.670	-	#BAŞV!	#BAŞV!
Machinery and equipment	(495.630.326)	(9.005.195)	(18.019.216)	47.940	-	84.464	#BAŞV!
Motor vehicles	(5.095.633)	991.073	(227.310)	53.322	-	2.518.090	#BAŞV!
Furnitures and fixtures	(53.998.412)	4.817.141	(4.497.290)	4.340.487	-	10.994.940	#BAŞV!
Leasehold improvements	(28.556.991)	(24.879)	(1.610.914)	-	-	230	#BAŞV!
Other intangible assets	(1.538.590)	(605.431)	(63.833)	-	-	#BAŞV!	#BAŞV!
	(630.598.458)	(9.300.907)	(27.180.656)	4.711.419	-	#BAŞV!	#BAŞV!
Net book value	219.791.673						#BAŞV!

⁽¹⁾ The Group has sold its shares of Doğan Haber Ajansı in 2015 (Note 35).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 16 - INTANGIBLE ASSETS

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

	1 January 2016	Currency translation differences	Additions	Disposals	Adjustments ⁽¹⁾	Impairment ⁽²⁾	30 September 2016
Cost							
Trade names and licenses	176.420.551	33.246.380	-	(18.987)	-	(28.476.904)	181.171.040
Customer list	204.506.950	34.106.727	-	-	-	(15.542.847)	223.070.830
Computer software and rights	69.630.856	2.298.175	2.416.367	(1.435.044)	(714.697)	(5.678.268)	66.517.389
Internet domain names	22.228.391	(2.433.569)	2.285.525	(2.101.947)	-	-	19.978.400
Other intangible assets	2.613.046	(501.485)	-	-	629.217	(17.500)	2.723.278
Construction in progress	529.392	(61.060)	-	-	-	-	468.332
	#BAŞV!	66.655.168	4.701.892	(3.555.978)	(85.480)	#BAŞV!	#BAŞV!
Accumulated amortization							
Trade names and licenses	(21.127.428)	(1.879.347)	(610.855)	-	-	-	(23.617.630)
Customer list	(119.747.127)	(20.079.659)	(6.626.449)	-	-	-	(146.453.235)
Computer software and rights	(58.796.023)	(2.190.557)	(3.954.911)	1.435.044	980.770	2.726.727	(59.798.950)
Internet domain names	(10.795.038)	1.662.787	(400.486)	1.714.074	-	-	(7.818.663)
Other intangible assets	(2.409.339)	647.343	(139.107)	-	(718.098)	-	(2.619.201)
	#BAŞV!	(21.839.433)	(11.731.808)	3.149.118	262.672	#BAŞV!	#BAŞV!
Net book value	#BAŞV!						#BAŞV!

⁽¹⁾ The Group has reviewed its intangible assets and made some adjustments.

⁽²⁾ As explained in note 2.2.11, Group Management has reassessed the intangible asset and recognized a provision.

Amortization expense amounting to TL 11.731.808 has been included in marketing, selling and distribution and general administrative expenses as of 30 September 2016 (30 September 2015: TL 16.583.135).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 16 - INTANGIBLE ASSETS (Continued)

The movements in intangible assets and related accumulated amortization for the period ended 30 September 2015 are as follows:

	1 January 2015	Currency translation differences	Additions	Disposals	Transfers	Provision for Intangible asset ⁽²⁾	Disposal of subsidiary ⁽¹⁾	30 September 2015
Cost								
Trade names and licenses	213.303.490	22.284.680	-	-	-	(24.105.496)	-	211.482.674
Customer list	224.106.445	22.707.414	-	-	-	(10.739.878)	-	236.073.981
Computer software and rights	61.486.358	9.618.914	5.361.627	(1.944.338)	223.989	-	(130.904)	74.615.646
Internet domain names	21.622.274	1.054.691	3.317.531	(1.163.416)	-	-	-	24.831.080
Other intangible assets	2.823.911	131.742	-	-	-	-	(94.735)	2.860.918
Construction in progress	614.423	(198.126)	125.221	(9.276)	-	-	-	532.242
	523.956.901	55.599.315	8.804.379	(3.117.030)	223.989	(34.845.374)	(225.639)	550.396.541
Accumulated amortization								
Trade names and licenses	(20.342.902)	(941.745)	(832.271)	-	-	-	-	(22.116.918)
Customer list	(111.356.948)	(10.071.472)	(8.900.926)	-	-	-	-	(130.329.346)
Computer software and rights	(50.870.558)	(9.272.427)	(3.913.032)	1.731.842	-	-	85.614	(62.238.561)
Internet domain names	(9.986.916)	303.898	(2.552.608)	-	-	-	-	(12.235.626)
Other intangible assets	(2.944.819)	(133.911)	(384.298)	-	-	-	77.890	(3.385.138)
	(195.502.143)	(20.115.657)	(16.583.135)	1.731.842	-	-	163.504	(230.305.589)
Net book value	328.454.758							320.090.952

⁽¹⁾ In 2015, the Group has disposed of its entire shares of Doğan Haber Ajansı (Note 35).

⁽²⁾ As explained in note 2.2.11, Group Management has reassessed the intangible asset and recognized a provision.

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 16 - INTANGIBLE ASSETS (Continued)

The cost of trade names and licenses with indefinite useful lives amounted to TL 148.638.969 as of 30 September 2016 (31 December 2015: TL 145.650.818). The utilization period of the assets with indefinite useful lives is determined based on the stability of the industry, changes in market demands as to the products and services provided through assets, control period over the assets and legal or similar restrictions on their utilization.

NOTE 17 - GOVERNMENT GRANTS

None.

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 30 September 2016 and 31 December 2015, short term provisions are as follows:

	30 September 2016	31 December 2015
Provision for unused vacation rights	12.869.825	12.181.762
Provisions for lawsuit and compensation ⁽¹⁾	5.278.348	12.735.687
Total	18.148.173	24.917.449

i. Provision for unused vacation rights

Movements of provision for unused vacation rights during the periods ended at 30 September 2016 and 2015 are as follows:

	2016	2015
1 January	(12.181.762)	(15.696.372)
Additions during the period	(2.282.274)	(2.326.805)
Payments related to provisions	2.158.683	2.803.708
Sale of subsidiary (Note 35)	-	2.246.170
Currency translation differences	(564.472)	(184.383)
30 September	(12.869.825)	(13.157.682)

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 18 -PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

ii. Provision for lawsuit and compensation

The lawsuits against the Group amounted to TL 14.245.318 (31 December 2015: TL 19.812.336). The Group recognises provision related to cases when there is a legal or valid liability resulting from past event and it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimation can be made of the amount of the obligation. As a result of these analyses, as of 30 June 2016 the Group has set a provision of TL 5.278.348 for lawsuits (31 December 2015: TL 12.735.687).

As at 30 September 2016 and 31 December 2015, the Group's ongoing lawsuits are as follows:

	30 September 2016	31 December 2015
Legal lawsuits	13.623.180	18.330.337
Commercial lawsuits	5.000	5.000
Labor lawsuits	617.138	1.476.999
Total	14.245.318	19.812.336

Movements of provision for lawsuits for the periods ending 30 September 2016 and 2015 are as follows:

Other Current Provisions:

	2016	2015
1 January	(12.735.687)	(23.673.992)
Currency translation differences	(247.015)	(3.856.884)
Additions during the period (Note 28)	(932.001)	(3.459.502)
Sale of subsidiaries (Note 35)	-	1.881.318
Reversal of provisions (Note 27)	743.250	-
Reversal income of liability related to put option (Note 27)	-	15.277.945
Payments related to provision and claims	7.893.105	273.285
30 September	(5.278.348)	(13.557.830)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 19 – COMMITMENTS

Group's collaterals/pledge/mortgage ("CPM") position as of 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016		31 December 2015	
	Foreign Currency	TL Equivalent	Foreign Currency	TL Equivalent
A. CPM's given in the name of its own legal personality				
-Collaterals				
TL	1.575.443	1.575.443	1.604.143	1.604.143
Euro	25.000	84.020	25.000	79.440
-Mortgages	-	-	-	-
Euro	6.500.000	21.845.200	6.500.000	20.654.400
B. Total amount of CPM's given on behalf of the fully consolidated companies ⁽¹⁾				
-Commitments				
TL	1.017.355	1.017.355	-	-
US Dollar	10.000	29.959	-	-
Euro	-	-	-	-
Other	85.000.000	4.007.750	-	-
C. Total amount of CPM's given on behalf of third parties for ordinary course of the business	-	-	-	-
D. Total amount of other CPM's given				
i) Total amount of CPM's given on behalf of the majority shareholder	-	-	-	-
ii) Total amount of CPM's given on behalf of other group companies which are not in scope of B and C				
TL	1.091.538	1.091.538	642.155	642.155
US Dollar	13.540	40.564	13.540	39.369
Euro	-	-	-	-
Other	-	-	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-

⁽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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 19 – COMMITMENTS (Continued)

CPM’s given by the Group

There is no CPM’s given for third parties as indicated in the table above except CPM’s given for their own legal entities. The ratio of other CPM’s given against the Group’s equity is 0% as of 30 September 2016 (31 December 2015: 0%).

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

Barter agreements:

The Group, as a common practice in the media sector, enters into barter agreements which involve the exchange of goods or services without cash collections or payments. As of 30 September 2016, the Group has a commitment for the publication of advertisements amounting to TL 8.474.606 (31 December 2015: TL 9.425.760).

NOTE 20 – EMPLOYMENT TERMINATION BENEFITS

Provision for employment termination benefits at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Provision for employment termination benefits	41.728.683	42.254.261
Total	41.728.683	42.254.261

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

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires. The amount payable maximum equals to one month of salary is TL 4.297,21 (31 December 2015: TL 4.092,53 TL) for each year of service.

On the other hand Group is liable to make payments to personnel who work for a minimum of 5 years and whose employment is terminated due to any cause in accordance with the regulations with regards to Employees Employed in the Press Sector. The maximum payable amount is 30 days’ salary for each year of service.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 20 - EMPLOYMENT TERMINATION BENEFITS (Continued)

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

- Discount rate is applied as 10,72%⁽¹⁾ (31 December 2015: 10,72%), inflation rate applied as 5,90%⁽²⁾ (31 December 2015: 5,90%) and rate of increase in wages applied as 5,90 % (31 December 2015: 5,90%) 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 10,72 which is long term government bond's compound interest rate.

(2) Inflation and salary increase rate used in severance pay determined as %5,90 which is 24-month inflation forecast of the Central Bank of Turkey.

The movements in provision for employment termination benefits during the periods ended at 30 September 2016 and 2015 are as follows:

	2016	2015
1 January	(42.254.261)	(46.429.651)
Service cost during the period	(1.712.355)	(2.039.212)
Net interest expense due to the defined benefit obligation	(2.501.827)	(1.981.274)
Payments and reversal of provisions during the period	4.739.760	5.143.096
Disposal of subsidiary (Note 35)	-	5.964.030
30 September	(41.728.683)	(39.343.011)

Total costs resulting from employee termination benefits with the exception actuarial losses have been included in the consolidated statement of income as of 30 September 2016.

For the period ended total expense of amounting TL 2.693.541 (2015: TL 2.800.828), TL 694.490 (2015: TL 743.967) and TL 826.151 (2015: TL 475.692) respectively is added to cost of sales, general administrative expenses and marketing expenses.

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

NOTE 21 – PREPAID EXPENSES

	30 September 2016	31 December 2015
Prepaid expenses	3.224.724	2.726.015
Total	3.224.724	2.726.015

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

	30 September 2016	31 December 2015
Deferred revenue	9.780.465	-
Deferred income (*)	5.437.487	5.590.682
Total	15.217.952	5.590.682

(*) Deferred income amounting to TL 5.437.487 is regarding with services provided as subscripition and they will be recognize as revenue immidiately when they are used (31 December 2015: 5.590.682).

NOTE 22 - OTHER ASSETS AND LIABILITIES

Other Current Assets

Other current assets at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Advances given to personnel	2.552.584	2.189.585
Value added tax ("VAT") receivables	527.167	325.651
Job advances	-	402.444
Advances given	-	254.743
Blocked deposits	-	152.089
Other	1.079.779	758.137
Total	4.159.530	4.082.649

Other Non-Current Assets

Other non-current assets at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Prepaid expenses	1.109.995	1.147.125
Blocked deposit	82.543	15.888
Total	1.192.538	1.163.013

Other Short-Term Liabilities

Other short-term liabilities at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Advances received	1.432.284	1.369.845
VAT payable	-	703.639
Other	230.268	49.708
Total	1.662.552	2.123.192

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 23 - EQUITY

The Company adopted the registered share capital system and set a ceiling on its registered share capital representing registered type shares with a nominal value of TL 1. There are no privileged shares. The Company's historical authorised and paid-in share capital at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Registered share capital	800.000.000	800.000.000
Paid-in share capital	552.000.000	552.000.000

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

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

Shareholders	30 September 2016	Share (%)	31 December 2015	Share (%)
Doğan Holding ⁽¹⁾	428.616.468	77,65	428.616.468	77,65
Other shareholders (BIAS and other shareholders)	123.383.532	22,35	123.383.532	22,35
Issued share capital	552.000.000	100,00	552.000.000	100,00
Adjustment to share capital	77.198.813		77.198.813	
Total	629.198.813	100,00	629.198.813	100,00

In accordance with the Capital Markets Board's (the "CMB") Resolution No: 21/655 issued on 23 July 2010, it is regarded that 22,34% of the shares are in circulation in accordance with CSD of 30 September 2016 (31 December 2015: 22,31%) (Note 1). Shares in circulation rate is %22,34 as of reporting date.

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

Premium / (discounts) on shares

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 23 – EQUITY (Continued)

Restricted reserves

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

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

In accordance with the CMB Financial Reporting Standards, Company's restricted reserves amounting to TL 187.166.210 as of 30 September 2016 (31 December 2015: TL 187.166.210 TL) consist of legal reserves and gain on sales of real estate.

Restricted reserves	30 September 2016	31 December 2015
Composition restricted reserves	39.284.095	39.284.095
Gain on sales of real estate ⁽¹⁾	147.517.827	147.517.827
Gain on sale of subsidiary	364.288	364.288
Total	187.166.210	187.166.210

⁽¹⁾ With the decision taken by the Group management, the real estate profit with the amount of TL 196.690.436 occurred in statutory records in 2012 from the sale of lands located in Gaziemir and Esenyurt amounting to TL 147.517.827 that benefits from the exemption (75%) referred to in Article 5-1/e of the Corporate Tax Law will not be involved in allocation of profits for periods 1 January 2012 – 31 December 2012 in compliance with the Tax Legislation, Capital Market Legislation and any other fiscal legislations, and will be deposited in a special fund account in liabilities.

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

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

	30 September 2016	31 December 2015
Revaluation gains of property	11.347.821	1.024.515
Remeasurement losses in defined benefit plans	(15.355.484)	(15.355.484)
Total	(4.007.663)	(14.330.969)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

	30 September 2016	31 December 2015
Revaluation gains of property	11.347.821	1.024.515
Remeasurement losses in defined benefit plans	(15.355.484)	(15.355.484)
Total	(4.007.663)	(14.330.969)

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 23 – EQUITY (Continued)

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

Revaluation and remeasurement gain/(losses)

Land and buildings which has been followed as a tangible asset could transfer to investment properties when the purpose of the use changes. During the year of 2016, the Group has reclassified their land and buildings as investment properties and represented by using fair value method. With the first transfer in 30 June 2016, the Group had fair value increase amounting to TL 11.347.821 (31 December 2015: TL 1.024.515) and this amount is accounted under the equity as revaluation and remeasurement gains fund.

Remeasurement Losses in Defined Benefit Plans

Provision for employment benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group. Group recognized all actuarial gains and losses in other comprehensive income. Remeasurement loss recognized under equity in the balance sheet amounts to TL 15.355.484 (31 December 2015: TL 15.355.484).

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

	30 September 2016	31 December 2015
Foreign exchange differences	13.829.565	(15.308.843)
Gain/(losses)of hedging from cashflow risk	(175.811)	-
Total	13.653.754	(15.308.843)

Losses on Hedging Instruments

Loss on the effective portion of derivative instruments determined as hedging of future cash flows has been recognized directly in the equity, and the loss on ineffective portion of forementioned derivative instruments was accounted through profit or loss. The Group has accounted the loss arising from hedge accounting amounting to TL 175.811 under equity (31 December 2015: None).

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”;

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NOTE 23 – EQUITY (Continued)

Capital Reserves and Retained Earnings (Continued)

- 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.

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.

The CMB's requires the disclosure of total amount of net profit in the statutory records and other resources which may be subject to profit distribution in the financial statements and to be announced to public. The total gross amount that can be subject to profit distribution according to legal records is TL 158.646.831.

Resolutions of the Ordinary General Assembly Meeting of the Company, considering TCC, Capital Market Statutes, Capital Market Law (CML), Capital Market Board (CMB) and other relevant statute provisions and relevant provisions in our Company's Articles of Association and our "Dividend Policy" announced to the public; according to the financial statements for the 1 January 2015-31 December 2015 financial period prepared in accordance with "Statement on Principles Regarding Financial Reporting on Capital Market" (II - 14.1) provisions of CMB and according to Turkish Accounting Standards and Turkish Financial Reporting Standards published by "Public Oversight, Accounting and Auditing Standards Institute;" its principles of presentation defined according to CMB decisions on the subject, passed through independent auditing; when considering "Current Tax Expense for the Period", "Deferred Tax Income" and "Consolidated Equity of Participations" all together, subtracting a 168.672.590 TL section of this amount for "Net profit for the year" and seeing that 32.147.070 TL is "net profit for the period", in accordance with the regulations of CMB regarding profit distribution; informing shareholders that no profit distribution shall be made for the 1 January 2015-31 December 2015 financial period and submitting this matter to General Meeting for approval, as our legal records held in the scope of TCC and TPL reveal that "Net Period Profit" for the 1 January 2015-31 December 2015 financial period; informing General Meeting that legal reserves in the scope of TCC shall be allocated and transferring this amount to previous years losses.

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NOTE 24 - SALES AND COST OF SALES

Sales:

	2016		2015	
	1 January - 30 September	1 June- 30 September	1 January - 30 September	1 June- 30 September
Advertisement sales	267.247.253	78.097.954	282.852.243	81.113.982
Circulation and publishing sales	139.968.061	46.823.397	135.285.314	46.496.446
Other	12.631.451	4.267.206	22.675.725	5.364.645
Net sales	419.846.765	129.188.557	440.813.282	132.975.073
Cost of sales	(245.672.060)	(79.934.036)	(247.812.106)	(79.329.324)
Gross profit	174.174.705	49.254.521	193.001.176	53.645.749

Cost of Sales:

The details of cost of sales for the years ended 30 September 2016 and 2015 are as follows:

Cost of sales

	2016		2015	
	1 January - 30 September	1 June- 30 September	1 January - 30 September	1 June- 30 September
Raw material	98.086.503	32.513.517	88.466.306	27.773.394
<i>Paper</i>	61.758.946	20.816.662	57.312.912	16.829.039
<i>Printing and ink</i>	24.260.704	7.916.243	15.487.819	4.257.522
<i>Other</i>	12.066.853	3.780.612	15.665.575	6.686.833
Personnel expenses	82.181.801	28.450.746	85.851.768	27.146.140
Amortization (Note 15)	17.995.998	5.067.895	21.922.242	7.326.096
News agency expenses	7.270.836	1.192.459	7.007.454	2.847.876
Fuel, electricity, water and office expenses	5.567.820	1.128.268	5.138.318	1.927.578
Distribution, storage and travel	4.195.069	1.518.098	3.788.326	1.134.480
Commissions	3.657.584	1.267.922	5.779.891	1.967.158
Maintenance and repair expenses	3.065.749	1.235.311	2.704.622	815.041
Outsourced services	2.426.839	203.484	3.470.865	1.283.874
Communication	2.041.121	515.530	1.648.989	494.154
Rent expenses	1.922.645	391.428	2.337.043	711.381
Packaging expenses	1.338.429	587.378	1.264.867	389.109
Other	15.921.666	5.862.000	18.431.415	5.513.043
Total	245.672.060	79.934.036	247.812.106	79.329.324

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NOTE 25 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES

a) General administrative expenses:

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Personnel expenses	27.092.224	8.462.511	27.334.826	8.351.092
Depreciation and amortization charges (Notes 15,16)	16.490.542	4.400.113	21.628.471	7.342.061
Rent expenses	8.762.986	3.213.869	9.175.729	2.771.033
Consultancy expenses	8.259.613	3.001.341	8.451.438	2.957.438
Maintenance and repair expenses	3.536.525	1.265.210	3.189.696	1.189.340
Fuel, electricity, water and office expenses	2.881.739	1.095.442	4.101.043	1.330.624
Transportation, storage and travel expenses	1.925.012	627.730	2.331.779	776.975
Communication expenses	1.375.146	468.409	1.542.016	468.513
Other	6.081.993	1.903.252	6.314.874	1.846.960
Total	76.405.780	24.437.877	84.069.872	27.034.036

b) Marketing expenses:

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Personnel expenses	26.038.918	8.581.036	26.887.360	9.057.607
Advertisement expenses	22.371.176	4.102.835	31.717.966	7.874.376
Transportation, storage and travel expenses	19.752.014	7.143.342	17.044.056	5.947.045
Promotion expenses	11.723.357	4.388.981	9.136.586	2.094.067
Sponsorship expenses	3.644.088	145.039	2.531.315	347.350
Consultancy expenses	2.714.889	1.199.572	1.715.509	837.604
Outsourced services	1.525.057	492.401	1.349.778	461.520
Depreciation and amortization charges (Dipnot 15,16)	260.879	118.916	213.078	69.632
Other	1.194.851	646.003	8.096.834	4.422.047
Total	89.225.229	26.818.125	98.692.482	31.111.248

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NOTE 26 - EXPENSES BY NATURE

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Payroll expenses	135.312.943	45.494.293	140.073.954	44.554.839
Depreciation and amortization charges	34.747.419	9.586.924	43.763.791	14.737.789
Total	170.060.362	55.081.217	183.837.745	59.292.628

NOTE 27 - OTHER OPERATING INCOME

The details of other operating income for the periods ended at 30 September 2016 and 2015 are as follows:

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Foreign exchange gains	20.346.906	3.699.508	41.003.795	22.243.444
Finance income due from term sales	4.681.454	893.123	3.815.172	1.340.492
Provision for reversal of doubtful trade receivables (Note 9)	4.151.302	4.151.302	-	-
Finance income from trade and other receivables	3.725.867	626	1.011.354	3.724
Income due from doubtful trade receivables (Note 9)	2.170.594	181.954	2.025.463	185.276
Interest income on bank deposits	1.637.445	390.361	2.346.591	663.676
Reversal of provisions (Note 18)	743.250	5.663	-	-
Unrealized finance expense due from term purchases	165.744	-	1.806.559	277.718
Reversal income of lawsuit liability related to put option	-	-	15.277.945	15.277.945
Compensation income as a result of tax lawsuit	-	-	3.948.857	-
Other	2.022.605	1.483.526	4.488.421	398.096
Total	39.645.167	10.806.063	75.724.157	40.390.371

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NOTE 28 - OTHER OPERATING EXPENSES

The details of other operating expenses for the periods ended at 30 September 2016 and 2015 are as follows:

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Foreign exchange losses	10.550.526	1.089.489	26.243.918	8.290.287
Provision expense for doubtful receivables (Note 9)	9.230.653	659.975	7.045.718	3.017.571
Unrealized finance income due from term sales	1.079.949	(1.085.576)	859.797	(153.071)
Provision for lawsuits (Note 18)	932.001	(377.042)	3.459.502	2.946.802
Fines and compensation expense	884.747	(847.366)	1.178.490	335.412
Aids and donations	234.327	76.549	524.279	155.592
Other	108.855	803.112	2.645.409	230.099
Total	23.021.058	319.141	41.957.113	14.822.692

NOTE 29 – INCOME FROM INVESTING ACTIVITIES

The details of income from investing activities for the periods ended at 30 September 2016 and 2015 are as follows:

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Gain on fair value changes of the investment property (Note 14)	5.569.463	(191.037)	8.001.434	7.192.302
Rent and building service income	2.486.102	776.327	2.812.100	1.158.705
Dividend income from financial investments	305.826	138.545	-	-
Gain on sales of property, plant and equipment	105.675	95.828	860.171	849.025
Foreign exchange gains	26.317	23.054	21.955	19.533
Total	8.493.383	842.717	11.695.660	9.219.565

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NOTE 30 – EXPENSE FROM INVESTING ACTIVITIES

The details of expenses from investing activities for the periods ended at 30 September 2016 and 2015 are as follows:

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Provision for impairment of intangible asset	46.988.792	(89.497)	34.845.374	772.862
Loss on investment properties fair value change (Note 14)	2.985.994	2.985.994	-	-
Purchases of intangible assets recorded as expense	4.704.174	3.041.256	-	-
Foreign exchange losses	-	-	692.181	337.434
Loss on sale of property and property, plant and equipments	-	-	855.849	364.214
Total	54.678.960	5.937.753	36.393.404	1.474.510

NOTE 31 – FINANCIAL EXPENSES

The details of financial expenses for the periods ended at 30 September 2016 and 2015 are as follows:

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Interest expense on bank loans	28.666.280	9.305.678	14.436.504	5.814.463
Foreign exchange losses	2.470.218	(1.992.879)	13.744.979	16.052.454
Credit comission, banking and factoring expenses	1.833.159	446.658	2.300.149	566.970
Expenses of held for trading derivative instruments (Note 8)	668.354	(389.739)	-	-
Other	738.906	198.684	122.372	43.399
Total	34.376.917	7.568.402	30.604.004	22.477.286

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NOTE 32 – INCOME TAXES

	30 September 2016	31 December 2015
Corporate and income tax payable	4.633.296	10.108.139
(Less): Prepaid taxes	(5.054.429)	(11.218.595)
Tax payables / (receivables)	(421.133)	(1.110.456)

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

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

Turkey:

In accordance with Turkish Corporate Tax Law has been amended by Law No. 5520 dated 13 June 2006, corporation tax is 20% for 2016 (2015: 20%). Corporation tax is payable on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (gain from associates’ exemption, investment allowances etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is to be declared by the 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 in the years 2013 and 2014.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 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 32 – INCOME TAXES (Continued)

Turkey (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 2011 and subsequent periods.

As of 30 September 2016, the Company has offset its financial losses attributable to the calculation of offsetting of tax asset against deductible financial losses or current tax provision in accordance with the above-mentioned principles.

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

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

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

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

The income of corporations arising from their offices or permanent representatives abroad (except for corporations whose principal activity is financial leasing or investment of marketable securities) for at least a year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax and provided that the foreign office or permanent representative must be subject to corporate income tax, or alike, in the country it is located at the rate of at least 15% (at corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

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

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NOTE 32 – INCOME TAXES (Continued)

Turkey (continued):

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

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

Russian Federation

The corporate tax rate effective in Russian Federation is 20% (2015: 20%).

Russian tax year is the calendar year and other fiscal year ends are not permitted. Profit tax is calculated on a year-to-date basis. Advance payments are made monthly, with different calculation methods for quarterly or monthly schedules subject to the taxpayer's choice.

Tax returns are filed till the 28th of March, following the close of the financial year.

According to Russian Federation's tax system, losses may be carried forward for 10 years to be deducted from future taxable income. Starting from 2007 there is no limitation as to the maximum amount that can be deducted in each particular year. Rights related to tax losses that have not been utilized in the related periods will be lost.

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

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

Belarus

The corporate tax rate effective in Belarus is 18% (2015: 18%).

The tax period is the calendar year. Profit tax is calculated as progressive total. Advance payments are made quarterly, on the basis of either the previous year results or expected current year profits.

The annual corporate tax declaration is due by 20 March of the following year. Tax loss carry forward is not allowed.

Tax refunds are possible. Tax consolidations of tax reporting/payments by different legal entities (or grouping) are not permitted in Belarus at present. Generally, dividend income payable to a foreign organization is subject to withholding tax at 12%. This standard rate may, however, be reduced under the provisions of applicable double tax treaty.

The Belarus tax regulations change frequently.

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NOTE 32 – INCOME TAXES (Continued)

Kazakhstan

Under the Tax Code of the Republic of Kazakhstan companies shall pay the CIT on taxable income at a 20% rate (2015: 20%).

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

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

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

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

The tax rates at 30 September 2016, which are used in the calculation of deferred tax, taking each country’s tax legislations into consideration are as follows:

<u>Country</u>	<u>Tax Rate (%)</u>
Germany	28,0
Belarus	18,0
Russia	20,0
Kazakhstan	20,0
Holland	25,0

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NOTE 32 – 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 Turkey Financial Reporting Standards and financial statements prepared in accordance with the tax legislation. These differences usually result in the recognition of revenue and expenses in different reporting periods for the TFRS tax purposes.

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

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

	30 September 2016	31 December 2015
Deferred tax liabilities	(46.081.056)	(52.652.797)
Deferred tax assets	4.076.463	10.005.631
Deferred tax liabilities, net	(42.004.593)	(42.647.166)

The temporary differences and deferred tax assets / (liabilities) using the enacted tax rates as of 30 September 2016 and 31 December 2015 are as follows:

	Total		Deferred tax assets /	
	temporary differences		(liabilities)	
	2016	2015	2016	2015
Provision for retirement benefits and unused vacation rights	54.598.508	54.436.023	10.919.702	10.887.205
Difference between tax base and carrying value of trade receivables	22.080.532	21.359.086	4.416.107	4.271.817
Adjustment related to fair value of investing properties	(75.379.032)	(58.842.740)	(3.768.952)	(2.942.134)
Deferred income	1.721.262	2.146.243	344.252	429.249
Difference between tax bases and carrying value of property, plant and equipment and intangibles	(294.980.700)	(302.838.414)	(58.996.141)	(59.112.035)
Other, net	24.460.036	26.520.838	5.080.439	3.818.732
Total	(267.499.394)	(257.218.964)	(42.004.593)	(42.647.166)

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 32 – INCOME TAXES (Continued)

As of 30 September 2016, carry forward tax losses for which no deferred income tax asset was recognized amounted to TL 271.259.128 (31 December 2015: TL 278.461.083).

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

	30 September 2016	31 December 2015
2016	30.825.745	26.944.782
2017	19.454.809	10.845.505
2018	12.361.037	8.167.515
2019	11.129.384	9.826.695
2020	8.929.343	8.887.201
2021	19.957.260	20.042.557
2022	6.668.942	6.336.104
2023	36.883.742	25.287.224
2024	89.577.410	56.889.891
2025	28.161.460	105.233.609
2026	7.309.996	-
Total	271.259.128	278.461.083

The movements of net deferred tax liabilities for the periods ended 30 September 2016 and 2015 are as follows:

	1 January - 30 September 2016	1 January - 30 September 2015
1 January	(42.647.166)	(58.815.481)
Deferred tax income in consolidated income statements	8.040.650	8.434.741
Accounted in equity	(514.087)	(331.433)
Currency translation differences	(6.883.990)	(7.369.988)
Disposal of subsidiary (Note 35)	-	(2.244.548)
30 September	(42.004.593)	(60.326.709)

The analysis of the tax expense / (income) for the periods ended at 30 September 2016 and 2015 are as follows:

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Current tax expense	(4.488.714)	(1.457.294)	(9.419.519)	(1.268.170)
Deferred tax income / (expense)	8.040.650	(2.121.220)	8.434.741	1.847.395
Total	3.551.936	(3.578.514)	(984.778)	579.225

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 32 – INCOME TAXES (Continued)

The reconciliation of the current period tax expense in the consolidated statement of income for the periods ended at 30 September 2016 and 2015 and consolidated tax and the tax (income) / expense calculated with the current tax rate over income before tax and non-controlling interests are as follows:

	30 September 2016	31 December 2015
Loss before taxes and non-controlling interests	(56.485.186)	(12.385.120)
Current period tax calculated at the effective tax rates of countries	(11.297.038)	(8.011.875)
Expenses not deductible for tax purposes	3.412.875	13.045.483
Effect of share of losses of the investments accounted by the equity method	218.099	247.848
Carry forward losses utilized	-	(514.507)
Effect of unrecognized deferred tax assets for carry forward losses	4.458.060	2.450.786
Income tax recognised in equity	-	(1.257.874)
Income not deductible for tax purposes	(2.377.009)	(1.905.811)
Other, net	2.033.077	(3.069.272)
Tax (income) / expense	(3.551.936)	984.778

NOTE 33 – LOSS PER SHARE

Loss per share is calculated by dividing the net loss for the period attributable to equity holders of the company to the weighted average number of ordinary shares in issue. Loss per share as of 30 September 2016 and 2015 is as follows:

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Net loss for the period	(39.661.228)	(6.456.910)	(1.389.231)	7.930.744
Number of ordinary shares in issue (with nominal value of TL 1 each)	552.000.000	552.000.000	552.000.000	552.000.000
Loss per share (TL)				
Loss per share from continued and discontinued operations	(0,0719)	(0,0117)	(0,0025)	0,0144

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 34 - RELATED PARTY DISCLOSURES

For the purpose of accompanying consolidated financial statements, related parties are referred to as legal entities in which Doğan Holding directly or indirectly has participation, including any entities under joint control; real persons and/or legal entities that have direct or indirect control or joint control over the Company and their and their close family members (immediate family members) and legal entities having direct or indirect control or joint control by them and legal entities having significant effect over the Company or their key management personnel; Company's affiliates, subsidiaries and members of the BOD, key management and their close family member (immediate family members) and real persons and/or legal entities that are directly or indirectly controlled individually or jointly. As of 30 September 2016, 31 December 2015 and 30 September 2015 related party balances and transactions are described below.

i) Balances of related parties:

Short term receivables due from related parties:

	30 September 2016	31 December 2015
Trade receivables from related parties		
Doğan İnternet Yayıncılığı ve Yatırım A.Ş. ("Doğan İnternet Yayıncılığı") ⁽¹⁾	15.151.703	13.357.138
Doğan Gazetecilik A.Ş. ("Doğan Gazetecilik") ⁽²⁾	8.831.393	7.703.561
Doğan Dağıtım Satış ve Pazarlama A.Ş. ("Doğan Dağıtım") ⁽³⁾	2.869.179	2.034.769
Doğan Media ⁽⁴⁾	1.026.811	1.193.282
Doğan TV Holding A.Ş. ("Doğan TV Holding") ⁽⁵⁾	1.107.246	1.142.928
DTV Haber ve Görsel Yayıncılık A.Ş. ("Kanal D") ⁽⁶⁾	559.113	-
Doğan Müzik Kitap Mağazacılık ve Pazarlama A.Ş. ("D&R") ⁽⁶⁾	393.713	165.828
Other	1.223.740	774.822
	31.162.898	26.372.328

(1) The balance is arising from sales of internet commercials to Doğan İnternet Yayıncılığı ve Yatırım A.Ş. through websites.

(2) Receivable arising from printing newspapers of Doğan Gazetecilik in the Group's printing houses.

(3) Receivables arising from the daily distribution of newspapers of the Group.

(4) Receivables arising from printing of Doğan Media newspapers in the Hürriyet Frankfurt Germany plants and selling advertisement services.

(5) The balance arising from electricity and other various 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.

(6) Receivables arising from advertising services.

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

i) Balances of related parties (Continued):

Short term payables to related parties:

	30 September 2016	31 December 2015
Trade payables to related parties		
Doğan Media ⁽¹⁾	8.464.530	13.584.901
Doğan Dış Ticaret ve Mümessillik A.Ş. ("Doğan Dış Ticaret") ⁽²⁾	5.581.929	1.880.094
Milta Turizm İşletmeleri A.Ş. ("Milta") ⁽³⁾	2.615.539	1.907.577
DTES Elektrik Enerji Toptan Satış A.Ş. ("DTES") ⁽⁴⁾	1.562.928	1.441.065
Doğan Faktoring Hizmetleri A.Ş. ("Doğan Faktoring") ⁽⁵⁾	1.470.006	1.543.361
Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding") ⁽⁶⁾	928.920	153.886
Ortadoğu Otomotiv Ticaret A.Ş. ("Ortadoğu Otomotiv") ⁽⁷⁾	740.476	399.968
Doğan TV Dijital Platform İşl. A.Ş. (Doğan TV Digital) ⁽⁸⁾	264.309	913.055
Doruk Televizyon ve Radyo Yayıncılık ("Doruk Televizyon") ⁽⁹⁾	73.673	388.349
Kanal D ⁽¹⁰⁾	#BAŞV!	1.010.264
D Yapım Reklamcılık ve Dağıtım A.Ş. ("D Yapım Reklamcılık") ⁽¹¹⁾	-	60.467
Other	981.445	837.303
	#BAŞV!	24.120.290

(1) Arising from the cash paid by Doğan Media International for the printing service.

(2) The Group's raw materials are provided by Doğan Dış Ticaret.

(3) The balance is arising renting car services from Milta.

(4) The balance is arising from electricity energy provided for the Hürriyet building and printing houses in regions.

(5) The balance is arising from the commissions of collection service and factoring debts.

(6) The balance consists of legal, information technology and other consultancy services together with other services.

(7) The balance is arising from the services of rental office.

(8) The Company provides internet access services.

(9) Arising from sales of news and commercial advertisement of the Group.

(10) The balance is arising advertisement services.

(11) The balance is arising from advertisement films and production services.

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

ii) Significant transactions with related parties:

Transactions in related parties for the periods ended as of 30 September 2016 and 2015 are as follows:

Significant service and product sales to related parties:

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Doğan Dağıtım ⁽¹⁾	77.664.861	28.210.768	71.853.170	24.478.602
Doğan İnternet Yayıncılığı ⁽²⁾	22.517.457	6.524.997	18.541.685	5.108.832
Doğan Gazetecilik ⁽³⁾	20.028.787	7.368.549	18.512.803	6.089.757
Doğan Media ⁽⁴⁾	3.846.272	763.628	5.000.694	1.642.841
Kanal D ⁽⁵⁾	952.745	589.013	1.096.932	334.194
Mozaik İletişim Hizmetleri A.Ş. ⁽⁵⁾ ("Mozaik")	823.880	223.480	1.155.954	140.481
D&R ⁽⁵⁾	248.990	55.675	312.303	101.026
D- Market Elektronik Hizmetler ve Tic. A.Ş. ("D Market") ⁽⁵⁾	353.388	81.313	985.103	139.438
Doğan Egmont ⁽⁵⁾	295.984	66.180	390.183	98.810
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ("Doğan Burda") ⁽⁵⁾	115.360	8.047	136.115	3.405
Doruk Televizyon ⁽⁶⁾	92.633	58.966	492.820	1.843
Other	513.907	35.519	558.553	336.454
	127.454.264	43.986.135	119.036.315	38.475.683

(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 Yayıncılığı ve Yatırım A.Ş.

(3) The newspapers owned by Doğan Gazetecilik are printed in the Group's printing houses.

(4) The sale and the commercial of Hürriyet Europe are carried out by Doğan Media.

(5) The balance is arising from the Group's commercial advertisement sales.

(6) The balance is arising from the Group's news and commercial advertisement sales.

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

ii) Significant transactions with related parties (Continued):

Significant service and product purchases from related parties:

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Doğan Dış Ticaret ⁽¹⁾	67.629.835	21.677.859	63.541.340	19.391.803
Doğan Dağıtım ⁽²⁾	16.303.610	5.879.632	14.016.674	5.223.382
Doğan Haber Ajansı A.Ş. ("DHA") ⁽³⁾	6.059.997	1.983.596	6.253.883	2.693.094
DTES ⁽⁴⁾	4.585.601	712.983	6.146.073	2.420.365
Doğan İnternet Yayıncılığı ⁽⁵⁾	3.184.830	236.368	3.976.894	1.029.569
Ortadoğu Otomotiv ⁽⁶⁾	2.990.342	425.676	3.456.028	1.055.572
Doğan Holding ⁽⁷⁾	2.981.401	952.232	3.403.653	1.168.863
Milta ⁽⁸⁾	2.721.102	715.850	2.786.691	1.026.217
Doğan Gazetecilik ⁽⁹⁾	2.276.710	755.056	2.414.320	783.564
Doğan TV Digital ⁽¹⁰⁾	1.910.613	490.886	2.034.863	669.646
Kanal D ⁽¹¹⁾	1.178.313	330.087	1.518.831	293.111
Mozaik ⁽¹²⁾	919.101	314.666	658.353	141.189
Dogan Burda ⁽¹³⁾	256.814	29.000	885.146	436.476
Doruk Televizyon ⁽¹⁴⁾	436.348	95.931	235.529	77.500
D&R	-	-	21.047	4.686
D Yapım Reklamcılık ⁽¹⁵⁾	13.070	-	231.607	23.375
Other	4.937.957	952.031	3.008.705	1.219.736
	118.385.644	35.551.853	114.589.637	37.658.148

(1) The balance is arising from raw material purchases.

(2) Doğan Dağıtım provides newspaper distribution services to the Group.

(3) Doğan Haber Ajansı provides news services. The related subsidiary has been sold to Doğan Şirketler Holding on 27 March 2015.

(4) The balance is arising from electricity energy provided for the Hürriyet building and printing houses in regions.

(5) Group's online advertisement sales and utility service are done by Doğan İnternet.

(6) The balance is arising from rental office and purchase of services from the company.

(7) Financial, legal, information technology and other consultancy services together with other services received from Doğan Holding A.Ş.

(8) The balance consists of flight tickets, accommodation and rental cars used for operation purposes.

(9) The balance is arising from rent, security and other expenses of the Group's building, which is rented as headquarter.

(10) The Company provides services of internet access to the Group.

(11) Arising from the advertisement services.

(12) The balance is arising from service expense of call-center and commercial service provided by D-Smart channels sold by Mozaik İletişim.

(13) The balance is arising from Group's advertisement sales.

(14) The company provides news and advertisement services.

(15) The balance is arising from Group production service taken for the commercial films.

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

ii) Significant transactions with related parties (Continued)

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Other income				
Doğan Dış Ticaret	1.150.671	407.748	1.071.783	357.261
Doğan Dağıtım	662.931	474.629	417.214	122.278
Doğan Media	234.604	66.450	389.171	136.986
DHA	172.040	172.040	-	-
D&R	130.453	8.069	-	-
Doğan Gazetecilik	117.885	75.557	59.125	18.850
Milta	79.436	79.436	-	-
Doğan Holding ⁽¹⁾	16.945	-	496.565	31.128
Doruk Televizyon	15.248	15.248	-	-
Doğan TV Digital	10.903	10.903	-	-
Doğan Egmont	5.183	5.183	-	-
Other	458.070	29.963	502.673	1.373
	3.054.369	1.345.226	2.936.531	667.876

⁽¹⁾ The amount is related to sales of Doğan Haber Ajansı and Doğan Dış Ticaret.

TL 1.620.019 portion of TL 2.936.531 of other income as of 30 September 2015 comprises rent income which Hürriyet gains from Group companies.

Purchase of property, plant and equipment and and intangible assets	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Doğan Holding	-	-	1.834	-
D-Market	369	-	32.737	-
	369	-	34.571	-

Financial income:	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Doğan Haber Ajansı	7.963	-	59.180	33.771
	7.963	-	59.180	33.771

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

NOTE 34 - RELATED PARTY DISCLOSURES (Continued)

ii) Significant transactions with related parties (Continued)

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Financial expense:				
Doğan Faktoring ⁽¹⁾	432.328	71.309	490.903	138.052
Doğan Dış Ticaret	90.395	90.395	33.237	33.237
Milta	43.017	-	-	-
Doğan Holding	-	-	22.469	22.469
	565.740	161.704	546.609	193.758

⁽¹⁾ Invoicing and controlling of Group's commercial advertisement and collection of these commercial advertisement receivables are made by Doğan Factoring, commissions paid for these services are accounted in financial expenses.

iii) Key Management Personnel:

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

	2016		2015	
	1 January - 30 September	1 July- 30 September	1 January - 30 September	1 July- 30 September
Salaries and other				
short term benefits	6.531.654	2.141.763	5.799.238	2.098.104
Post-employment benefits	1.030.124	241.222	-	-
	7.561.778	2.382.985	5.799.238	2.098.104

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

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NOTE 35 - DISPOSAL OF SUBSIDIARY

Doğan Haber Ajansı

- On 27 March 2015, the Group transferred its subsidiary Doğan Haber Ajansı for TL 3.466.492 to the Doğan Şirketler Grubu Holding A.Ş.

Book value of net assets disposed of	30 September 2015
Current assets	
Cash and cash equivalents	640.363
Trade receivables	6.838.442
Other receivables	1.887.118
Non-current assets	
Other receivables	408.839
Property, plant and equipment	1.888.333
Intangible assets	62.135
Deferred tax assets	2.244.548
Short-term liabilities	
Trade payables	3.005.168
Other payables	688.172
Other short term provisions	4.127.488
Other short-term liabilities	1.031.763
Long-term liabilities	
Provision for employee termination benefits	5.964.030
Net assets disposed of	(846.843)
Excess of disposal recognized under equity as a result of transaction with majority owner	
Consideration:	3.466.492
Consideration paid in cash and cash equivalents	
Net cash inflow on disposal:	
(Less) cash and cash equivalent disposed of	(640.363)
Total cash inflow	2.826.129
Excess of disposal recognized under equity as a result of transaction with majority owner	4.313.335

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 36 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

36.1 Financial Risk Management

(i) Interest rate risk

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

	30 September 2016	31 December 2015
Financial instruments with fixed interest rate		
Bank deposits (Note 5)	21.751.940	81.007.641
Financial liabilities (Note 7)	250.486.238	274.760.335
Financial instruments with floating interest rate		
Financial liabilities (Note 7)	33.814.409	41.248.822

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

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. As of 30 September 2016 and 30 September 2015, the Group's borrowings at floating rates are predominantly denominated in US Dollars and Euros.

At 30 September 2016, had the interest rates on US Dollars and Euro denominated borrowings been 100 basis point higher/lower with all other variables held constant, mainly as a result of higher/lower interest expense on floating rate borrowings; net profit for the period before tax and non-controlling interests would have been lower/higher by TL 336.080 (30 September 2015: TL 588.460).

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 36 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Risk Management (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
30 September 2016						
Financial liabilities						
Financial payables (Note 7)	284.300.647	313.715.027	136.656.223	17.798.624	159.260.180	-
Trade payables						
-Related party (Note 34)	22.683.755	22.683.755	22.683.755	-	-	-
-Other (Note 9)	51.585.821	51.850.773	51.850.773	-	-	-
Other payables						
-Other (Note 10)	9.140.573	9.140.573	9.088.333	-	52.240	-
31 December 2015						
Financial liabilities						
Financial payables (Note 7)	316.009.157	323.735.343	16.014.698	244.577.211	63.143.434	-
Trade payables						
-Related party (Note 34)	24.120.290	24.120.290	24.120.290	-	-	-
-Other (Note 9)	36.660.202	36.936.916	36.936.916	-	-	-
Other payables						
-Other (Note 10)	9.294.275	9.294.275	8.595.760	-	698.515	-

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 36 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Risk Management (Continued)

(ii) Liquidity risk (Continued)

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

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

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

At 30 September 2016, the Group has long-term bank borrowings amounting to TL 149.827.719 (31 December 2015: TL 62.343.476) (Note 7).

(iii) Credit Risk

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

Aging analysis for trade receivables:

As of 30 September 2016 there are past due trade receivables amounting to TL 116.904.668 which are not considered as doubtful receivables (31 December 2015: TL 100.759.992). The Group does not foresee any collection risk for the delay up to one month due to sector dynamics and conditions. The Group restructures the trade receivables by applying due date differences which are due over one month and/or the Group does not foresee any collection risk since they are under coverage of guarantees such as mortgage, indemnity or guarantee notes. As of 30 September 2016, the amount of mortgage and indemnity received is TL 10.318.511 for the related receivables (31 December 2015: TL 9.549.566).

As of 30 September 2016 and 31 December 2015, aging analysis for trade receivables that are past due but not impaired are as follows:

	30 September 2016		31 December 2015	
	Related party	Other receivables	Related party	Other receivables
0-1 month	7.559	24.443.350	783.160	22.016.950
1-3 month	-	40.846.289	5.720.794	26.149.943
3-6 month	73.781	25.969.567	2.938.670	19.564.300
6-12 month	1.305.414	14.980.898	344.921	18.758.692
1-2 years	989.027	8.288.783	127.422	4.355.140
	2.375.781	114.528.887	9.914.967	90.845.025

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NOTE 36 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Risk Management (Continued)

(iii) Credit Risk (Continued)

As of 30 September 2016 and 31 December 2015, aging analysis for trade receivables that are past due and impaired is as follows:

<i>Impaired</i>	30 September 2016	31 December 2015
Past due 0 - 3 months	1.259.441	206.440
Past due 3 - 6 months	138.420	273.314
Past due 6 months and over	51.247.855	50.678.924
Less: Provision for impairment (Note 9, 34.i)	(52.645.716)	(51.158.678)

The balance of related party receivables that are past due and impaired as of 30 September 2016 is none (31 December 2015: TL 799.004). There is no trade receivable which is not over due and impaired as of 30 September 2016.

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NOTE 36 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Risk Management (Continued)

(iii) Credit Risk (Continued)

The Group's credit risk of financial instruments as of 30 September 2016 is as follows:

30 September 2016	Trade receivables		Other receivables		Bank deposits	Other assets
	Related party	Other	Related party	Other		
Maximum credit risk exposure as of balance sheet date	31.162.898	210.932.754	-	2.145.231	32.428.173	82.543
- The part of maximum credit risk under guarantee with collateral	-	27.031.479	-	-	-	-
A. Net book value of financial assets that are not past due/impaired	28.787.117	96.403.867	-	2.145.231	32.428.173	82.543
- The part under guarantee with collateral	-	16.712.968	-	-	-	-
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	2.375.781	114.528.887	-	-	-	-
- The part under guarantee with collateral	-	10.318.511	-	-	-	-
D. Net book value of impaired asset						
- Past due (gross carrying amount)	-	52.645.716	-	-	-	-
- Impairment (-)	-	(52.645.716)	-	-	-	-
- 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 36 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Risk Management (Continued)

(iii) Credit Risk (Continued)

The Group's credit risk of financial instruments as of 31 December 2015 is as follows:

31 December 2015	Trade receivables		Other receivables		Bank deposits	Other assets
	Related party	Other	Related party	Other		
Maximum credit risk exposure as of balance sheet date	26.372.328	181.683.764	-	2.438.371	86.711.799	167.977
- The part of maximum credit risk under guarantee with collateral	-	15.578.264	-	-	-	-
A. Net book value of financial assets that are not past due/impaired	16.457.361	90.838.739	-	2.438.371	86.711.799	167.977
- The part under guarantee with collateral	-	6.028.698	-	-	-	-
B. Net book value of financial assets that are renegotiated if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	9.914.967	90.845.025	-	-	-	-
- The part under guarantee with collateral	-	9.549.566	-	-	-	-
D. Net book value of impaired asset						
- Past due (gross carrying amount)	799.004	50.359.674	-	-	-	-
- Impairment (-)	(799.004)	(50.359.674)	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-	-
- Not over due (gross carrying value)						
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

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NOTE 36 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Risk Management (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 TL. These risks are monitored by the analysis of foreign currency position.

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

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

TL equivalents of assets and liabilities denominated in foreign currencies at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Assets	6.915.306	70.627.040
Liabilities	(39.789.969)	(150.618.593)
Equity position of derivative instruments off the balance sheet	20.610.704	-
Net foreign currency position	(12.263.959)	(79.991.553)

Following exchange rates have been used in the translation of foreign currency denominated balance sheet items as of 30 September 2016: 2,9959 TL= 1 US Dollar and 3,3608 TL=1 Euro (31 December 2015: 2,9076 TL= 1 US Dollar and 3,1776 TL=1 Euro).

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NOTE 36 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Risk Management (Continued)

(iv) Foreign currency risk (Continued)

The table summarizes the foreign currency position risk as of 30 September 2016 and 31 December 2015. The carrying amount of foreign currency denominated assets and liabilities of the Group are as follows:

30 September 2016	TL Equivalent	USD	Euro	Other
1. Trade receivables	1.151.242	141.497	216.416	-
2a. Monetary Financial Assets (Cash, Banks included)	3.309.224	1.099.057	4.927	-
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	2.454.840	819.400	-	-
4. Current Assets (1+2+3)	6.915.306	2.059.954	221.343	-
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)	6.915.306	2.059.954	221.343	-
10. Trade Payables	1.014.424	239.942	87.950	-
11. Financial Liabilities	33.608.000	-	10.000.000	-
12a. Other Monetary Financial Liabilities	5.167.545	1.711.100	12.277	-
12b. Other Non-Monetary Financial Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	39.789.969	1.951.042	10.100.227	-
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)	39.789.969	1.951.042	10.100.227	-
19. Net asset / liability position of off-balance sheet derivatives (19a-19b)	20.610.704	1.270.638	5.000.000	-
19a. Off-balance sheet foreign currency derivative assets	20.610.704	1.270.638	5.000.000	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	(12.263.959)	1.379.550	(4.878.884)	-
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(35.329.503)	(710.488)	(9.878.884)	-
22. Fair value of foreign currency hedged financial assets	(219.764)	(73.355)	-	-

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NOTE 36 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Risk Management (Continued)

(iv) Foreign currency risk (Continued)

31 December 2015	TL Equivalent	USD	Euro	Other
1. Trade receivables	5.856.990	90.876	1.653.914	337.282
2a. Monetary Financial Assets (Cash, Banks included)	64.217.366	21.001.731	925.923	210.520
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	536.796	144.550	-	116.502
4. Current Assets (1+2+3)	70.611.152	21.237.157	2.579.837	664.304
5. Trade receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	15.888	-	5.000	-
8. Non-Current Assets (5+6+7)	15.888	-	5.000	-
9. Total Assets (4+8)	70.627.040	21.237.157	2.584.837	664.304
10. Trade Payables	5.625.457	269.909	875.632	2.058.261
11. Financial Liabilities	136.435.825	35.231.455	10.698.907	-
12a. Other Monetary Financial Liabilities	6.713.836	98.160	1.768.666	808.313
12b. Other Non-Monetary Financial Liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	148.775.118	35.599.524	13.343.205	2.866.574
14. Trade Payables	-	-	-	-
15. Financial Liabilities	1.843.475	-	580.149	-
16a. Other Monetary Financial Liabilities	-	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	1.843.475	-	580.149	-
18. Total Liabilities (13+17)	150.618.593	35.599.524	13.923.354	2.866.574
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)	(79.991.553)	(14.362.367)	(11.338.517)	(2.202.270)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(80.544.237)	(14.506.917)	(11.343.517)	(2.318.772)
22. Fair value of foreign currency hedged financial assets	-	-	-	-

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NOTE 36 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

36.1 Financial Risk Management (Continued)

(iv) Foreign currency risk (Continued)

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

30 September 2016	Profit/Loss	
	Foreign currency appreciation	Foreign currency depreciation
If the US dollar had changed by 10% against the TL		
USD net (liabilities) / assets	32.629	(32.629)
Hedging amount of USD	-	-
USD net effect on (loss) / income	32.629	(32.629)
If the EUR had changed by 10% against the TL		
Euro net (liabilities) / assets	(3.320.095)	3.320.095
Hedging amount of Euro	-	-
Euro net effect on (loss) / income	(3.320.095)	3.320.095
If other foreign currency had changed by 10% against the TL		
Other foreign currency net (liabilities) / assets	-	-
Hedging amount of other foreign currency	-	-
Other foreign currency net effect on (loss) / income	-	-
31 December 2015	Profit/Loss	
	Foreign currency appreciation	Foreign currency depreciation
If the US dollar had changed by 10% against the TL		
USD net (liabilities) / assets	(1.436.237)	1.436.237
Hedging amount of USD	-	-
USD net effect on (loss) / income	(1.436.237)	1.436.237
If the EUR had changed by 10% against the TL		
Euro net (liabilities) / assets	(1.133.852)	1.133.852
Hedging amount of Euro	-	-
Euro net effect on (loss) / income	(1.133.852)	1.133.852
If other foreign currency had changed by 10% against the TL		
Other foreign currency net (liabilities) / assets	(220.227)	220.227
Hedging amount of other foreign currency	-	-
Other foreign currency net effect on (loss) / income	(220.227)	220.227

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NOTE 36 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

36.2 Capital risk management

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

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

The net liability/total equity ratio at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Total liability ⁽¹⁾	284.300.647	316.009.157
Less: Cash and cash equivalents (Note 5)	(38.076.392)	(86.987.420)
Net liability	246.224.255	229.021.737
Equity	347.867.174	353.219.223
Net liability and Equity	594.091.429	582.240.960
Net liability / Total equity ratio	0,41	0,39

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

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NOTE 37 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

30 September 2016	Loans and receivables (including cash and cash equivalents)	Finacial Assets	Financial liabilities at amortized cost	Hedging instruments	Fair value through profit or loss	Carrying Value	Note
Financial assets							
Cash and cash equivalents	38.076.392	-	-	-	-	38.076.392	5
Trade receivables							
from non-related parties	210.932.754	-	-	-	-	210.932.754	9
Trade receivables from related parties	31.162.898	-	-	-	-	31.162.898	34
Other receivables							
from non-related parties	2.145.231	-	-	-	-	2.145.231	10
Financial investments	-	1.343.822	-	-	-	1.343.822	6
Financial liabilities							
Financial borrowings	-	-	284.300.647	-	-	284.300.647	7
Trade payables							
to non-related parties	-	-	51.585.821	-	-	51.585.821	9
Trade payables to related parties	-	-	22.683.755	-	-	22.683.755	34
Employee benefit payables	-	-	4.928.015	-	-	4.928.015	11
Other payables							
to non-related parties	-	-	9.140.573	-	-	9.140.573	10
Other short-term liabilities	-	-	1.662.552	-	-	1.662.552	22
Derivative instruments	-	-	-	219.764	668.354	888.118	8

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

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NOTE 37 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (Continued)

31 December 2015	Loans and receivables (including cash and cash equivalents)	Finacial Assets	Financial liabilities at amortized cost	Hedging instruments	Fair value through profit or loss	Carrying Value	Note
Financial assets							
Cash and cash equivalents	86.987.420	-	-	-	-	86.987.420	5
Trade receivables							
from non-related parties	181.683.764	-	-	-	-	181.683.764	9
Trade receivables from related parties	26.372.328	-	-	-	-	26.372.328	34
Other receivables							
from non-related parties	2.438.371	-	-	-	-	2.438.371	10
Financial investments	-	1.393.257	-	-	-	1.393.257	6
Financial liabilities							
Financial borrowings	-	-	316.009.157	-	-	316.009.157	7
Trade payables							
to non-related parties	-	-	36.660.202	-	-	36.660.202	9
Trade payables to related parties	-	-	24.120.290	-	-	24.120.290	34
Employee benefit payables	-	-	2.866.716	-	-	2.866.716	11
Other payables							
to non-related parties	-	-	9.294.275	-	-	9.294.275	10
Other short-term liabilities	-	-	2.347.077	-	-	2.347.077	22

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

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NOTE 37 - 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.

Fair value hierarchy of financial assets and liabilities that are measured at fair value:

Some of the Group’s financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Fair value is defined as a sale price agreed to by a willing buyer and seller, assuming both parties enter the transaction freely and it is better to determined by using market price where possible.

The estimated fair values of financial instruments have been determined using available market information and appropriate valuation methodologies. However, judgement is used in the interpretation of market data for estimating the fair value. Consequently, the estimates presented herein may not be indicative of the amounts which the Group could obtain in a current market exchange.

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NOTE 37 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (Continued)

	Fair value		Fair value hierarchy	Valuation technique
	30 September 2016	31 December 2015		
Foreign currency forward contracts	(888.118)	-	Level 2	Bank Quotation

The information and fair value hierarchy of lands and buildings that are valued with their fair values are as follows 30 September 2016 and 31 December 2015:

	30 September 2016	Fair value as at Reporting Date		
		Level 1 TL	Level 2 TL	Level 3 TL
Land	70.125.785	-	-	70.125.785
Building	51.717.990	-	-	51.717.990

	31 December 2015	Fair value as at Reporting Date		
		Level 1 TL	Level 2 TL	Level 3 TL
Land	65.940.285	-	-	65.940.285
Building	20.996.821	-	-	20.996.821

The fair value of the Group's investment properties are defined by the independent valuation company. The fair value of the lands and buildings are defined by using the similarity comparison approach and assumption method with the analysis of similar real estates (with the comparable ones). As of reporting date the Group has not used different valuation technique.

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NOTE 38 – SHARES IN OTHER ENTITIES

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

	<u>30 September 2016</u>
Current assets	11.559.093
Non current assets	242.688.268
Current liabilities	23.255.865
Non current liabilities	48.076.180
Total Equity	182.915.316
	<u>1 January- 30 September 2016</u>
Revenue	22.021.191
Costs	(14.285.647)
Net loss for the period	7.735.544
Allocation of net loss for the period:	
Attributable to equity holders of the parent company	(61.739.771)
Attributable to non-controlling interests	(577.514)
Net loss for the period	(62.317.285)

NOTE 39 - SUBSEQUENT EVENTS

Sale of tangible assets

Sale of Land Çankaya

612 square meters massive apartment in Ankara İli, Çankaya İlçesi, Güvenevler Mahallesi owned by the Company was sold for 4.365.000 to non-related parties. The registered value on the accompanying financial statements is TL 4.365.000 and it is not expected to be income or expenses in the period financial statements.

Confirmation of financial statements

These consolidated financial statements as at and for the period ended 30 September 2016 were approved by the Board of Directors on 7 November 2016. Other than Board of Directors has no authority to change financial statements.