TRADER MEDIA EAST LIMITED

Annual Report & Consolidated Financial Statements for the year ended 31 December 2016

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2016 FINANCIAL HIGHLIGHTS

Total revenues from continuing operations were US$ 9.8 million (2015: US$ 21.4 million), down by 54.2% due to the business restructuring of Trader Media East Limited (the “Company” or “TME”) and its subsidiaries (together, the “Group”) as well as the exchange rate volatility in the countries the Group operates. In local currency terms total revenues decreased by 42.0%.

Online revenues were US$ 6.4 million (2015: US$ 11.5 million), down by 44.3%. The Adjusted EBITDA was US$ (3.8) million (2015: US$ (5.9) million), improved by 35.6%.

We define the Adjusted EBITDA as net profit from continuing operations before financial income, financial expense, income tax (expense)/ benefit, depreciation and amortisation, provision for doubtful receivables and other receivables, impairment charges and certain other non-recurring gains and losses and Adjusted EBITDA margin as the ratio of Adjusted EBITDA to revenues.

We define the Operations EBITDA (or operating profit before certain expenses) as Adjusted EBITDA before management service expenses or corporate costs, and Operations EBITDA margin as the ratio of Operations EBITDA to revenues.

Consolidated Revenues

The revenues were lower compared to 2015 due to Group’s business restructuring that involved franchising out printing operations in the Russian Federation, sale and/or liquidation of the Group’s regional offices as well economic reasons that included significant deterioration of the economic environment in the Russian Federation, Kazakhstan and the Republic of Belarus.

The decrease in offline revenues was US$ 6.5 million or 65.7%, from US$ 9.9 million in 2015 down to US$ 3.4 million in 2016. Moscow operations include LLC Pronto Media Holding and LLC ID Impress Media.

The decrease in online revenues was US$ 5.1 million or 44.3% from US$ 11.5 million in 2015 down to US$ 6.4 million.

Adjusted EBITDA and Operations EBITDA

The Operations EBITDA increased from US$ (5.4) million in 2015 to US$ (3.0) million in 2016, by 44.4%.

The Adjusted EBITDA increased from US$ (5.9) million in 2015 to US$ (3.8) million in 2016, by 35.6%.

Offline Adjusted EBITDA decreased from US$ (1.6) million in 2015 to US$ (0.6) million in 2016.

In Moscow, the Adjusted EBITDA increased by 55.2% despite the decline in the revenues by 42.3%, mainly due to the cost savings achieved by 45.9%. In other regions in the Russian Federation, the Adjusted EBITDA increased by 55.0% in a climate where the revenues fell by 60.6%, whereas the impact of cost savings was 55.3%.

Online Adjusted EBITDA increased from US$ (4.3) million in 2015 to US$ (3.2) million in 2016.

Share of online revenues amounted to 65.3% of total revenues in 2016. It has increased compared to the share of online revenues of 53.7% in 2015.

Financial Highlights

IN US$ MILLION	2016	2015
REVENUES	9.8	21.4
OPERATIONS EBITDA	(3.0)	(5.4)
MARGIN (%)	(30.6%)	(25.2 %)
ADJUSTED EBITDA	(3.8)	(5.9)
MARGIN (%)	(38.8%)	(27.6 %)
NET LOSS	(15.2)	(16.6)

Goodwill impairment

In 2015, management of TME Group finalised the restructuring process and transformed the Group into a pre-dominantly online business while reducing dependency on the offline business and bundled (online & offline) sales. By completing the transformation to digital business, management created a sound platform for future revenues and cash-flow growth, which reflected in the assumptions underlying the financial model used for goodwill impairment testing.

Following the change of strategy from offline to online TME's management anticipates a threefold increase of the Group's revenues and expects to achieve EBITDA profitability of 48.8% by 2021. The management believes that the above revenue and profitability targets are achievable once all of strategic and product initiatives are implemented.

In 2016, the Group recorded an impairment loss of US$ 5.8 million (2015: US$ 1.2 million) as a result of the valuation performed.

VISION, MISSION AND STRATEGIC GOALS

The Group's vision is to become the leading classified advertising transaction platform by providing our customers the best online and offline solutions, and generating high returns, which will create long term shareholder value.

We have a clear business plan in each country in line with our vision. In order to successfully manage the transition from offline to online and also extend the life of print, we formed a new management team, composed of experienced and dynamic top management.

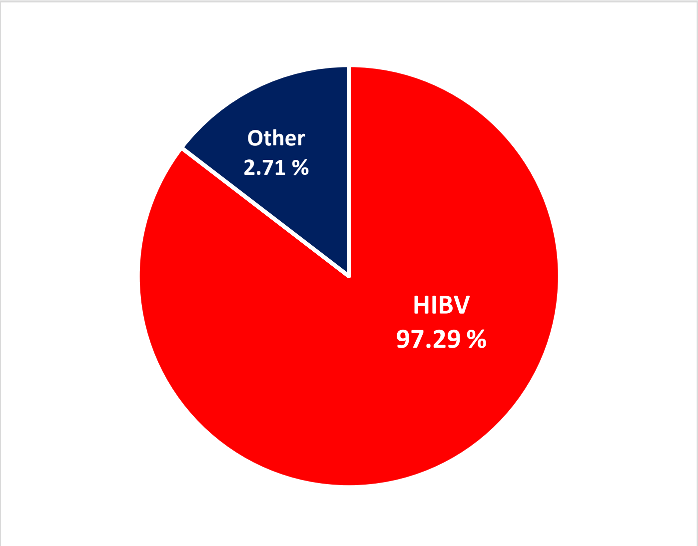
Our main competitive advantages are our well-established relations with professional clients in the real estate and auto segments, our regional franchise and our well-known brand, *Iz Ruk v Ruki,* in Russia and CIS.

In online segment IRR.ru and JOB.ru are the main revenue and traffic generators.

CORPORATE SHAREHOLDING STRUCTURE & PROFILE

At 31 December 2016, Hürriyet Invest B.V. ("HIBV")[1] directly owns 97.29% shares of Trader Media East Limited.

	Number of shares	Share Ownership (%)
Hurriyet Invest BV	466,979,413	97.29
Others GDR	12,349,013	2.57
Others	671,574	0.14
Total	**480,000,000**	**100.00**



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[1] Hürriyet Invest B.V. is a wholly and directly owned by Hürriyet Gazetecilik ve Matbaacılık A.Ş. ("Hürriyet").

CHAIRWOMAN'S STATEMENT

2017 Overview & 2016 Financial Results

In 2016, we have continued our transformation to "pure digital" operation in the Russian Federation. 10 of our franchise agreements for the ongoing print operations were discontinued due to inefficiencies and declining interest in print. Remaining franchisees are working like agencies, selling our digital portfolio against commissions. We focused on growing the efficiency of this franchise network as well as growing revenues of Moscow, St. Petersburg and Tambov (regional call-center) operations which are under full control of the Moscow headquarters.

In 2016, we have continued our cost efficiency program and decreased the number of staff in our pure digital operations. We increased the efficiency of Tambov call-center operation and transferred "IRR.ru" clients from St. Petersburg to Tambov. St. Petersburg office will continue its sales activities for "JOB.ru".

Our operations in CIS countries undergo similar restructuring processes that have been initiated and conducted in the Russian Federation. We are planning to close our printing business in Kazakhstan and focus entirely on developing our digital business there. We have been strengthening our efforts to promote our online resources in Belarus as well while diminishing our footprint in the publishing business.

In 2016, we have achieved improvements in our digital products "JOB.ru" and "IRR.ru" offering our clients an optimised usage experience in all segments. In 2017, we will focus on improving the overall engagement level of "IRR.ru" users by offering them a higher quality website. For "JOB.ru" our main efforts will be focusing on being more mobile-oriented with features geared towards our actual user-base.

On the macro side, in 2017 we forecast that the Russian economy will continue accelerating its growth which started to pick up in late 2016 and recover the adverse impacts on the trading activities in the real estate and car markets.

TME Board of Directors is committed to the transformation plan and thinks that it is an opportunity for the shareholders to re-gain back the value in the future.

Dividend

TME Board of Directors is not recommending a distribution.

Vuslat Sabancı
Chairwoman

28 April 2017

MESSAGE FROM THE CEO

The transformation of becoming a purely digital company continued in all regions we operate. We accomplished our focused tasks in 2016 in reducing costs and introducing new products for the competitive market in the Russian Federation. Inefficient print operations through some of our franchisees were discontinued, also due to the declining print trends. We now have 12 franchisees in the Russian Federation for our print business, and 6 franchisees for online sales.

In 2016, we continued our relentless pursuit on reducing our headcount from 784 to 546 and we are aiming to reduce this number down to approximately 200 in 2017, since optimising our cost is very important to us on our pure digitalisation. Our efforts to increase the sales efficiency of Tambov call-center had a significant success and the operations of Tambov will be evaluated by industry experts which will continue for the better in the second quarter of 2017.

In 2017, we will focus on building higher quality on "IRR.ru" website with better UX and added features, improving our content quality with automated moderation in addition to wider regional coverage and offering more relevant search results by constantly improving our algorithm and making the switch to performance marketing. On the technical side, ongoing source code refactoring and improving the speed of our website are critical steps which we will continue to take in 2017. The main efforts for "JOB.ru" will have a focus on increasing the mobile-orientation with features geared towards our actual user-base. Features such as EASY CV and Pay-Per-Applicant will be introduced sometime in 2017 which will make the user experience much easier both for employers as well as for job seekers.

On the digitalisation front, we will be releasing the second versions of our mobile applications (both iOS and Android) in addition to making our mobile web version fully functional both for private and business users. A new and improved VAS (Value Added Services) will be introduced to our users to maximise our revenues in addition new "Primary Real estate" section which will emphasize lead generation as an additional and growing revenue source.

On behalf of Top Management, I would like to thank the Shareholders and Board of Directors of the Company for their belief and commitment in the Russian market and our initiatives.

Kamil Nurettin Özörnek
Chief Executive Officer, CEO

28 April 2017

BOARD OF DIRECTORS & ADVISORS

Current Directors	Mrs.Vuslat Sabancı, Chairwoman & Senior Director[2] Mr. Turhan Cemal Beriker, Vice-Chairman & Senior Director[3] Mrs. Özlem Mertoğlu-Munanoğlu, Senior Director[4] Mr. Kamil Nurettin Özörnek, Director[5]
Chief Executive Officer	Mr. Kamil Nurettin Özörnek[6]
General Secretary & Counsel	Ms. Elif Ekin Çayhan[7]
Registered Office	SANNE Corporate Service Limited 13 Castle Street St. Helier Jersey JE4 5UT Channel Islands
Business Address	Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam The Netherlands[8]
Company Registration	Registered in Jersey Number 91704
Independent Auditors	AO PricewaterhouseCoopers Audit 10, Butyrsky Val str. Moscow 125047 Russian Federation
Legal Advisers as to Jersey Law	Mourant Ozannes 22 Grenville Street St Helier, Jersey JE4 8PX Channel Islands
Solicitors	Clifford Chance LLP 10 Upper Bank Street London, E14 5JJ United Kingdom
Principal Bankers	Credit Europe Bank N.V. Karspeldreef 6A 1101 CJ Amsterdam The Netherlands Deniz Bank Moscow CJSC 2nd Zvenigorodskaya Street, Building 13, Constr. 42 Moscow 123022 Russian Federation
Website	Further corporate, financial and shareholder information is available in the Investor Centre section of TME’s website: www.tmeast.com

[2] Mrs. Vuslat Sabancı has been the “Chairwoman” since 17 August 17 2010.
[3] Mr. Turhan Cemal Beriker was appointed as “Vice-Chairman” by the Board on 9 April 2013 and as Executive Director on 19 October 2015.
[4] Mrs. Özlem Mertoğlu-Munanoğlu was appointed as Director by the Board on 31 July 2013 and as Executive Director on 19 October 2015.
[5] Mr. Kamil Nurettin Özörnek was appointed as Director by the Board on 19 October 2015.
[6] Mr. Kamil Nurettin Özörnek was appointed as CEO by the Board on 7 June 2016.
[7] Ms. Elif Ekin Çayhan was appointed as “General Secretary & Counsel” on 13 May 2016.
[8] TME’s business address was changed on 1 September 2016.

DIRECTORS' BIOGRAPHIES

<u>Vuslat Sabancı</u>

Chairwoman & Senior Director

Mrs. Vuslat Sabancı, born in 1971, Turkish citizen, has been a member of TME Board of Directors since March 2007. She is currently Chairwoman of TME Board of Directors being Senior Executive Director since August 2010.

During the course of her career, she currently holds the following positions: (i) within TME Group, including the positions of Vice-Chairwoman of Board of Directors, Vice-Presidents of Corporate Governance Committee, and Audit Committee; and (ii) Hürriyet Group, including the position of Chairwoman of Board, before that she held the positions of Board member, and CEO within Hürriyet Group.

Prior to joining the Hürriyet Group in 1996, her professional experience included time at the "Wall Street Journal" and the "New York Times". She is graduated from Bilkent University with B.A. in Economics and holds a Master Degree (LL.M) in Media & Communications from Columbia University. She is also a member of Board of the International Press Institute (IPI).

<u>Turhan Cemal Beriker</u>

Vice-Chairman & Senior Director

Mr. Turhan Cemal Beriker, born in 1968, a Turkish and Dutch citizen, graduated in Management Science (BSc) in the Faculty of Engineering at Bilkent University in Ankara, Turkey. He started his career as Manager at Interbank AS in 1990. In 1993, he joined Finansbank as Director, and as CEO in 2001 and joined Credit Europe Bank N.V. as Director in 2010, where he gained experience in banking, finance and management. After Credit Europe Bank N.V., he joined Kiltoprak NV as full-time advisor to the President & Board in transport, energy and tourism sectors in 2011.

He is currently Vice-Chairman of TME Board of Directors, and President of Audit and Corporate Governance Committees, being Senior Director since April 2013 and being Executive Director since 19 October 2015.

<u>Özlem Mertoğlu – Munanoğlu</u>

Senior Director

Mrs. Özlem Mertoğlu-Munanoğlu, born in 1966, Turkish and Dutch citizen, graduated in International Relations (B.A.), School of Business Administration at Middle East Technical University, Ankara, Turkey, and studied International Business Law in the Faculty of Business Law at De Montfort University, Leicester in UK.

She started her career as Manager at Interbank AS in 1987. In 1990 she joined Impexbank, in 1991 HSBC AS as Finance & Marketing Manager and in 1996 KÖRFEZBANK AS as Vice-President. In 1999, she joined DIŞBANK as General Manager – Managing Director of Disbank Nederland NV and then after in 2003 to Demir-Halk Bank Nederland NV as Assistant General Manager. Between 2004 and 2009, she worked as Shareholder Managing Director of Commodum Consultancy Services BV. Between 2009-2016 she acted as the Shareholder & Managing Director of AFFIANCE Management BV ("AMBV"), a licensed trust office supervised by Dutch Central Bank. Following acquisition of AMBV in July 2016, she is working as acting as Commercial Director at TMF Netherlands BV ("TMF"). She is experienced in structured finance, international operations and expansion, finance and banking. Also, she acts as Independent Board Member in holding and finance companies.

She is currently member of TME Board of Directors, and member of the Audit and the Corporate Governance Committees, being Director since July 2013 and being Executive Director since 19 October 2015.

Kamil Nurettin Özörnek

Chief Executive Officer and Director

Mr. Kamil Nurettin Özörnek, born in 1968, Turkish citizen, graduated from Tampa University with Bachelor of Science degree in Marketing Management, and holds a Master Degree (LL.M) in Business Administration from Tampa University. He obtained a Real Estate Broker License from İstanbul Chamber of Commerce.

Mr. Kamil Özörnek started his career as an Associate Manager at NELSON Sales Group in Miami, Florida, USA in 1996. In 1997, he joined AKSOY Group of Companies (Sahibinden.com) as Business Development Manager in İstanbul, Turkey. In 2005, he joined Cushman & Wakefield as Head of Retail Services in Turkey, and later joined PERA GYO - Global Investment Holding as Deputy-General Manager in 2007 in Turkey & Northern Cyprus. Afterwards, he formed ELLA INTERNET TECH (www.bonqo.com) as Co-Founder & CEO in 2009 in Santa Barbara, California, USA, and then after, joined VIPDUKKAN.COM as General Manager in 2012 in Turkey. In 2013, he joined Hürriyet Newspaper (www.Hurriyetemlak.com, www.Hurriyetoto.com, www.Yenibiris.com, www.EKolay.com) as E-Commerce Director & Executive Committee Member in İstanbul, Turkey.

Mr. Kamil Özörnek was appointed as Director to the Board by TME Board of Directors on 19 October 2015 and was appointed as the CEO of the Group on 7 June 2016.

Ms. Elif Ekin Çayhan

General Secretary & Legal Counsel

Elif Ekin Çayhan, born in 1981, Turkish citizen, graduated from Marmara University, School of Law (LL.B. in 2004) and holds two Master Degrees, one in European Union Law (M.A. in 2009) from Marmara University and one in German and International Law (LL.M. in 2013) from University of Cologne.

Elif Ekin Çayhan is admitted to Istanbul Bar Association in 2006 and since then she worked as a lawyer in local and European law firms, in fields of contracts and commercial law, corporate law, national and international DDs and M&A projects, PPP projects, Project Finance and Investments, with clients especially from health and construction sectors, advised national and international clients in numerous fields of law such as real-estate law, administrative law, law of aliens, as well as press and media law.

Elif Ekin Çayhan is native in Turkish and fluent both in English and German. She is certified as sworn translator in Turkey for English and German languages since 2011. She received advanced trainings and certificates in fields of private international law, alternative dispute resolution and international arbitration in different countries and worked for Arbitration Institution in Germany.

Elif Ekin Çayhan joined Doğan Group of Companies in February 2016 in Legal Consultancy and Contracts Division and was appointed as the General Secretary&Counsel, VP & CLO of Trader Media East Limited on 13 May 2016.

CORPORATE GOVERNANCE

The 2008 Combined Code of Corporate Governance has been renamed UK Corporate Governance Code, with the revised Code applying to reporting periods beginning on or after 1 October 2012. It sets out certain Corporate Governance recommendations in relation to companies with a Premium Listing of equity shares at the London Stock Exchange ("LSE") regardless of whether they are incorporated in The United Kingdom or elsewhere. Trader Media East Limited as a Standard Listed company at the LSE, the UK Corporate Governance Code does not strictly apply to it; that it has a "comply or explain" requirement under the Listing Rules and Disclosure and Transparency Rules. Thus, the Group intends so far as it is able to apply the underlying principles of UK Corporate Governance Code, having regard to its size and stage of development.

The Board is committed to maintaining high standards of Corporate Governance. This statement, together with the Report on Remuneration and the Report of the Board of Directors set out on pages 13 and 14, describes how the Group has applied the relevant Principles of UK Corporate Governance Code, and also adheres to Dutch tax substance requirements. The Board believes that the Group complies with the spirit of UK Corporate Governance Code although there are some departures as mentioned below.

Corporate Governance Compliance Statement

As a Jersey incorporated company, the Company is governed according to its articles of association and the relevant provisions of the Companies (Jersey) Law 1991. The Board is responsible for the proper management of the Group and confirms that the Group has complied throughout the financial year with most of the relevant provisions set out in UK Corporate Governance Code.

Board of Directors, Audit & Corporate Governance Committees' Status

The restructuring of the Board and Committees have taken place with two simple considerations in mind, *simplicity and efficiency.*

The Group has gone through transition from offline to online, and by completing its transition the Group will be deriving its revenues from online business. As a result of this, a more flexible body was restructured to further streamline this change.

Going Concern Basis

After making enquiries, the Directors have formed a judgement, at the time of approving the consolidated financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As planned by management, TME's capital increase that was financed by the parent company took place in August 2016 and TME's debts to the parent company were converted into equity. In order to improve profitability and working capital situation management also envisages further cost reductions, in particular, but not limited, in offline segment. The parent company management confirmed that they are able to and that they will continue to provide Trader Media East Limited and its subsidiaries with financial support to enable them to continue in operation and to meet their obligations as and when they fall due for at least eighteen months from February 2017. This commitment to support Trader Media East Limited and its subsidiaries will not be retracted within those eighteen months.

For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

THE BOARD OF DIRECTORS

- Mrs. Vuslat Sabancı, Chairwoman, Senior Director;
- Mr. Turhan Cemal Beriker, Vice-Chairman, Senior Director;
- Mrs. Özlem Mertoğlu-Munanoğlu, Senior Director; and
- Mr. Kamil Nurettin Özörnek, CEO, Director.

The Board is responsible and accountable for the Group's operations. The Board has a formal schedule of matters for which they have sole responsibility, including the Group's strategic plans, acquisitions or disposals, capital expenditure, all financing matters, annual operating plan and budget and operating and financial performance. The Board meets regularly and a table of attendance is shown on page 12.

The Board also delegates specific responsibilities to the Committees, each of which has clear written terms of reference, as described below. The Board did not believe that it was necessary to use external resources to review its performance during year 2016, but chose to evaluate its own performance, that of its Committees and of its Directors. The Board was broadly satisfied with its performance.

Under UK Corporate Governance Code Provisions, the Company should arrange appropriate insurance cover in respect of legal action against its Directors and officers. The Board believes that an increasing amount of work is undertaken by the Audit and Corporate Governance Committees and that the Director(s) can only properly fulfill their responsibilities if they are present during committee meetings and are able to follow the detail of discussions and debate held at those meetings.

There are currently four directors: Mrs. Vuslat Sabancı as Chairwoman & Senior Director, Mr. Turhan Cemal Beriker as Vice-Chairman & Senior Director, Mrs. Özlem Mertoğlu-Munanoğlu as Senior Director; and Mr. Kamil Nurettin Özörnek as Director and CEO. The biographies are set out on pages 6 and 7, and illustrate the Directors' breadth of experience.

The responsibilities of the CEO has been set out in writing and approved by the Board in year 2010. The Independent Director is subject to re-appointment on an annual basis at TME Annual General Meeting. Before a director is proposed for re-election by the Shareholders, the Corporate Governance Committee (which is responsible for the roles identified by UK Corporate Governance Code, which would be reserved for the "Compensation & Nomination Committees") meets to consider whether an Independent Director's performance continues to be effective and whether s/he demonstrates a commitment to the role.

Each director is subject to re-election by the Shareholders on an annual basis at TME Annual General Meeting. An assessment is made of any training needs on a director's appointment and the appropriate training provided, if applicable. All directors have access to the Company Secretary and, in the furtherance of their duties, may take independent professional advice, if necessary, at the Group's expense.

TME Board believes that the Chairwoman was and remains a self-reliant Senior Director since the date of her appointment.

RELATIONS WITH THE SHAREHOLDERS

The Group encourages two-way communication with its investors and responds quickly to all queries received orally or in writing. The CEO and the Chief Financial Officer ("CFO") meet regularly with analysts and institutional shareholders.

The CEO and the CFO report to the Board giving details of comment and "feedback" received from analysts and institutional investors. At TME Annual General Meeting, directors or alternates are available for questions. The communication is also made through the website, which is regularly updated.

AUDIT COMMITTEE

The Audit Committee (“AC”) is comprised of four members. Mr. Turhan Cemal Beriker, Senior Director, acting as the President of the AC. Mrs. Vuslat Sabancı is the Vice-President (who is Chairwoman of Hürriyet Group and TME) of the AC and Mrs. Özlem Mertoğlu-Munanoğlu acting as a Member of the AC, who is the Commercial Director at TMF and Mr. Kemal Sertkaya[12] is an employee of Doğan Group and a member of the AC.

The AC meets at least twice a year and is responsible for reviewing, prior to its publication, any financial information made public through quarterly and half-year press releases on the Group’s results, monitoring the Group’s financial, accounting and legal practices against relevant ethical standards, reviewing any changes in accounting methods and main judgments made by management at the close of the annual consolidated financial statements and supervising the Group’s compliance with accounting and financial internal control processes.

The AC will also recommend the choice of independent auditor(s) to the Board, to be put to the shareholders for approval at TME Annual General Meeting. It will also discuss with the auditor(s) its/their findings. In addition, the AC will direct the Group’s internal audit function and review and analyse the reports issued by the Internal Audit Team after a written response from management.

The performance of the External Auditor is evaluated by the AC each year. Central to this evaluation is scrutiny of the External Auditors’ independence, objectivity and viability. To maintain the independence of the External Auditors, the provision of non-audit services is limited to tax and audit-related work that fall within specific categories. The appointment of Independent Auditors to perform these non-audit services has been pre-approved by the AC.

The AC has formal written terms of reference which are available on TME website.

The members of the AC at the date of this report were:

- Mr. Turhan Cemal Beriker (President)[9]
- Mrs. Vuslat Sabancı (Vice-President)[10]
- Mrs. Özlem Mertoğlu-Munanoğlu (Member)[11]
- Mr. Kemal Sertkaya (Member)[12]

During 2016, the former Head of Audit, Mr. Igor Popovich has been assigned as The Head of Business & Development. Upon recommendation of the AC, the Board took the decision to assign the audit function to Doğan Group Internal Audit team to conduct the audit function of the Group and executes quarterly visits to be scheduled for TME and LLC Pronto Media Holding.

In 2017, an audit representative will be assigned within LLC Pronto Media Holding in order to support and follow up audit works and to provide the continuous internal control mechanism.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee (“CGC”) is comprised of three members. Mr. Turhan-Cemal Beriker, as a Senior Director has been appointed the President of the CGC in 2013. Mrs. Vuslat Sabancı (who is Chairwoman of Hürriyet Group and TME), is Vice-President of the CGC. Mrs. Özlem Mertoğlu–Munanoğlu is (the Commercial Director of TMF) a member of the CGC.

The CGC meets at least twice a year and is responsible for establishing and controlling the corporate internal practices and rules developed in terms of financial compensation and also nomination for the members of the Board, certain members of the Executive Management and other key employees. It is also responsible for periodically reviewing the Board’s structure and identifying potential candidates to be appointed as director(s), as the need may arise, and determining succession plans for the Chairwoman of the Group.

[9] Mr. Turhan Cemal Beriker was appointed as Member on 31 July 2013, then as President of Audit Committee on 11 October 2013
[10] Mrs. Vuslat Sabancı was appointed as Vice-President of Audit Committee on 11 October 2013.
[11] Mrs. Özlem Mertoğlu-Munanoğlu was appointed as Member of Audit Committee in on 31 July 2013.
[12] Mr. Kemal Sertkaya is Vice-President of Internal Audit activities within the parent groups of Hürriyet and Doğan Holding.

The Report on Remuneration set out on page 13 contains a more detailed description of the Group's policies and procedures for executive nomination and remuneration. The CEO, the General Counsel and Chief HR Officer, as appropriate, attend the meetings of the CGC, but they do not participate in discussions on their own remuneration.

The CGC has formal written terms of reference, which are available upon written request addressed to the Company Secretary.

The members of the CGC at the date of this report were:

- Mr. Turhan Cemal Beriker (President)[13]
- Mrs. Vuslat Sabancı (Vice-President)[14]
- Mrs. Özlem Mertoğlu-Munanoğlu (Member)[15]

COMPENSATION & NOMINATION COMMITTEES

The CGC is additionally responsible for the roles identified by UK Corporate Governance Code which would be reserved for Compensation and Nomination Committees. Consequently, the CGC also meets as required to select and propose to the Board suitable candidates of appropriate caliber for appointment as "director(s), officer(s), advisor(s) and its/their related fee(s)/package(s)".

The Compensation Committee was renamed as "Corporate Governance Committee" by the Board on 17 April 2014.

INTERNAL CONTROL

The Directors are responsible for the Group's established system of internal financial control and for reviewing its effectiveness. During the internal audit reviews, the Board has not been advised of any failings or weaknesses which were deemed to be significant. No system of internal financial control can provide absolute assurance against material misstatement or loss. The established system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key procedures that have been established and designed to provide effective internal financial control are:

- *Management & Organizational Structure*. The existing organizational structure is considered appropriate to the size of the Group. This clearly identifies levels of delegated responsibility to operational management. The performance of senior management is regularly evaluated and individual employees' responsibilities are clearly defined and communicated.
- *Financial Reporting.* Part of the comprehensive management reporting discipline involves the preparation of detailed annual budgets by all operating units. These budgets are reviewed by the executive management, and are ultimately summarized and submitted to the Board for approval.

Monthly revenue and profit returns are received from all operating units followed by the issuance of monthly and quarterly management accounts, which are prepared promptly and reported against the approved budget. Consolidated monthly management accounts are prepared, including detailed profit analysis (with comparisons to budget, latest forecasts, prior year and consensus market opinion), and treasury report (including comparison to our financial covenants), providing relevant, reliable and up-to-date financial and other information to the Board. Revised profit and cash flow forecasts for the current year are prepared and submitted to the Board at quarterly intervals during the year.

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[13] Mr. Turhan Cemal Beriker was appointed as Member on 31 July 2013, then as President of Compensation Committee on 11 October 2013
[14] Mrs. Vuslat Sabancı was appointed as Vice-President of Compensation Committee on 11 October 2013.
[15] Mrs. Özlem Mertoğlu-Munanoğlu was appointed as Member of Compensation Committee on 31 July 2013.

- *Investment Appraisal*. We have a clearly defined framework for capital expenditure which is controlled centrally. Appropriate authorization levels and limits beyond which such expenditure requires the prior approval of the Executive Management Team or, in certain circumstances, the Board, are clearly set. There is a prescribed format for capital expenditure applications which places a high emphasis on the overall Group strategy or logic for the expenditure, and demands a comprehensive and sound financial representation of the business case being put forward. All significant corporate acquisitions or investments are controlled by the Board on the basis of proposals advanced by the Executive Management Team or a Board sub-committee and are subject to detailed investment appraisal and performance of due diligence procedures prior to approval by the Board.

- *Functional Reporting.* A number of our key functions, including treasury, taxation, internal audit and risk management, litigation, IT strategy and development and insurance are dealt with centrally. Each of these functions reports to the Board on a regular basis through CEO, CFO and General Counsel, as appropriate. The treasury function operates within the terms of clearly defined policy statements. The policy statements exist to ensure that we are not exposed to any unnecessary risk and that where appropriate there is hedging against foreign currency and interest rate risks.

The AC reviews the reports from the Management, the Internal Audit Department and the External Auditors to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

Table of Attendance at the Meetings:

	Board	Audit Committee	Corporate Governance Committee	AGM
Number of meetings in the year 2016	**5**	**3**	**3**	**1**
Mrs. Vuslat Sabancı	3	3	3	1
Mr. Turhan Cemal Beriker	5	3	3	1
Mrs. Özlem Mertoğlu-Munanoğlu	5	3	3	1
Mr. Kamil Nurettin Özörnek	5	-	-	-
Mr. Kemal Sertkaya	-	2	-	-

REPORT ON REMUNERATION

The Directors are paid annual fee on a quarterly basis as follows:

(i) TME Board Chairwoman/man and Vice-Chairman's annual fees are EUR€ 20,000, and Director/Member annual fees are EUR€ 10,000;

(ii) TME Committees' President and member fees are EUR€ 1,000. Members of the Audit and Corporate Governance Committees are paid quarterly fee of EUR€ 1,000 per committee membership.

Service Contracts

Non-Executive Directors

There are no service contracts in force between any non-executive director and the Group. Each of the non-executive directors has a letter of appointment setting out the terms and conditions of her/his appointment. The letters of appointment do not provide for any benefits to be paid to the non-executive director(s) upon the termination of its/their appointments nor do they provide for a specific notice period. There is/are no commission(s) or profit-sharing arrangement(s) in its/their letter(s) of appointment.

Mr. Kamil Nurettin Özörnek

Chief Executive Officer (CEO)

Mr. Kamil Nurettin Özörnek was appointed as "CEO" by the Board on 7 June 2016. He has been acting as Director since 19 October 2015. His biography is provided on page 7.

Directors' Remuneration

Directors' annual remunerations are set out as follows:

	EUR€ 2016 Basic Remuneration	2016 Committees' Fees
Mrs. Vuslat Sabancı	20,000	8,000
Mr. Turhan Cemal Beriker	20,000	8,000
Mrs. Özlem Mertoğlu-Munanoğlu	10,000	8,000
Mr. Kamil Nurettin Özörnek	10,000	-
Mr. Kemal Sertkaya	-	4,000

REPORT OF THE BOARD OF DIRECTORS

The Directors of the Group present their report and the audited consolidated financial statements for the year ended 31 December 2016.

Incorporation

The Company was incorporated in Jersey, Channel Islands in November 2015 and it was re-registered on 6 February 2006.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with any applicable law and regulations.

Under Article 105(11) of the Companies (Jersey) Law 1991 the directors of a holding company need not prepare separate financial statements (i.e. Company only financial statements) if consolidated accounts for the Company are prepared, unless required to do so by the members of the Company by ordinary resolution. The members of the Company had not passed a resolution requiring separate financial statements and, in the Directors' opinion, the Company meets the definition of a holding company. As permitted by law, the Directors have elected not to prepare separate financial statements.

The Companies (Jersey) Law 1991 requires the Directors to prepare the financial statements for each financial year. Under that law, the Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

International Accounting Standard 1 requires that the consolidated financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually, all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors confirm they have complied with all the above requirements in preparing the consolidated financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The maintenance and integrity of the website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the consolidated financial statements since they were initially presented on the website.

The Directors are also required by the Disclosure and Transparency Rules (DTR) of the United Kingdom Listing Authority (UKLA) to include a Management Report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

Directors' Statement pursuant to the Disclosure and Transparency Rules (DTR)

Each of the Directors, whose names and functions are listed on pages 6 and 7 confirm that, to the best of each person's knowledge and belief:

- the Consolidated Financial Statements, prepared in accordance with IFRS as adopted by EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Directors’ Report contained in the Annual Report includes a review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and the Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Group’s performance, business model and strategy.

Principal Activities

The Group is one of the leading marketplace for communities of generalist, real estate, auto and recruitment, with strong local brands, serving local markets in the Russian Federation, Kazakhstan and Belarus. The Group produces 6 print titles, with 0.3 million readers per month and hosts 9 websites, with 9.8 million unique monthly visitors. The Group is one of the largest companies in the region operating with weekly and daily newspapers and websites, primarily in the generalist, real estate, automotive and recruitment categories.

Results and Dividends

The profit and loss account of the Group for the year ended 31 December 2016 is set out in the audited consolidated financial statements. No dividends were paid during the year 2016.

Directors

The composition of the Board of Directors as at 31 December 2016 is as follows:

- Mrs. Vuslat Sabancı as Chairwoman, Senior Director;
- Mr. Turhan Cemal Beriker as Vice-Chairman & Senior Director;
- Mrs. Özlem Mertoğlu-Munanoğlu as Senior Director; and
- Mr. Kamil Nurettin Özörnek as CEO and Director.

Directors’ Interests

No options were granted to or exercised by any director of TME in the period between 31 December 2016 and the signing date of these audited consolidated financial statements. None of the directors had a material interest in any contract of significance to which the Group was a party during the year.

Policy on Payment of Creditors

It is Group policy, in respect of all of its suppliers, to settle the terms of payment when agreeing each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by those terms. The average number of creditor days in relation to trade creditors outstanding depends on each country where we generally apply local practices.

Financial Risk Management

The Group finances its operations through the generation of cash from operating activities and from bank borrowings. Liquidity risk is managed through forecasting the future cash flow requirements of the business and maintaining sufficient cash at bank balances

Principal Risks and Uncertainties

The following risks and uncertainties could have an effect on the Group's performance. As at the date of this report, the Board considers the risks described below as the principal risks facing the Group. The Group has a risk management structure in place that is designed to identify, manage, and mitigate business risks. This forms part of the Group's system of internal control that is described in detail in Corporate Governance. The key risks identified through this risk management process, and how they are managed is detailed below.

General

The Group's activities expose it to a variety of operational and financial risks; these risks are market risk including the effects of changes in debt and equity market prices, foreign currency exchange rates, fair value interest rate risk, and cash flow interest rate risk, credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets as well as changeable parameters of the Russian economy and seeks to minimize potential adverse effects on the financial performance of the Group. As the Group operates in different regions and countries, TME headquarters deal effectively with the coordination of management of different entities.

Risks relating to the Group's Business and Industry

According to Federal Statistics Service' preliminary report, Russia's economy dipped by 0.2% in 2016. Russia's economy has been slowly climbing back after a sluggish 2015 and 2016 amid lower oil prices and economic sanctions. Published data suggests that two industries pushed the economy forward: Manufacturing rose by 1.4% in 2016 and the production of natural resources was up by 0.2%. However, on the flip side, consumption remained weak. Wholesale and retail trade dropped by 3.6%.

The economic growth in Kazakhstan slowed to just 1.0% in 2016 from 1.2% in 2015, as the combination of lower crude oil and industrial metals prices along with a protracted recession in Russia dented growth. Nonetheless, the economy was helped by an expansionary fiscal policy and a gradual relaxation of interest rates as the local currency, Tenge, showed signs of stabilisation.

In 2016, GDP in Belarus decreased 2.6%, according to the National Statistical Committee (Belstat). The second consecutive annual contraction was thus softer than in 2015, when the economy decreased a more severe 3.9%.

Risks relating to the Group's Financial Condition

The Group is exposed to variety of financial risks due to its operations. These risks include liquidity risk, funding risk, credit risk and foreign currency risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Group finances its operations through loan facilities provided by its controlling shareholder, Hurriyet Group, as well as bank loans. Liquidity risk is managed through forecasting the future cash flow requirements of the business.

Competitive Forces

The markets in which the Group operates are highly dynamic and competitive. The majority of its co-operation is long term in nature and access to the key platforms is critical to the success of the business. This requires sustained investment in technology, capability and infrastructure, which presents a high barrier to entry. However, these factors alone do not protect the Group from competition, such that price competition and technical advances made by competitors could adversely affect the Group's results. The Group has developed a balanced business portfolio and maintained a steady improvement in operational performance, which together with the establishment of long-term customer relationships and sustained investment in technology acquisition, allow the Group to respond to competitive pressure.

Foreign Currency

A high proportion of the Group's sales (72.6%) and operating loss arise in the Russian Federation. As a result, the Group's reported results in 2016 have been negatively affected by the weakening of the Russian Rouble (RUB) against the US Dollar (US$) (9.0% on an annual average basis) versus 2015.

Legal Risks

The Group operates internationally and is subject to applicable laws and regulations in a large number of jurisdictions. Combined with this, the large numbers of customers and suppliers to the Group result in a complex set of contractual obligations and a risk of non-compliance with the applicable laws and regulations.

The Group addresses this risk in a number of ways:

- through reviews, advice and opinions provided by the in-house legal department;
- monitoring and reporting of issues by the Internal Audit function;
- internal control processes requiring local and Group's Executive Management to report on areas of potential non-compliance; and
- controls on the levels of the Management required to approve proposed contractual arrangements.

Charitable and Political Donations

The Group did not make any material charitable or political donations during the year.

Intangible Assets

Historically, the Group has attributed value to its main tradenames and goodwill in allocating a part of the purchase price paid for its subsidiaries to these intangible assets. These values attributed to intangible assets are referred to in Note 14 to the consolidated financial statements.

Purchase of Own Shares

The Group did not purchase any of its shares for cancellation during the year. At present, the Group had no authority to purchase Group's issued ordinary share capital.

Secretary

E. Ekin Çayhan has been the Company Secretary since 13 May 2016.

Independent Auditors

AO PricewaterhouseCoopers Audit[16] was appointed as External Auditor to the Group at the Annual General Assembly on 13 June 2016.

A resolution to appoint the auditors and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting (AGM), which will be held in **19 June 2017** at the Company's headquarter in Amsterdam, The Netherlands.

By order of the Board

E. Ekin Çayhan
General Secretary & Counsel

28 April 2017

Registered office:

SANNE Corporate Service Limited
13 Castle Street
St. Helier Jersey JE4 5UT
Channels Islands

[16] AO PricewaterhouseCoopers Audit was appointed at the Annual General Assembly in June 2016 and has been the external auditor to the Group since August 2016.

RESPONSIBILITY STATEMENT

TME Annual Report & Consolidated Financial Statements of 2016 contain a "Responsibility Statement" in compliance with paragraph 4.1.12 of the DTR signed by order of the Board by Mrs. Vuslat Sabancı as Chairwoman of the Board & Senior Director, Mr. Turhan Cemal Beriker as Vice-Chairman & Senior Director, and Mrs. Özlem Mertoğlu-Munanoğlu as Senior Director and Mr. Kamil Nurettin Özörnek as CEO and Director of the Company.

This statement is set out below in full and unedited text. This states that on **28 April 2017**, the date of approval of the 2016 Annual Report & Consolidated Financial Statements (Accounts).

Each of the Directors hereby confirm:

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group".

Amsterdam, The Netherlands
28 April 2017

TRADER MEDIA EAST LIMITED

Vuslat Sabancı
Chairwoman

Kamil Nurettin Özörnek
CEO, Director

GENERAL OVERVIEW & FINANCIAL REVIEW

We are pleased to present the consolidated financial results of Trader Media East Limited ("**Trader Media East**" or "**TME**" or the "**Group**" or **"We"**) for the year ended 31 December 2016.

This report contains statements regarding future events or conditions that may or may not be accurate in the future. You should refer to the risks identified in the "Forward Looking Statements" section of this report.

About Trader Media East

TME is one of the leading market place for communities of real estate, auto and recruitment, with strong local brands, serving local markets in the Russian Federation, Kazakhstan and Belarus.

TME was founded in November 2005, and comprises the former operations of Trader Classified Media N.V. Currently, the Group employs 546 permanent employees in 3 countries.

TME's branded classified advertising websites and publications and related specialized services have leading positions in specific markets in the following countries: Belarus, Kazakhstan, and the Russian Federation.

Major Developments

TME Group Financial Restructuring

The Group acquired additional US$ 37.7 million intra-group loan from its parent company, HIBV, on 14 January 2016, and transferred such fund to its direct Dutch subsidiary Mirabridge International B.V. ("MIBV") to be used for the closure of existing bank debts in MIBV's direct Russian subsidiary LLC Pronto Media Holding ("LLC PMH"). As a result, the Group's indirect Russian subsidiary LLC PMH closed all its bank debts as of 15 January 2016.

As of August 2016, the Group's payable to HIBV reached to US$ 87.3 million including previous debts acquired from HIBV, which were used both for the partial closure of the bank debts and working capital requirement of LLC PMH in the past. The debt was converted into the equity through the capital increase took place on 31 August 2016.

Deniz Bank Moscow CJSC Loan Line

During 2016, LLC PMH has obtained short-term loans from Deniz Bank Moscow CJSC in the total amount of RUB 265 million.

Yapı Kredi Bank (YKB) Moscow Loan Line

In the period subsequent to the balance sheet date, the Group has used tranches amounting to RUB 176.2 million (approximately USD 3.1) with an annual interest rate of 12% per annum and with a maturity of 540 days.

Capital Increase in TME

The Group used US$ 87.3 million (including interest) received from Hürriyet Group as inter-company loan with the fair market interest rate, which was converted into equity through the capital raising took place in on 31 August 2016.

The capital raising in TME (converting TME's debt to HIBV into equity) was successfully completed on 31 August 2016. TME concluded: (i) an offering to holders of TME's global depositary receipts of the right to subscribe for new ordinary shares (which will be evaluated independent company) in the capital of the Company in the form of newly issued GDRs with one New GDR representing one New Share offered for every one GDR held by Eligible Investors; and (ii) an offering to holders of ordinary shares on the register of members of the Company the right to subscribe for New Shares *pro rata* to their existing holding of ordinary shares.

Barlow Partners Group Trust & Barlow Partners Offshore Limited Transfer Their Ordinary Shares to Riverview Custom Hedge Fund Solutions (Cayman) L.P.

Barlow Partners Group Trust transferred its: *(i) 60,023 (sixty thousand and twenty-three) ordinary shares in TME to Riverview Custom Hedge Fund Solutions (Cayman) L.P.; and Barlow Partners Offshore Limited transferred its (ii) 222,308 (two hundred and twenty-two thousand three hundred and eight) ordinary shares in TME* to *Riverview Custom Hedge Fund Solutions (Cayman) L.P.* on 22 November 2016. After the registrations on 30 March 2017, Barlow Group is no more a shareholder in TME, whereas Riverview Custom Hedge Fund Solutions (Cayman) L.P.'s total number of the ordinary shares in TME are equal to 282,331, as the date of this report.

New OECD Frame Directive & Dutch Corporate & Tax Legal Substance Rules & Compliance

New OECD Frame Directive "BEPS-Base Erosion & Profit Shifting" means that: *"Artificial structures will no more be allowed!".* Dutch authorities have introduced New Regulations & Measures (effective as of January 2016), and which further extend the requirements towards supervision of the business activities of the structures involving Dutch entities. TME Group's trust company TMF Netherlands BV (licensed by Dutch Central Bank) is obliged to keep TME Group files up to date and at all times to maintain a transparent overview of the structure and its activities. This is the direction towards which the Corporate Changes must be implemented within TME, as TME wishes to maintain the status of Dutch Tax Residency in 2017.

Russian Special Economic Measures (SEP)

Regarding air-force-jet crisis between Russia and Turkey, Russian Federation enacted a Decree dated 28 November 2015 *"on measures for safeguarding national security of the Russian Federation and protecting Russian citizens from criminal and other unlawful acts and on application of special economic measures against the Republic of Turkey"; and "on the territory of Russia temporarily introduced a number of measures aimed at restricting business activities of Turkish companies and Turkish citizens on Russian territory".* Although there have been negative effects on the work permits of Turkish citizens which might have caused complications on business, we have been able to minimize those impacts by legal solutions and corporate actions. In the light of recent political developments between Russian Federation and Republic of Turkey, especially within the first quarter of 2017, it has been a very promising sign of positive progress and TME Board continues to follow closely such developments and its impacts on its Russian & CIS operations.

Oglasnik d.o.o. Dispute Settlement between TCM Adria d.o.o. and Minorities

On 26 November 2015, TME Group indirect subsidiary TCM Adria d.o.o previously holding 70% of the share capital of Oglasnik d.o.o (which was transferred to Croatian minority shareholders on 24 February 2014) and Croatian shareholders holding the other 30% of Oglasnik d.o.o. share capital with regard to the exercise of the put option rights by such shareholders have been amicably settled the pending dispute. TCM Adria d.o.o. was obliged to pay to Croatian shareholders a cash consideration in the amount of EUR 2,350,000 in four quarterly instalments. First payment was made in December 2015. All Remaining amount of payments Croatian shareholders equaling to EUR 1,762,500 were settled during 2016 and the last instalment was made on 1 September 2016. The Group has been discharged from all of the liabilities as the date of this report.

Croatian Financial Agency (FINA) *versus* TCM Adria d.o.o.

On 9 February 2016, Croatian FINA submitted to the Commercial Court in Zagreb, the request for opening of the bankruptcy proceedings of TCM Adria d.o.o. on the grounds of blocked bank account of TCM Adria d.o.o. for more than 120 days, and this request of FINA was received by the Commercial Court in Zagreb.

On 8 March 2016, The Commercial Court in Zagreb issued a resolution by which the Commercial Court in Zagreb "*dismissed the bankruptcy proceedings of TCM Adria d.o.o.",* since it was established that the bank account of the TCM Adria d.o.o. was no longer blocked. Therefore, this case was finally dismissed and closed in favor of TCM Adria d.o.o.

Croatian Ministry of Finance, Zagreb Tax Authorities *versus* TCM Adria d.o.o.

On 28 February 2016, Zagreb Tax Authorities initiated a tax inspection of TCM Adria d.o.o. The Zagreb Tax Office inspection relates to the full inspection of the corporate profit tax of TCM Adria d.o.o. for the fiscal year 2014. The controls conducted by the tax authorities were completed in June 2016 and the official notice of a probable penalty was delivered to TCM Adria d.o.o. in August 2016. Following negotiations with the Zagreb Tax Office, a penalty in the amount of 10.000-HRK (approx. 1.300-EUR) issued by the Tax Court on 15 February 2017, same dismissing the proceedings against former managers of to TCM Adria d.o.o. The amount was settled with 30% less early payment and TCM Adria d.o.o. has no liability as the date of this report.

ASPM Holding B.V. Liquidation

ASPM Holding B.V. liquidation has already been started and currently is still ongoing process at present.

However, due to complexity of such multi-national transaction it will be liquidated during the year 2017.

Incorporation, Transfer, Disposal, Dissolution & Liquidation in Russia & CIS

- Pronto-Vladivostok LLC was in liquidation process since 10 November 2015. Pronto-Vladivostok LLC was liquidated on 15 April 2016.
- Pronto-Kazan LLC is in liquidation process since 30 November 2015.
- Pronto-Soft LLC was in liquidation process since July 2015. Pronto-Soft LLC was liquidated in February 2016.
- PMH LLC (85%) sold 6% of IMM LLC’s share to David Tzor (15%) in February 2016.
- Pronto-Baikal LLC is in liquidation process since 24 September 2015.
- PMH LLC has quit from Impress Media Marketing in March 2016.
- Pronto-DV LLC, has been in liquidation process since 18 May 2015, was liquidated on 23 June 2016.
- Pronto-Novosibirsk LLC, which has been in liquidation process since 27 May 2015, was liquidated on 14 June 2016.
- Pronto-Oka LLC, which has been in liquidation process since 25 June 2012, was liquidated in 2016.
- Pronto-Smolensk LLC, which has been in liquidation process since 19 May 2015, was liquidated on 18 October 2016.
- Ust-Kamenogorsk was liquidated on 23 March 2017.

BUSINESS OVERVIEW & LEADING PUBLICATIONS

Our registered office is in Jersey and we maintain our principal administrative offices in the Netherlands. Our operating structure is designed to provide centralized control over financial management, acquisitions, strategic partnerships and Internet development.

We provide local managers with support for finance, sales, marketing, production and distribution while giving them the responsibility and the flexibility to react quickly and effectively to varying local market conditions. Within each of our major metropolitan and regional markets, we have operation managers, sales and marketing teams, a production group and distribution managers.

Market Conditions

In 2015, TME has undergone a significant restructuring: exited printing business as publisher and it has franchised out all of its Russian regional printing operations, set up a centralized call center in Tambov, re-allocated product development in-house, strengthened of product teams and implemented a holding-wide cost-cutting program and reduced headcount.

As a consequence of the restructuring measures offline revenues decreased significantly in 2016 *versus* 2015. They fell by 65.7% from US$ 9.9 million to US$ 3.4 million.

Sales and Marketing

We sell various media formats and value-added services (VAS) on our websites through our local direct sales force, centralised marketing team, customer service call centers and our regional franchisees' network that currently consists of 12 counterparties.

Our number of web-sites and various publications, such as *Iz Ruk v Ruki* in Russia, have a national reach, and in these cases we solicit national advertising, either directly or through advertising agencies.

Our local online media operations has a dedicated direct sales force focused on retaining existing advertisers and acquiring new ones, particularly local businesses such as car dealers, real estate brokers and other local retailers, through sales visits to customers. In addition, our sales forces in both our offices in Moscow and St. Petersburg and call centers in Tambov up-sell enhancements to advertisements and value-added services including our ‘‘Power Pages’’ solutions and inventory lot management.

Currency Fluctuations

We express our results in US Dollar and generate revenues in different currencies. The most significant currency is the Russian Rouble, in which we have generated 72.9% of our revenues in 2016. The second one is Belarusian Rouble which produces 16.1% of our revenues in 2016, and the third one is Kazakhstan Tenge in which we have generated 11.0%.

Set up below is a table of 2016 annual average rates of major local currencies against US$ compared to 2015:

	2016 Annual average rate	**2015 Annual average rate**	**Fluctuation %**
Russian Rouble (RUB)	0.0149	0.0164	(9.1%)
Kazakhstan Tenge (KZT)	0.0029	0.0045	(35.6%)
Belarusian Rouble (BYR)	0.00005	0.00006	(16.7%)

Inflation

Our costs are closely linked to domestic cost factors in the countries in which we operate.

In 2016, the inflation rate in the Russian Federation was 5.4%.

The table below presents changes in Russia's consumer price index from 2010 through 2016.

(Annual percent change)	2010	2011	2012	2013	2014	2015	2016
Consumer Price Index (December to December change in RUB)	8.8%	6.1%	6.6%	6.5%	11.4%	12.9%	5.4%

Revenues

Source of Revenues

We derive online revenues primarily from classified and display advertisements, including professional advertisements, consumer advertisements and banners. We also derive online revenue from subscription or one-off access fees to content and information we provide through our websites.

Our offline revenues from are twofold: 1) we collect royalty payments from our regional franchisees, which represent a fix percentage in a range between 3 and 5 percent of revenues that the franchisees generate from display advertisements, classified advertisements and circulation and 2) in CIS countries such as Belarus and Kazakhstan we derive revenues from selling advertising space in our publications and to a lesser extent, we derived revenues from paid circulation of some of our print publications and from additional services we provide. We generated revenues from offline activities (34.6% in 2016 and 46.3% in 2015) and Internet activity (65.4% in year 2016, and 53.7% of revenues in year 2015).

The channel of revenue varies in importance depending on the individual publication. Our primary channels of revenue are as follows:

	Relative importance of revenues by segments	
	Year ended 31 December 2016	**Year ended 31 December 2015**
	percentage of total revenues	
Online revenues	**65.38%**	**53.74%**
Russia	56.36%	46.73%
Belarus	6.94%	2.34%
Kazakhstan	2.08%	4.67%
Offline revenues	**34.62%**	**46.26%**
Russia	16.51%	25.23%
Kazakhstan	9.91%	8.88%
Belarus	9.20%	12.15%

Management believes that the Group is operating under two business segments as the scope of the business for the Group, nature of products, nature of production processes, methods used to distribute the products are different.

We recognise revenues from subscription and one-off access fees to content and information we provide through our websites over the period of usage, and other related services.

We recognise print revenues (classified and display) at the time the advertisement is published. We defer revenues related to advertisements appearing on multiple occasions and recognise them proportionally during the period when the advertisement is run. We recognise circulation revenues at the time a publication is sold to a customer. We recognise services revenues (mainly presented by royalty fees and advertising space on exhibitions) as earned at the date the service is rendered.

We recognise online revenues at the time the advertisement is run.

Consolidated Revenues

Revenues from continuing operations dropped to US$ 9.8 million in year 2016 from US$ 21.4 million in year 2015. In order to reflect the effect of acquisitions, disposals or mergers-liquidation on our financial statements, we measure revenues, Adjusted EBITDA and Operations EBITDA on the basis of total growth and organic growth. In calculating organic growth (in local currency), we include the revenue, Adjusted EBITDA or Operations EBITDA contribution from business only with respect to entities that have been consolidated in our financial statements for at least twelve months.

Revenues by sources are as follows:

	31 December 2016 US$ million	31 December 2015 US$ million	Change (%)
Online revenues	**6.4**	**11.5**	**(44.3%)**
Russia	5.5	10.0	(45.0%)
Belarus	0.7	0.5	40.0%
Kazakhstan	0.2	1.0	(80.0%)
Offline revenues	**3.4**	**9.9**	**(65.7%)**
Russia	1.6	5.4	(70.4%)
Kazakhstan	0.9	1.9	(52.6%)
Belarus	0.9	2.6	(65.4%)
Total revenues	**9.8**	**21.4**	**(54.2%)**

Offline revenues in 2016 decreased by 65.7%, to US$ 3.4 million from US$ 9.9 million in 2015.

Online revenues in 2016 decreased by 44.3%, to US$ 6.4 million from US$ 11.5 million in 2015.

Operating loss

The operating loss decreased by US$ 2.9 or 35.8% from US$ 8.1 million in 2015 to US$ 5.2 million in 2016.

ADJUSTED EBITDA

Adjusted EBITDA increased by US$ 2.1 million or 35.6% from US$ (5.9) million in 2015 to US$ (3.8) million in 2016. The margin fell to negative 38.8% in 2016, due to decrease in both offline margin to 17.5% in 2016 and online margin to negative 49.7% in 2016.

Group (US$ million)	31 December 2016	2015	Change (US$ million)	Change %	EBITDA Margin 2016 FY
Operations Online EBITDA	($2.9)	($4.1)	$1.2	(28.9%)	(29.6%)
Operations Offline EBITDA	($0.1)	($1.3)	$1.2	(92.6%)	(1.0%)
Corporate Costs	($0.8)	($0.5)	($0.3)	46.4%	(8.16%)
Adjusted EBITDA	**($3.8)**	**($5.9)**	**$2.1**	**(35.6%)**	**(38.8%)**

Operations Offline EBITDA increased by US$ 1.2 million, or 92.6 % in 2016 compared to 2015.

Operations Online EBITDA increased by US$ 1.2 million, or 28.9 % in 2016 compared to 2015.

Summary Information Regarding TME's Leading Publications as of 2016

Number of publications 2016-end	Number of editions in 2016	Major Publications	Segment	Primary market(s)	Year founded	Frequency	Revenue model	2016 circulation	Approximate number of classified advertisement in 2016
								(millions of copies sold)	(millions of advertisements)
1,326	976	Iz Ruk v Ruki Rabota	Generalist	Samara, Penza , Ulyanovsk, Belarus, Kazakhstan	1993	Daily/ Weekly	Free-Paid Ad/Paid Circulation	3.13	0.94
	250	Segodnya	Employment Belarus, Kazakhstan		2004	Weekly	Paid Ad/Paid Circulation	0.17	0.08
	24	Nedvizhimost	Real Estate	Belarus	2004	Bi-Monthly	Paid Ad/Paid Circulation	0.05	0.01
	10	Avto	Automotive	Belarus, Kazakhstan	2002	Weekly /Monthly	Paid Ad/Free Circulation	0.03	0.01
	41	Real Estate	Real Estate	Moscow	2003	Bi-Monthly	Paid Ad/Free Circulation	0.12	n/a
	25	Other Publications		Kazakhstan	2011	Bi-Monthly	Paid Ad/Free Circulation	n/a	0.01

This table comprises the information applicable to TME entities, which were active as at December 31 2016.

Summary Information Regarding TME's Leading Websites as of 2016

Domain	Segment	Primary market(s)	Year founded	Revenue model	Unique Monthly visitors	Average monthly page views	Numbers of ads/ vacancies and CVs (average per day)	Numbers of Internet partners/ active clients (average per month)
IRR.RU	Generalist	Russia	2000	Free-Paid Ad/Advertising model	6,360,742	72,825,210	7,643,686 ads	1,870 internet partners
JOB.RU	Employment	Russia	1998	Paid ads and Paid access to CV database	2,240,627	18,410,795	108,728 vacancies 5,987,394 CV	11,616 active clients
IRR.KZ	Generalist	Kazakhstan	2008	Free-Paid Ad/Advertising model	288,905	1,984,672	22,757ads	n/a
Gojob.kz	Employment	Kazakhstan		Paid ads and Paid access to CV	147,554	572,510	158,521 CV 4,826 vacancies	454 active clients
IRR.BY	Generalist	Belarus	2005	Free-Paid Ad/Advertising model	673,955	9,536,265	668,765 ads	601 internet partners
Myjob.by	Employment	Belarus	2007	Paid ads and Paid access to CV	107,172	382,077	151 849 CV 6329 vacancies	600 active clients
Domania.by	Realty	Belarus	2008	Free-Paid Ad/Advertising model	8,162	53,878	1,956 ads	2 clients
Automania.by	Auto	Belarus	2008	Free-Paid Ad/Advertising mode	11,658	42,782	538 ads	1 clients
Turne.by	Tourism	Belarus	2011	Paid Ad/Advertising model	1,302	2,199	20 ads	2 clients

TRADER MEDIA EAST LIMITED

Consolidated financial statements for the year ended 31 December 2016

and independent auditor's report

TRADER MEDIA EAST LIMITED

CONTENTS

Independent Auditor's Report

To the Members of Trader Media East Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Trader Media East Limited (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited:

The Group's consolidated financial statements, included within the annual report, comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Materiality

Overall group materiality: United States Dollars ("USD") 448 thousand, which represents 5% of the loss before tax and before one-off items (further explained below)

Audit scope

- We conducted our audit work on 8 Group entities in 4 countries.
- Because of the centralised structure of the Group, the audit was performed entirely in Russia.
- Our audit scope addressed 97% of the Group's revenues and 95% of Group's absolute value of underlying loss before tax.

Key Audit Matters

Impairment assessment of goodwill and intangible assets with indefinite useful lives

Going concern assessment

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	USD 448 thousand
How we determined it	Based on 5% of the Group's loss before tax and before one-off items for the year ended 31 December 2016
Rationale for the materiality benchmark applied	We have applied this benchmark based on our analysis of the information needs of the stakeholders and other users of the consolidated financial statements. In accordance with the restructuring of the Group in recent years and approved forecasts, the Group is expected to incur operating losses at least for another year. Impairment of goodwill amounting to USD 5.8 million was excluded from loss before tax calculation as it is a significant one-off item.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment of goodwill and intangible assets with indefinite useful lives *Refer to note 4.4 and note 15 in the consolidated financial statements for the related disclosures.* We focused on this area due to the size of the goodwill (USD 32.4 million at 31 December 2016) and intangible assets with indefinite useful lives (USD 25.1 million at 31 December 2016), together representing 91% of total assets, and because the assessment of the 'value in use' of the Group's Cash Generating Units ("CGU") involves a high level of management's judgement about future results of the business and the discount rate applied to the forecasted future cash flows. In the current economic environment and particularly in the sector the Group is operating in, we note high volatility of macroeconomic parameters used in the discounted cash flow ("DCF") models prepared by management, which makes forecasting more difficult and judgemental.	We examined the assumptions and forecasts made by management in the DCF model to assess the recoverability of the carrying amount of goodwill and intangible assets with indefinite useful lives. We focused on the appropriateness of CGU identification, methodology applied to estimate recoverable amounts, discount rates and forecast cash flows. Specifically: • We compared the methodology applied in the value in use calculation with the requirements of IAS 36, Impairment of Assets ("IAS 36") and checked the mathematical accuracy of the management's model. • We checked that the cash flow forecasts used in the valuation are consistent with the information used by the shareholders and have considered the historical accuracy of management's forecasts. • We challenged management on their cash flow forecasts and the growth rates for 2017 and beyond by considering evidence available to

Key audit matter	How our audit addressed the Key audit matter
Management used its best estimates based both on internal analysis and on publicly available market data, and involved external experts to prepare a valuation report based on a DCF model to calculate the enterprise value of the CGUs where goodwill and intangible assets with indefinite useful lives were allocated. We identified and assessed the following inputs which the valuation is most sensitive to: • revenue growth rates and EBITDA margins for the forecast period and in perpetuity; and • the discount rate used in the DCF model.	support these assumptions, their consistency with findings from other areas of our audit, and by performing sensitivity analyses. • We considered the qualifications and independence of the external expert to support the reliability of their report. • We used our valuation experts to assist us in assessing the discount rate and long-term growth rates applied within the model, including comparison to macroeconomic and industry forecasts, where appropriate. • We performed a further sensitivity analysis to assess additional impairment that would need to be recorded if reasonably possible changes in key assumptions occurred. • We considered the appropriateness of the related disclosures in Note 15 of the consolidated financial statements. Based on the results of our work, we found no material exceptions in relation to management's assessment of the recoverable amount of goodwill and intangible assets with indefinite useful lives and the respective impairment loss recorded in the current year. The carrying value of these assets is most sensitive to reasonably possible changes in key assumptions. Consequently, in accordance with IAS 36, management has provided additional disclosures in respect of these sensitivities in Note 15 to the consolidated financial statements. We confirmed that the disclosures within Note 15 were in accordance with the requirements of IAS 36.
Going concern assessment *Refer to note 4.1 in the consolidated financial statements for the related disclosures.* The Group incurred a net loss of USD 15.2 million during the year ended 31 December 2016 and at the reporting date, the Group's current liabilities exceed its current assets by USD 6.8 million. Furthermore, the Group	Our audit procedures included obtaining and examining management's business plan for the next five-year period, which is also used as a basis for the DCF model in the impairment assessment of goodwill and intangible assets with indefinite useful lives. We challenged management's assumptions used

Key audit matter	How our audit addressed the Key audit matter
incurred a negative operating cash flow of USD 6.6 million. The above factors necessitated further assessment of whether it is appropriate for the Group to continue preparing the consolidated financial statements on a going concern basis. We considered this to be a key audit matter because management's assessment involves significant assumptions and judgements which are based on their best estimates, analysis of the current market conditions and the Group's performance.	in the forecast period by considering available evidence to support these assumptions. We performed procedures to obtain audit evidence in relation to the share capital increase in August 2016. Furthermore, we obtained a copy of the letter of support from Hurriyet Gazetecilik ve Matbaacilik A.S. ("Hurriyet"), the Group's parent company, confirming that Hurriyet will continue to provide financial support to the Group to enable it to continue in operation and to meet its obligations as and when they fall due, for the foreseeable future. We have obtained the consolidated financial statements of Hurriyet for the year ended 31 December 2016 to consider whether the consolidated financial statements of Hurriyet showed sufficient resources to provide this support. No material exceptions were identified based on our procedures performed. We also compared the disclosures in Note 4.1 to the consolidated financial statements to the requirements of IFRS and found no material exceptions.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, the accounting processes and controls and the industry in which the Group operates.

The Group is headquartered in Jersey with two significant components located in Moscow, Russian Federation where management functions are also carried out. Therefore we identified the following significant components where we performed full scope audit procedures: LLC Pronto Media Holding and LLC ID Impress Media. In addition, we performed specified audit procedures over selected financial information of several non-significant components located in the Russian Federation, Belarus, Kazakhstan and Jersey. We also performed audit procedures over the consolidation of the Group's components and significant consolidation adjustments.

Other information

The directors are responsible for the other information. The other information comprises the annual report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), the requirements of the Companies (Jersey) Law 1991 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and not using the going concern basis of accounting where management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

Report on other legal and regulatory requirements

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Alexei Ivanov
For and on behalf of AO PricewaterhouseCoopers Audit
Chartered Accountant and Recognised Auditor
Moscow, Russian Federation

28 April 2017

The maintenance and integrity of the website of Trader Media East Limited is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

	Notes	For the years ended 31 December 2016	31 December 2015
Continuing operations			
Revenue	6	9.8	21.4
Cost of sales	7	(6.7)	(14.3)
Gross profit		**3.1**	**7.1**
Marketing, selling and distribution expenses	7	(2.6)	(5.4)
General administrative expenses	7	(5.2)	(9.3)
Other operating expenses, net	7	(0.5)	(0.5)
Operating loss		**(5.2)**	**(8.1)**
Financial expenses, net	8	(3.7)	(10.8)
Impairment loss on investments in associates	12	-	(0.8)
Impairment loss on goodwill	15	(5.8)	(1.2)
Gain on change in a liability to former non-controlling interest	21	-	4.6
Loss on disposal of subsidiaries	28	(0.2)	(0.1)
Gain on sale of property, plant and equipment		0.1	0.1
Loss before tax		**(14.8)**	**(16.3)**
Income tax expense	9	(0.4)	(0.3)
Net loss for the year		**(15.2)**	**(16.6)**
Attributable to:			
Equity holders of the Company		(15.2)	(16.4)
Non-controlling interests		-	(0.2)
		(15.2)	**(16.6)**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
- Exchange differences on translating foreign operations		11.0	(9.4)
Total comprehensive loss for the year		**(4.2)**	**(26.0)**
Attributable to:			
Equity holders of the Company		(4.2)	(26.1)
Non-controlling interests		-	0.1
		(4.2)	**(26.0)**
Loss per share			
Weighted average number of ordinary shares in issue (thousands)	27	200,000	60,000
Basic and diluted loss per share (US Dollar per share)	27	(0.08)	(0.27)
Basic and diluted loss per share (US Dollar per share) attributable to the owners of the Company	27	(0.08)	(0.27)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	10	0.3	0.8
Investment property	11	0.3	-
Goodwill	13	32.4	31.9
Other intangible assets	14	27.4	22.2
Deferred tax assets	9	0.1	0.2
Total non-current assets		**60.5**	**55.1**
Current assets			
Inventories	16	0.1	0.1
Trade receivables	17	0.5	0.7
Current income tax asset	9	0.1	0.1
Other current assets	24	0.8	0.8
Cash and cash equivalents	18	1.1	0.6
Total current assets		**2.6**	**2.3**
Total assets		**63.1**	**57.4**
EQUITY			
Share capital	19	76.8	9.6
Additional paid-in capital	19	21.0	696.8
Translation reserve		16.2	5.3
Accumulated losses		(65.1)	(746.7)
Total equity/ (deficit) attributable to equity holders of the Company		**48.9**	**(35.0)**
Non-controlling interests		0.1	(0.1)
Total equity/ (deficit)		**49.0**	**(35.1)**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	9	4.7	3.7
Total non-current liabilities		**4.7**	**3.7**
Current liabilities			
Borrowings	20	4.4	37.7
Liabilities relating to former non-controlling interests	21	-	1.9
Trade payables	22	1.9	0.9
Amounts due to shareholders	23	1.1	46.3
Current income tax liabilities	9	0.1	0.1
Other current liabilities	25	1.9	1.9
Total current liabilities		**9.4**	**88.8**
Total liabilities		**14.1**	**92.5**
Total liabilities and equity		**63.1**	**57.4**

The accompanying notes on pages 40-75 form an integral part of these consolidated financial statements.

TRADER MEDIA EAST LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

	Attributable to the equity holders of the Company					
	Share capital	Additional paid-in capital	Translation reserve	Accumulated losses	Non-controlling interests	Total equity/ (deficit)
Balance at 1 January 2015	**9.6**	**696.8**	**15.0**	**(730.3)**	**(0.1)**	**(9.0)**
Net loss for the year	-	-	-	(16.4)	(0.2)	(16.6)
Other comprehensive (loss)/income for the year	-	-	(9.7)	-	0.3	(9.4)
Total comprehensive (loss)/income for the year	**-**	**-**	**(9.7)**	**(16.4)**	**0.1**	**(26.0)**
Dividend payments to non-controlling interests	-	-	-	-	(0.2)	(0.2)
Disposal of subsidiaries	-	-	-	-	0.1	0.1
Balance at 31 December 2015	**9.6**	**696.8**	**5.3**	**(746.7)**	**(0.1)**	**(35.1)**
Capital reduction (Note 19)	-	(696.8)	-	696.8	-	-
Capital increase (Note 19)	67.2	21.0	-	-	-	88.2
Net loss for the year	-	-	-	(15.2)	-	(15.2)
Other comprehensive income for the year	-	-	10.9	-	0.1	11.0
Total comprehensive income/(loss) for the year	**-**	**-**	**10.9**	**(15.2)**	**0.1**	**(4.2)**
Disposal of subsidiaries	-	-	-	-	0.1	0.1
Balance at 31 December 2016	**76.8**	**21.0**	**16.2**	**(65.1)**	**0.1**	**49.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

	Notes	For the years ended 31 December 2016	31 December 2015
Net loss for the year		(15.2)	(16.6)
Adjustments:			
Depreciation and amortisation	10,14	0.8	1.6
Income tax expense recognised in profit and loss	9	0.4	0.3
Impairment loss on goodwill	15	5.8	1.2
Impairment loss on doubtful receivables	17	0.5	0.5
Gain on sale of property, plant and equipment		(0.1)	(0.1)
Financial expenses	8	2.2	3.8
Unrealised foreign exchange losses		-	7.0
Impairment loss on investments in associates	12	-	0.8
Gain on change in the liability to former non-controlling interest	21	-	(4.6)
Loss on disposal of subsidiaries	28	0.2	0.1
		(5.4)	**(6.0)**
Movements in working capital:			
Changes in trade receivables		0.2	1.1
Changes in inventories		-	0.1
Changes in other current assets		-	1.1
Changes in trade payables		1.0	(2.1)
Changes in liabilities relating to former non-controlling interests		(1.9)	(0.6)
Changes in other current liabilities		-	(1.3)
Cash used in operations		**(6.1)**	**(7.7)**
Interest paid		(0.5)	(2.1)
Income taxes paid		-	(0.5)
Net cash used in operating activities		**(6.6)**	**(10.3)**
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets	10,14	(1.3)	(0.5)
Proceeds from sales of property, plant and equipment and intangible assets		0.2	0.5
Proceeds from disposal of subsidiaries less cash disposed		-	(0.3)
Net cash used in investing activities		**(1.1)**	**(0.3)**
Cash flows from financing activities:			
Net proceeds from borrowings		4.4	37.2
Repayment of loans		(37.4)	(37.1)
Capital increase	19	0.9	-
Increase in loans from shareholders		40.1	8.7
Dividends paid to non-controlling interests		-	(0.2)
Net cash generated by financing activities		**8.0**	**8.6**
Net change in cash and cash equivalents		**0.3**	**(2.0)**
Cash and cash equivalents at the beginning of year	18	0.6	2.2
Effect of exchange rate changes on cash held in foreign currencies		0.2	0.4
Cash and cash equivalents at the end of year	**18**	**1.1**	**0.6**

Non-cash transactions are disclosed in Note 29.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

1 ORGANISATION AND NATURE OF OPERATIONS

Description of the business

Trader Media East Ltd. (the “Company” or “TME”) and its subsidiaries (together, the “Group”) are involved in classified advertising mainly for real estate, automotive and recruitment businesses through internet services, daily and weekly newspapers, periodicals and magazines in Russia and the Commonwealth of Independent States (“CIS”).

The address of the registered office of TME is 13 Castle Street, St. Helier, Jersey JE4 5UT, Channel Islands.

The Group had the following subsidiaries as at 31 December 2016 and 2015:

Subsidiaries	Country of incorporation	Geographic segment	% ownership 2016	% ownership 2015
Investment and holding entities				
Publishing House Pennsylvania Inc.	USA	Corporate	100%	100%
Mirabridge International B.V.	Holland	Corporate	100%	100%
Publishing International Holding BV	Holland	Corporate	100%	100%
OOO Rektcentr	Russia	Russia	100%	100%
ASPM Holding B.V.	Holland	Corporate	51%	51%
TCM Adria d.o.o.	Croatia	Corporate	100%	100%
Operating entities				
SP Belpronto	Belarus	Belarus	60%	60%
TOO Pronto Akmola	Kazakhstan	Kazakhstan	100%	100%
TOO Pronto Aktau	Kazakhstan	Kazakhstan	80%	80%
TOO Pronto Aktobe	Kazakhstan	Kazakhstan	64%	64%
TOO Pronto Atyrau	Kazakhstan	Kazakhstan	80%	80%
TOO Pronto Akzhol	Kazakhstan	Kazakhstan	80%	80%
LLC Pronto Media Holding	Russia	Russia	100%	100%
LLC Pronto Baikal[3]	Russia	Russia	100%	100%
LLC Pronto DV[1]	Russia	Russia	-	100%
LLC Pronto Kazan[3]	Russia	Russia	100%	100%
LLC Pronto Novosibirsk[1]	Russia	Russia	-	100%
LLC Pronto Oka[1]	Russia	Russia	-	100%
LLC Pronto Samara	Russia	Russia	100%	100%
LLC Pronto Smolensk[1]	Russia	Russia	-	100%
LLC Utro Peterburga	Russia	Russia	55%	55%
LLC Pronto Vladivostok[1]	Russia	Russia	-	90%
TOO Pronto Ust Kamenogorsk[4]	Kazakhstan	Kazakhstan	80%	80%
LLC Impress Media Marketing[2]	Russia	Russia	-	91%
LLC ID Impress Media	Russia	Russia	91%	91%
LLC Pronto Soft [1]	Belarus	Belarus	-	90%
LLC Rukom	Russia	Russia	100%	100%

1 As at 31 December 2015 these entities were in the process of liquidation. All assets and liabilities of these entities were written down to profit and loss and the effect of the write-off was recorded in the loss from disposal of subsidiaries in the consolidated statement of comprehensive income for 2015 (Note 28). These entities have been liquidated in 2016.

2 During 2016, management of the Group decided to legally exit from this entity. All assets and liabilities of this entity were written down to profit and loss and the effect of the write-off was recorded in the loss from disposal of subsidiaries in the consolidated statement of comprehensive income for 2016 (Note 28).

3 Since 2015 these entities have been in the process of liquidation. All assets and liabilities of these entities were written down to profit and loss and the effect of the write-off was recorded in the loss from disposal of subsidiaries in the consolidated statement of comprehensive income for 2015 (Note 28). As at 31 December 2016 these entities are still in the process of liquidation.

4 As at 31 December 2016 this entity is in the process of liquidation. All assets and liabilities of this entity were written down to profit and loss and the effect of the write-off was recorded in the loss from disposal of subsidiaries in the consolidated statement of comprehensive income for 2016 (Note 28).

1 ORGANISATION AND NATURE OF OPERATIONS (CONTINUED)

Formation of the Group

TME was incorporated in November 2005 in Jersey and then re-registered on 6 February 2006. TME is listed on the London Stock Exchange ("LSE") through Global Depository Receipt shares ("GDRs"). The controlling party of TME is Hurriyet Invest B.V. ("HIBV") which holds 97.29% of its shares as at 31 December 2016 (31 December 2015: 78.58%).

The parent company of HIBV is Hurriyet Gazetecilik ve Matbaacilik A.Ş. ("Hurriyet"), a company listed on the Borsa İstanbul A.Ş. ("BIAS") in Turkey. The majority shareholder of Hurriyet is Doğan Holding Şirketler Grubu A.Ş. ("Doğan Holding") which is listed on BIAS and controlled by Aydın Doğan, the Doğan Family and companies owned by the Doğan Family ("Ultimate Controlling Party").

Business and economic environment

The subsidiaries of TME representing its continuing operations operate in Russia and the CIS (the Republic of Belarus and Kazakhstan). Russia and the CIS have been experiencing political and economic change, which has affected and will continue to affect the activities of enterprises operating in this environment. Adverse changes arising from systemic risks in global finance and the economy could slow or disrupt the Russian economy, adversely affect the Group's access to capital and cost of capital and, more generally, its business, results of operations, financial condition and prospects. Consequently, operations in Russia and the CIS involve risks which do not typically exist in other markets.

Operating environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 26). During 2016 the Russian economy continued to be negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Republic of Belarus. The Republic of Belarus displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The financial markets continue to be volatile in particular in Europe and Russia, which is the main export market for Belarus, and other risks could have significant negative effects on the Belorussian financial and corporate sectors. The future economic development of the Republic of Belarus is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of its operations in the current business and economic environment. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Kazakhstan. Kazakhstan displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The financial markets continue to be volatile in particular in Europe and Russia, which is the main export market for Kazakhstan, and other risks could have significant negative effects on the financial and corporate sectors of Kazakhstan. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Management is taking necessary measures to ensure sustainability of operations of the Group's subsidiaries in Kazakhstan. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new and revised standards and interpretations have been adopted by the Group in the current year and have affected the amounts reported and disclosures in the consolidated financial statements.

2.1. Adoption of New or Revised Standards and Interpretations

The following amended standards became effective for the Group from 1 January 2016, but did not have any material impact on the Group:

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).*
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants – Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued on 18 December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued on 18 December 2014 and effective for annual periods on or after 1 January 2016).

2.2. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).* The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).* The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group will present this disclosure in its 2017 consolidated financial statements.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).*
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).*
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).*
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).*
- Amendments to IFRS 4, Insurance Contracts (issued on 12 September 2016 and effective for annual periods beginning on or after 1 January 2018).*

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28)*
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).*
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).*

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

** Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.*

3 SIGNIFICANT ACCOUNTING POLICIES

3.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and interpretations issued by the IFRS Interpretations Committee ("IFRIC") applicable to companies reporting under IFRS.

The accounting policies set out in Note 3 have been consistently applied to all reporting periods.

3.2. Basis of preparation

3.2.1. General

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates, and also requires management to exercise judgment in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in Note 4.

Management prepared these consolidated financial statements on a going concern basis. Refer to Note 4 for uncertainties relating to events and conditions that may cast a significant doubt upon the Group's ability to continue as a going concern.

3.2.2. Restatement of prior period information

Certain prior period comparative information in the consolidated financial statements has been reclassified or restated to comply with current year presentation to maintain transparency and comparability, in particular:

- Bad debt provision expense for 2015 in the amount of USD 0.5 has been reclassified from marketing expenses to other operating expenses in the consolidated statement of comprehensive income for 2015;
- Accrual for unused vacations as at 31 December 2015 in the amount of USD 0.3 has been reclassified from trade payables to other current liabilities in the consolidated statement of financial position as at 31 December 2015. Changes in trade payables and changes in other current liabilities in the consolidated statement of cash flows have been changed for the same amount;
- Variable part of the salaries of in-house sales managers in the amount of USD 2.1 for 2015 was re-classified from commissions to personnel costs within disclosure of expenses by nature (Note 7);
- Loss from withdrawal from subsidiaries for 2015 in the amount of USD 0.2 has been reclassified from other (expense)/income to loss on disposal of subsidiaries; and

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Gain from sales of property, plant and equipment for 2015 in the amount of USD 0.3 has been reclassified from other (expense)/income to gain from sales of property, plant and equipment. Other (expense)/income line within consolidated statement of comprehensive income was removed as amounts for both 2016 and 2015 (after reclassification adjustments) are nil.

To comply with current year presentation, certain changes were applied to the following disclosures to the consolidated financial statements: Capital risk management (Note 5.1), Liquidity risk (Note 5.2.3), Foreign currency risk (Note 5.2.4), and Segment information (Note 6).

3.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and its subsidiaries. Control is achieved when the Group:

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group’s equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

3.3.1. Changes in the Group’s ownership interests in existing subsidiaries

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

When the Group loses control over 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 IFRSs). 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 IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3.2. Company Only Financial Statements

Under Article 105(11) of the Companies (Jersey) Law 1991 the directors of a holding company need not prepare separate financial statements (i.e. Company only financial statements) if consolidated accounts for the Company are prepared, unless required to do so by the members of the Company by ordinary resolution. The members of the Company had not passed a resolution requiring separate financial statements and, in the Directors' opinion, the Company meets the definition of a holding company. As permitted by law, the Directors have elected not to prepare separate financial statements.

3.4. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated statement of comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The non-controlling shareholders' share in the net assets and results for the period of subsidiaries are separately classified in the consolidated statement of financial position and statements of comprehensive income as non-controlling interest.

3.5. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination, and represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, 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 based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the resulting gain or loss on disposal in the consolidated statement of comprehensive income.

The Group's policy for goodwill arising on the acquisition of an associate is described in Note 3.6 below.

3.6. Investments in associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights.

The results and assets and liabilities of associates 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 IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate are included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to the consolidated statement of comprehensive income on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.7. Assets held for sale and discontinued operations

In accordance with guidance contained in IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Discontinued operations represent parts of the Group which either are classified as held-for-sale or have been disposed of, and whose activities and cash flows represent a geographical segment or major line of business and can be treated as separable from the Group's activities and cash flows.

3.8. Segment reporting

Management has determined the Group's reportable operating segments based on the reports reviewed and used to make strategic decisions by the Executive Committee, which is the Group's chief operating decision-maker. The Executive Committee monitors the business from a geographic perspective as the risks and returns in geographical areas reflecting the primary source of risks and returns. The Group's reportable operating segments have been disclosed in Note 6.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Related party transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 *Related Party Disclosures*. In considering related party relationships, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions with related parties for the years ended 31 December 2016 and 2015 and outstanding amounts as at those dates are disclosed in Note 23.

3.10. Revenue recognition

The Group's primary source of revenues is online revenue. Online revenue is primarily earned through the sale of advertising space on the Group's websites, derived principally from classified ads and display ads, including professional ads, consumer ads and banners. The related revenues are recognised at the time when the advertisement is published online, with an appropriate portion deferred where the advertisement has been scheduled to run over multiple periods.

Other types of online revenue include (1) subscription or one-off access fees to content and information provided through the Group's websites which are recognised over the period of usage and (2) revenues generated from paid line usage for connecting buyers and sellers or other related services, which are recognised upon provision of the service.

Offline revenue consists mainly of print revenue, licensing fees (royalties) and circulation revenue. Print revenue is earned from the sale of advertising space in the Group's publications. Private and professional classified advertisements and display advertisements are published on a daily, weekly and monthly basis. The related revenues are recognised at the time the advertisement is published. Revenues related to advertisements appearing on multiple occasions are deferred and recognised as the relevant advertisements are run.

Licensing fees represent a percentage of advertising and circulation revenues collected by the franchisees and are recognised in the period when earned.

Circulation revenues, whereby publications are sold via third party vendor, are recognised at the time when the publications are sold to the third party vendor. Circulation revenues are earned mainly through kiosks, newsstands and other points of sales, with such vendors having one month to return any unsold publications. Revenue recognised initially is offset by an estimate of expected returns, based on the historical track record of such returns.

Sometimes, the Group engages in barter transactions whereby the Group exchanges the advertising space on its websites, print media and exhibitions for advertising space in other print media, websites, forums and events and other mediums. The Group considers that these advertising services are dissimilar and therefore recognises revenues and expenses from such barter transactions at fair value which is determined based on the value of similar non-barter transactions. The amounts of revenue and expense recognised for advertising barter transactions are disclosed in Note 29.

3.11. Employee benefits

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the unified social tax.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. Foreign currencies

The functional currency of the Company is the USD. The Group uses the USD as its presentational currency as management considers this to be the most meaningful currency for the users of the consolidated financial statements given the number of different local currencies in use across the Group. All Group entities use their local currency as their functional currency. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in the consolidated statement of comprehensive income in the period in which they arise. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'financial expenses, net'.

Exchange rates are taken from the official daily closing rate per the Central Bank of Russian Federation, National Bank of the Republic of Belarus and National Bank of Kazakhstan. Russian Rouble ("RUB"), Belorussian Rouble ("BYR") and Kazakhstan Tenge ("KZT") are not readily convertible outside of their countries. Accordingly, the translation of amounts recorded in these currencies into the USD should not be construed as a representation that such currency amounts have been, could be or will in the future be converted into the USD at the exchange rate shown or at any other exchange rate.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the USD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Components of equity are translated at the historic rates.

As a result of the significant volatility in the exchange rates of RUB, BYR and KZT to the USD during 2015, the income and expense items of Russian, Belarussian and Kazakhstan subsidiaries were translated at the average quarterly rates. Exchange differences arising, if any, are recognised in other comprehensive loss and accumulated in equity. Income and expense items for 2016 of Russian, Belarussian and Kazakhstan subsidiaries were translated at average annual exchange rates.

The exchange rates at which the assets, liabilities and operations of the Group were translated into the presentation currency are presented below:

Reporting date spot rates	**31 December 2016**	**31 December 2015**
RUB/USD	60.66	72.88
BYR/USD	1.9585	1.8569
KZT/USD	333.95	339.47
EURO/USD	0.95	0.92

Average rates	**2016**	**2015**	**Q1 2015**	**Q2 2015**	**Q3 2015**	**Q4 2015**
RUB/USD	67.03	61.29	62.19	52.65	62.98	66.05
BYR/USD	1.9882	1.5,926	1.4683	1.4682	1.6389	1.7813
KZT/USD	342.05	221.98	184.58	185.86	216.92	300.44
EURO/USD	0.90	0.90	-	-	-	-

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of comprehensive income. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

3.14. Leasing

Assets acquired under finance lease agreements are capitalised at the inception of the lease at fair value of the leased asset or at present value of the minimum lease payments, whichever is the lower, less accumulated depreciation. Minimum lease payments are treated as comprising capital and interest elements.

Lease payments are apportioned between the finance charges and capital redemption so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.15. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and provision for impairment, where required. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. Assets lives and residual values are reviewed annually at each balance date. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Buildings	10-50 years
Printing presses and related equipment	3-15 years
Furniture and fixtures	3-10 years
Leasehold improvements	2-20 years

Assets held under finance leases and leasehold improvements are depreciated over the shorter of the term of the related lease or the useful life of the asset. Gains or losses on the sale of property, plant and equipment are recognised in the period of disposal of the asset within non-operating income/ (expenses), net. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated statement of comprehensive income to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

3.16 Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Earned rental income is recorded in the consolidated statement of comprehensive income for the year within other operating income/(expenses), net.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. The depreciation period for the investment properties, which approximates to the economic useful lives, is 40 years.

If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment.

3.17. Intangible assets

3.17.1. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

The useful lives of the Group's intangible assets acquired separetely, substantially all of which resulted from business combinations except for computer software, have been assessed as follows:

Trade names	20 years
Software	3-5 years
Other intangible assets	2-5 years
Customer lists	3 years

Certain trade names have indefinite useful lives as it is not practical to determine their useful lives.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17.2. Internally-generated intangible assets – research and development expenditure

The Group's internally-generated intangible assets relate to website development costs. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the consolidated statement of comprehensive income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation based on their useful lives of 2-5 years, and accumulated impairment losses, if any, on the same basis as intangible assets that are acquired separately.

3.17.3. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, if any, on the same basis as intangible assets that are acquired separately.

3.17.4. Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

3.18. Impairment of intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

3.19. Inventories

Inventories are recorded at the lower of cost and net realisable value. Inventories are mainly composed of paper raw materials and finished goods. The cost of finished goods comprises raw material, direct labour, other direct costs and related production overheads. The cost of inventories is determined on the weighted average basis.

3.20. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of certain resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

3.21. Cash and cash equivalents

Cash and cash equivalents are defined as cash available in bank accounts or in hand and highly liquid investments, including bank deposits, with a maturity term of less than three months. Cash and cash equivalents are carried at amortised cost using the effective interest method.

3.22. Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

3.23. Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.23.1. Trade receivables

Trade receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

3.23.2. Impairment of financial assets carried at amortised cost

Impairment losses are recognised in the consolidated statement of comprehensive income when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation; or
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23.3. Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

3.24. Financial liabilities

3.24.1. Borrowings and other payables

Borrowings and other payables, including trade payables, are initially recognised at fair value and subsequently are measured at amortised cost using the effective interest method.

3.24.2. Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of comprehensive income.

3.25. Dividends

Dividends on ordinary shares are recognised in equity in the period in which the dividends are approved by the Group’s shareholders. Dividend income is recognised when the right to receive payment is established.

3.26. Income taxes

Income taxes have been computed in accordance with the laws of the country of incorporation of the respective companies of the Group.

Deferred tax assets and liabilities are recognised for the expected future tax consequences of existing differences between the financial and tax reporting bases of assets and liabilities, as well as loss carry forwards, using enacted tax rates expected to be in effect at the time these differences are realised.

The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the consolidated statement of operations and comprehensive income in the period in which the change is substantively enacted. Deferred tax assets are written-down at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realised. In making such determination, the Group considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations.

Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited in other comprehensive income or equity, in which case the deferred tax is also recorded within other comprehensive income or equity.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset to the extent there is a legally enforceable right to set off current tax assets against current tax liabilities, and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27. Earnings per share

Earnings per share are determined by dividing the net loss attributable to the equity holders of the Company by the weighted average number of participating shares outstanding during the reporting year.

3.28. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group’s accounting policies, which are described in Note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. Going concern

The consolidated financial statements have been prepared on the going concern basis, which means they were prepared on the assumption that the Group will have a continuity of operations, realisation of assets, and settlement of liabilities and commitments in the normal course of business.

The Group has realised a trading loss of USD 15.2 for the year ended 31 December 2016 as well as negative operating and net cash flows, and as at the year-end had a working capital deficit of USD 6.8 (31 December 2015: USD 86.5) and equity of USD 49.0 (31 December 2015: equity deficit of USD 35.1).

In order to decrease the Group’s short-term debt to the third parties TME management performed the refinancing of the debt outstanding at LLC Pronto Media Holding (“LLC PMH”) to Credit Europe Bank N.V. (“CEB”) in the amount of USD 35.2 and to CJSC Deniz Bank in the amount of USD 2.5 as at 14 January 2016. TME received additional loan from its parent company HIBV in the amount of USD 37.7 on the same date, and transferred these funds to its direct Dutch subsidiary Mirabridge International B.V. (“MIBV”), the shareholder of LLC PMH, for the repayment of the external debts.

In August 2016 the Group announced an offering to the holders of the Group's GDRs of the right to subscribe for new ordinary shares in the capital of the Group and an offering to the holders of ordinary shares on the register of members of the Group the right to subscribe for new shares. The Group used the gross proceeds in the amount of USD 88.2 to repay in full its shareholder loan from HIBV, for meeting the working capital needs and for general corporate purposes.

In order to improve profitability and working capital situation management envisages further cost reductions, including personnel cost and general administrative expenses, and considers additional external financing options. The Group finances its operations though bank borrowings guaranteed by Hurriyet and other financial support from Hurriyet and Dogan Holding as and when required.

Management recognises that access to external funds is critical to support the ongoing operations and meet their forecasts. The parent of the Group, Hurriyet, has confirmed its ongoing support to the Group via a letter of support for the foreseeable future.

Based on the measures described above and the commitment of Hurriyet to support the Group, management has a reasonable expectation that the Group has adequate resources to continue its activity for the foreseeable future.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

4.2 Identification of reportable operating segments

Note 6 discloses the Group's reportable operating segments. The identification of reportable operating segments in accordance with the provisions of IFRS 8 *Operating Segments* requires judgement. In making their judgement, management considered the independence of Group entities in terms of cash inflows and outflows and the aggregation level at which results are reviewed by the Group's chief operating decision maker.

4.3 Useful lives of intangible assets

The management estimates the useful lives of certain trade names as indefinite. Had these intangible assets' useful lives been considered finite, with a useful life of 20 years, the Group's amortisation charge and loss before tax for the year ended 31 December 2016 would have increased by USD 1.3 (2015: by USD 1.1), with net assets decreasing by the same amount.

4.4 Impairment testing of goodwill and intangible assets with indefinite useful lives

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangible assets with indefinite useful lives have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill and intangible assets with indefinite useful lives as at 31 December 2016 was USD 32.4 and USD 25.1, respectively (31 December 2015: USD 31.9 and USD 20.9, respectively). Details of the goodwill and intangible assets with indefinite useful lives impairment testing performed by the Group are set out in Note 15.

4.5. Deferred tax asset recoverability

Determining whether recognised deferred tax assets, specifically those arising on losses carried forward, are recoverable, requires an estimation of the future cash flows and taxable profits expected to arise from the subsidiary in which the associated deferred tax asset has been recognised. Where the actual future cash flows and taxable profits are less than expected, a material write-off of deferred tax assets may arise. As at 31 December 2016 the management of the Group did not recognise a deferred tax asset of USD 1.9 on tax losses carried forward for 2016 (31 December 2015: USD 2.3). As there was an operating loss for the year ended 31 December 2016, management considers that it remains appropriate to continue the more conservative approach and have not recognised deferred tax assets relating to tax losses carried forward.

4.6. Initial recognition of related party transactions

In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 23.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

5 CAPITAL AND FINANCIAL RISK MANAGEMENT

5.1. Capital risk management

The Group's objectives when managing capital are to safeguard the ability of the Group and its subsidiaries to continue as a going concern while maximising the return to shareholders. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group.

The Directors monitor the capital structure of the Group on the basis of the gearing ratio, calculated as net debt divided by total capital (defined as total equity plus net debt).The gearing ratio at the end of each reporting period was as follows:

	31 December 2016	31 December 2015
Total bank borrowings (Note 20)	4.4	37.7
Total amounts due to shareholders (Note 23)	1.1	46.3
Less: Cash and cash equivalents (Note 18)	(1.1)	(0.6)
Net debt	4.4	83.4
Total equity	49.0	(35.1)
Total capital	**53.4**	**48.3**
Gearing ratio	**8.2%**	**172.7%**

The change in the gearing ratio from 2015 to 2016 as depicted above has resulted primarily from repayment of existing bank debts and converting parts of the Group's debts to equity during 2016. Further information about capital contribution is presented in Note 19.

5.2. Financial risk management

The Group is exposed to variety of financial risks. These risks include interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial risk management is carried out by management under policies approved by the Board of Directors.

5.2.1. Interest rate risk

The Group funds its working capital requirements through short-term credit facilities and additional financing received from the parent company, and places surplus cash, if any, on short-term floating rate interest bearing deposits. Management actively manages the Group's short-term deposits to ensure the most favourable interest rates are obtained.

The Group has some floating rate borrowings as disclosed in Note 20, therefore is exposed to the effects of the fluctuations in the prevailing level of market interest rates on its financial position and cash flows. However, management does not consider the Group to be materially exposed to the fluctuations in the interest rates.

5.2.2. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group uses a combination of information supplied by independent rating agencies, other publicly available financial information, and its own trading records to rate the creditworthiness of its major customers.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have significant credit risk exposure to any single counterparty.

Further information about trade receivables is presented in Note 17.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

5 CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2.3. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The ability to meet the contractual repayments of financial liabilities is managed by monitoring working capital levels and maintaining the availability of adequate committed funding lines from high quality lenders. Further information regarding the Group's cash flows and liquidity projections is described in Note 4.

The following tables detail the Group's remaining contractual maturity for financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

At 31 December 2016	**Up to 3 months**	**3 to 6 months**	**6 to 12 months**	**Total**
Borrowings	0.7	1.0	3.0	4.7
Trade payables	1.9	-	-	1.9
Amounts due to shareholders	-	-	1.1	1.1
	2.6	**1.0**	**4.1**	**7.7**

At 31 December 2015	**Up to 3 months**	**3 to 6 months**	**6 to 12 months**	**Total**
Borrowings	37.7	-	-	37.7
Trade payables	0.9	-	-	0.9
Amounts due to shareholders	46.3		-	46.3
	84.9	**-**	**-**	**84.9**

5.2.4. Foreign currency risk

The Group's subsidiaries undertake transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. In respect of foreign currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored regularly. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
USD	0.1	0.1	(0.1)	(80.7)
Euro	-	0.1	-	(2.8)

The following table details the Group's sensitivity to a 20% increase and decrease in the USD and Euro against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to the Executive Committee and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates a decrease in loss or increase in equity where the USD or Euro weakens 20% against the relevant currency. For a 20% strengthening of the USD or Euro against the relevant currency, there would be a comparable impact on the loss or equity, and the balances below would be negative.

USD impact	**2016**	**2015**
Loss before tax	-	16.1

Euro impact	**2016**	**2015**
Loss before tax	-	0.5

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

6 SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the geographical location in which the Group's revenues are derived, with revenues being further analysed as derived from offline or online sources. All revenues reported are external.

Segment performance is primarily analysed by the chief operating decision maker at the Adjusted EBITDA level. Adjusted EBITDA is defined by the Group as net profit/(loss) before financial income, financial expense, income tax, depreciation and amortisation, provision for doubtful receivables and other receivables, impairment charges, gain on sale of property, plant and equipment and certain other non-recurring gains and losses.

As at 31 December 2016 and 2015 the Group has three reportable segments under IFRS 8 *Operating Segments.*

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment as at and for the year ended 31 December 2016:

	Russia	Belarus	Kazakhstan	Sub-total	Corporate and unallocated	Total
Online revenues	5.5	0.7	0.2	6.4	-	6.4
Offline revenues	1.6	0.9	0.9	3.4	-	3.4
Total revenues	**7.1**	**1.6**	**1.1**	**9.8**	**-**	**9.8**
Adjusted EBITDA	**(2.9)**	**-**	**-**	**(2.9)**	**(0.9)**	**(3.8)**
Intangible assets	27.4	-	-	27.4	-	27.4
Goodwill	32.3	-	0.1	32.4	-	32.4
Other assets	1.8	0.3	0.2	2.3	1.0	3.3
Total assets	**61.5**	**0.3**	**0.3**	**62.1**	**1.0**	**63.1**
Total liabilities	**12.3**	**0.2**	**0.1**	**12.6**	**1.5**	**14.1**

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment as at and for the year ended 31 December 2015:

	Russia	Belarus	Kazakhstan	Sub-total	Corporate and unallocated	Total
Online revenues	10.0	1.0	0.5	11.5	-	11.5
Offline revenues	5.4	1.9	2.6	9.9	-	9.9
Total revenues	**15.4**	**2.9**	**3.1**	**21.4**	**-**	**21.4**
Adjusted EBITDA	**(6.4)**	**0.5**	**0.5**	**(5.4)**	**(0.5)**	**(5.9)**
Intangible assets	22.2	-	-	22.2	-	22.2
Goodwill	31.8	-	0.1	31.9	-	31.9
Other assets	2.3	0.4	0.3	3.0	0.3	3.3
Total assets	**56.3**	**0.4**	**0.4**	**57.1**	**0.3**	**57.4**
Total liabilities	**52.5**	**0.2**	**0.1**	**52.8**	**39.7**	**92.5**

Royalty fee received by the Group included in offline revenues equals to USD 0.1 (2015: USD 0.2).

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

6 SEGMENT INFORMATION (CONTINUED)

A reconciliation of adjusted EBITDA to loss before tax for each reporting period is as follows.

	2016	2015
Adjusted EBITDA for reportable segments	(2.9)	(5.4)
Corporate and unallocated adjusted EBITDA	(0.9)	(0.5)
Depreciation and amortisation	(0.8)	(1.6)
Provision for doubtful receivables	(0.5)	(0.5)
Financial expenses, net	(3.7)	(10.8)
Change in a liability to former non-controlling interest	-	4.6
Impairment loss on goodwill	(5.8)	(1.2)
Impairment loss on investments in associates	-	(0.8)
Loss on disposal of subsidiaries	(0.2)	(0.1)
Loss before income tax	**(14.8)**	**(16.3)**

Reportable segments' assets are reconciled to total assets in each reporting period as follows.

	31 December 2016	31 December 2015
Segment assets for reportable segments	62.1	57.1
Corporate and unallocated:		
Cash and cash equivalents	0.7	0.2
Prepayments and other assets	0.3	0.1
Total assets	**63.1**	**57.4**

The Group does not have any single customer, which represents 10% or more of the total revenues.

Reportable segments' liabilities are reconciled to total liabilities in each reporting period as follows.

	31 December 2016	31 December 2015
Segment liabilities for reportable segments	12.6	52.8
Corporate and unallocated:		
Amounts due to shareholders	1.1	37.4
Liabilities to former non-controlling interests	-	1.9
Other payables	0.4	0.4
Total liabilities	**14.1**	**92.5**

7 EXPENSES

Expenses, by nature, for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
Personnel costs	6.9	14.4
Advertising	2.3	4.6
Depreciation and amortisation charges (Notes 10, 11 and 14)	0.8	1.6
Consultancy	0.8	0.6
Rent	0.7	1.7
Raw materials:		
- Printing and ink	*0.5*	*2.1*
- Paper	*0.1*	*0.2*
Provision for doubtful receivables	0.5	0.5
Commissions	0.4	0.7
Electricity, water and office expenses	0.4	0.7
Transportation, storage and travel	0.4	0.4
Communication	0.1	0.3
Other	1.1	1.7
Total expenses	**15.0**	**29.5**

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

8 FINANCIAL EXPENSES, NET

Financial expense for the years ended 31 December 2016 and 2015 is as follows:

	2016	**2015**
Interest expense on borrowings	2.2	3.8
Foreign exchange loss, net	1.5	7.0
	3.7	**10.8**

9 INCOME TAXES

9.1. Income tax recognised in the consolidated statement of comprehensive income

	2016	**2015**
Current tax expense	-	0.3
Deferred tax expense	0.4	-
Total income tax expense	**0.4**	**0.3**

The Group primarily pays corporate income tax in the Russian Federation, the Republic of Belarus and Kazakhstan, where the rates of corporate income tax throughout 2016 and 2015 were 20%, 18% and 20%, respectively. The Russian Federation is considered by management to be the main jurisdiction in which income tax is paid. The income tax expense for the year can be reconciled to the accounting loss as follows:

	2016	**2015**
Loss before tax	**(14.8)**	**(16.3)**
Income tax benefit calculated at statutory rate of Russian Federation of 20% (2015: 20%)	(3.0)	(3.3)
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	0.2
Tax effect of expenses not deductible for tax purposes		
Impairment of goodwill	1.2	0.2
Other non-deductible expenses	0.1	0.5
Unrecognised deferred tax assets on tax loss for the year	1.9	2.3
Withholding tax relating to dividend distribution	-	0.1
Other	0.2	0.3
Income tax expense	**0.4**	**0.3**

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

9 INCOME TAXES (CONTINUED)

9.2. Deferred tax balances

Differences between IFRS and statutory taxation regulations in the respective countries where the Group's entities operate give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The movements in deferred tax balances during the reporting periods were as follows:

2016	**Opening balance**	**Recognised in profit or loss**	**Currency translation differences**	**Closing balance**
Deferred tax (liabilities)/ assets relating to:				
Property, plant & equipment and intangible assets	(4.3)	0.1	(0.9)	(5.1)
Doubtful debts	0.2	-	0.1	0.3
Other	0.4	(0.5)	0.2	0.1
	(3.7)	**(0.4)**	**(0.6)**	**(4.7)**
Tax losses	0.2	-	(0.1)	0.1
	(3.5)	**(0.4)**	**(0.7)**	**(4.6)**

2015	**Opening balance**	**Recognised in profit or loss**	**Currency translation differences**	**Closing balance**
Deferred tax (liabilities)/ assets relating to:				
Property, plant & equipment and intangible assets	(5.7)	0.2	1.2	(4.3)
Doubtful debts	0.1	0.1	-	0.2
Other	1.9	(0.4)	(1.1)	0.4
	(3.7)	**(0.1)**	**0.1**	**(3.7)**
Tax losses	0.1	0.1	-	0.2
	(3.6)	**-**	**0.1**	**(3.5)**

Deferred tax assets and liabilities are presented net within the individual subsidiaries of the Group where the legal right of offset exists. The following is the analysis of deferred tax assets/ (liabilities) presented in the consolidated statement of financial position:

	31 December 2016	**31 December 2015**
Deferred tax assets	0.1	0.2
Deferred tax liabilities	(4.7)	(3.7)
	(4.6)	**(3.5)**

The Group has unrecognised potential deferred tax assets in respect of unused tax loss carry forwards of USD 72.2 (31 December 2015: USD 64.9). The losses were incurred by LLC PMH. Based on the change in the tax code in the Russian Federation during 2016, the previous limitation on carry forward tax losses for a 10-year period has been abolished and any losses incurred since 2007 can now be carried forward until fully utilised.

Since LLC PMH incurred a tax loss for the year ended 31 December 2016 and further losses are expected for the next several years, management has not recognised deferred tax assets relating to the tax losses carried forward.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment and related accumulated depreciation for the reporting periods were as follows.

	Buildings	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost					
Balance at 1 January 2015	**0.8**	**4.8**	**0.1**	**-**	**5.7**
Additions	-	-	-	0.2	0.2
Disposals	(0.1)	(0.6)	(0.1)	-	(0.8)
Transfers	-	0.1	0.1	(0.2)	-
Disposal of subsidiaries	-	(0.7)	-	-	(0.7)
Currency translation impact	(0.1)	(1.0)	-	-	(1.1)
Balance at 31 December 2015	**0.6**	**2.6**	**0.1**	**-**	**3.3**
Additions	-	0.1	-	-	0.1
Disposals	(0.1)	(0.6)	(0.1)	-	(0.8)
Transfers to investment property	(0.4)	-	-	-	(0.4)
Disposal of subsidiaries	-	(0.1)	-	-	(0.1)
Currency translation impact	0.1	0.3	-	-	0.4
Balance at 31 December 2016	**0.2**	**2.3**	**-**	**-**	**2.5**
Accumulated depreciation					
Balance at 1 January 2015	**0.3**	**3.6**	**-**	**-**	**3.9**
Charge	0.1	0.4	-	-	0.5
Disposals	-	(0.6)	-	-	(0.6)
Disposal of subsidiaries	-	(0.6)	-	-	(0.6)
Currency translation impact	(0.1)	(0.6)	-	-	(0.7)
Balance at 31 December 2015	**0.3**	**2.2**	**-**	-	**2.5**
Charge	-	0.2	-	-	0.2
Disposals	-	(0.6)	-	-	(0.6)
Transfers to investment property	(0.1)	-	-	-	(0.1)
Disposal of subsidiaries	-	(0.1)	-	-	(0.1)
Currency translation impact	-	0.3	-	-	0.3
Balance at 31 December 2016	**0.2**	**2.0**	**-**	**-**	**2.2**
Net carrying value					
As at 31 December 2015	**0.3**	**0.4**	**0.1**	**-**	**0.8**
As at 31 December 2016	**-**	**0.3**	**-**	**-**	**0.3**

Depreciation charge amounting to USD 0.2 for the year ended 31 December 2016 has been included in general administrative expenses (year ended 31 December 2015: USD 0.5).

11 INVESTMENT PROPERTY

The Group has started to use the office building in Samara to earn rental income in 2016. Therefore the carrying amount of the office building is transferred to investment property as presented below:

	Buildings	Total
Cost		
Balance at 1 January 2016	**-**	**-**
Transfers	0.4	0.4
Balance at 31 December 2016	**0.4**	**0.4**
Accumulated depreciation		
Balance at 1 January 2016	**-**	**-**
Transfers	0.1	0.1
Balance at 31 December 2016	**0.1**	**0.1**
Net carrying value		
As at 31 December 2016	**0.3**	**0.3**

The fair value of the investment property as at 31 December 2016 was assessed as USD 0.6 by an independent valuation specialist engaged by management.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

12 INVESTMENTS IN ASSOCIATES

Details of each of the Group's associates at the end of the reporting period are as follows:

	Shareholding %	Country of incorporation	Nature of business
SP Pronto Kiev	50%	Ukraine	Newspaper and internet Publishing
TOV E-Prostir	50%	Ukraine	Internet publishing

The above associates are accounted for using the equity method in these consolidated financial statements.

Since 2014, Ukraine has experienced political and economic instability. The Ukrainian Hryvnia has devalued against major foreign currencies. The National Bank of Ukraine passed a decree №540 on 29 August 2014 prohibiting Ukrainian companies to pay dividends to foreign investors. In 2015, the National Bank of Ukraine extended its range of measures that were introduced in 2014 and aimed at limiting the outflow of foreign currency from the country, inter alia, a mandatory sale of foreign currency earnings, certain restrictions on purchases of foreign currencies on the interbank market and on usage of foreign currencies for settlement purposes, limitations on remittances abroad. As at 31 December 2015 the management of the Group concluded that due to legal restrictions to obtain dividends from Ukrainian entities and the continuing political tension between Russia and Ukraine, the investments in associates should be fully impaired. The respective impairment in the amount of USD 0.8 was recognized in the consolidated statement of comprehensive income for the year ended 31 December 2015. There were no changes in management`s estimation during 2016.

13 GOODWILL

The movements in goodwill during the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
Balance as at 1 January	**31.9**	**42.7**
Disposal of subsidiaries	-	(0.1)
Goodwill impairment (Note 15)	(5.8)	(1.2)
Currency translation impact	6.3	(9.5)
Balance as at 31 December	**32.4**	**31.9**

Further information on the Group's annual impairment testing for goodwill can be found in Note 15.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

14 OTHER INTANGIBLE ASSETS

The movement of other intangible assets and related accumulated amortisation for the reporting periods is as follows.

	Trade names	Customer lists	Software	Other intangibles	Total
Cost					
Balance at 1 January 2015	**31.2**	**1.2**	**15.9**	**5.0**	**53.3**
Additions	-	-	0.3	-	0.3
Disposals	-	(0.9)	(1.3)	(0.9)	(3.1)
Disposal of subsidiaries	-	-	(0.2)	-	(0.2)
Currency translation impact	(7.1)	(0.3)	(0.8)	(1.6)	(9.8)
Balance at 31 December 2015	**24.1**	**-**	**13.9**	**2.5**	**40.5**
Additions	-	-	0.1	1.1	1.2
Disposals	-	-	-	(0.4)	(0.4)
Transfers	-	-	0.2	(0.2)	-
Disposal of subsidiaries	-	-	(0.1)	(0.1)	(0.2)
Currency translation impact	4.8	-	0.4	0.6	5.8
Balance at 31 December 2016	**28.9**	**-**	**14.5**	**3.5**	**46.9**
Accumulated amortisation					
Balance at 1 January 2015	**3.1**	**1.2**	**15.6**	**3.0**	**22.9**
Charge	0.1	-	0.3	0.7	1.1
Disposals	-	(0.9)	(1.1)	(0.5)	(2.5)
Disposal of subsidiaries	-	-	(0.2)	-	(0.2)
Currency translation impact	(0.7)	(0.3)	(0.8)	(1.2)	(3.0)
Balance at 31 December 2015	**2.5**	**-**	**13.8**	**2.0**	**18.3**
Charge	0.1	-	0.2	0.3	0.6
Disposals	-	-	-	(0.4)	(0.4)
Disposal of subsidiaries	-	-	(0.1)	(0.1)	(0.2)
Currency translation impact	0.5	-	0.3	0.4	1.2
Balance at 31 December 2016	**3.1**	**-**	**14.2**	**2.2**	**19.5**
Net carrying value					
As at 31 December 2015	**21.6**	**-**	**0.1**	**0.5**	**22.2**
As at 31 December 2016	**25.8**	**-**	**0.3**	**1.3**	**27.4**

The carrying value of intangible assets with indefinite useful lives (i.e. trade names) included above, was USD 25.1 at 31 December 2016 (31 December 2015: USD 20.9). Further information on the Group's annual impairment testing for intangible assets with indefinite useful lives can be found in Note 15.

The amortisation charge of USD 0.6 for the year ended 31 December 2016 has been included in general administrative expenses (2015: USD 1.1).

The additions to other intangibles amounting to USD 1.1 in 2016 are mainly related to the website development costs capitalised in accordance with the Group's accounting policy. The useful life of these intangible assets is set as 3 years.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

15 IMPAIRMENT TESTING OF GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

As at 31 December 2016 and 2015, goodwill and other intangible assets with indefinite useful lives were allocated for impairment testing purposes to the following cash-generating units:

- Russia
- Kazakhstan.

The carrying amounts of goodwill and other intangible assets with indefinite useful lives attributable to continuing operations were allocated to the cash-generating units as follows:

	Goodwill		Other intangibles	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Russia	32.3	31.8	25.1	20.9
Kazakhstan	0.1	0.1	-	-
	32.4	**31.9**	**25.1**	**20.9**

The recoverable amounts of the Russia and Kazakhstan cash-generating units are determined based on value in use calculations which use cash flow projections based on the forecasts approved by the directors covering a five-year period with a WACC discount rate of 18.0% per annum for Russia and 18.9% per annum for Kazakhstan (2015: 18.4% per annum for both Russia and Kazakhstan).

For impairment testing as at 31 December 2016 cash flow projections during the projected period 2017-2021 are based on an expected EBITDA margin of -59.9% improving to 53.1% for Russia and -6.8% improving to 9.3% for Kazakhstan (2015: -16.3% to 50.9% for Russia, 9.5% to 17.0% for Kazakhstan).

The cash flows beyond that five-year period have been extrapolated using steady 4.7% and 5.4% per annum growth rates for Russia and Kazakhstan, respectively (2015: 3.7% for both Russia and Kazakhstan) and an EBITDA margin of 47.1% for Russia and 8.2% for Kazakhstan (2015: 41.2% for Russia and 9.3% for Kazakhstan), which management considers to be reasonable and achievable long-term average growth rates for the online advertising markets in Russia and Kazakhstan.

As a result of the cash flow projections based on the above assumptions, an impairment loss of USD 5.8 was recorded in the consolidated financial statements as at 31 December 2016 (31 December 2015: USD 1.2).

In performing the annual impairment testing, management considered certain scenarios which would have an adverse impact on the recoverable amounts of the cash-generating units and which, in management's view, are reasonably possible. The impact of each of these sensitivities has been assessed as follows (with all other assumptions held constant):

	31 December 2016	31 December 2015
An increase in the WACC to 19% (31 December 2015: 19.4%)	6.2	5.0
An increase in the WACC to 20%	11.6	n/a
Not meeting revenue forecast by 20% in each year (31 December 2015: 20%)	14.9	5.7
Terminal growth rate decrease to 3.7% (31 December 2015: 2.7%)	3.9	3.2

16 INVENTORIES

	31 December 2016	31 December 2015
Raw materials	0.1	0.1
	0.1	**0.1**

The cost of inventories recognised as an expense during the year and included in cost of sales amounted to USD 0.6 (2015: USD 2.3).

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

17 TRADE RECEIVABLES

The details of trade receivables as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Trade receivables	2.0	1.6
Less: allowance for doubtful debts	(1.5)	(0.9)
Net trade receivables	**0.5**	**0.7**

The fair values of trade receivables approximate their carrying values.

As at 31 December 2016 trade receivables that are neither past due nor impaired amounted to USD 0.4 (31 December 2015: USD 0.5).

As at 31 December 2016, trade receivables of USD 0.1 (31 December 2015: USD 0.2) included in the above amounts were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aged analysis of these trade receivables is as follows:

	31 December 2016	31 December 2015
Up to 3 months past due	0.1	0.2
	0.1	**0.2**

As at 31 December 2016, trade receivables of USD 1.5 (31 December 2015: USD 0.9) were impaired. The individually impaired receivables relate to the customers experiencing economic difficulties. The aged analysis of these receivables is as follows:

	31 December 2016	31 December 2015
Up to 3 months	-	0.1
3 to 6 months	0.2	0.6
Over 6 months	1.3	0.2
	1.5	**0.9**

The movement in the allowance for doubtful debts is as follows:

	2016	2015
Balance as at 1 January	**0.9**	**1.9**
Impairment losses recognised on receivables	0.5	0.5
Amounts written off during the year as uncollectable	(0.1)	(0.2)
Amounts relating to impaired receivables disposed of with a subsidiary	-	(0.6)
Foreign exchange translation difference	0.2	(0.7)
Balance as at 31 December	**1.5**	**0.9**

Trade receivables and related allowances are written off when there is no expectation of recovery. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable detailed above.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Cash at bank and in hand	1.0	0.6
Short-term time deposits	0.1	-
	1.1	**0.6**

Short-term time deposits are comprised of USD denominated deposits with a 0.54% p.a. interest rate and a maturity of less than 3 months.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS (CONTINUED)

The credit quality of bank balances payable on demand may be summarised based on Fitch ratings as follows:

	31 December 2016	31 December 2015
Neither past due nor impaired		
BB-	0.7	0.2
BBB-	0.2	0.2
B-	0.1	0.1
BB+	0.1	0.1
	1.1	**0.6**

19 SHARE CAPITAL

The Company's shareholding structure is as follows:

	31 December 2016			31 December 2015		
	Share capital	Number of shares	Share, %	Share capital	Number of shares	Share, %
HIBV	74.7	466,979,413	97.29	7.5	47,139,097	78.57
HIBV GDR	-	-	-	-	4,113	0.01
Other	0.1	671,574	0.14	0.1	351,009	0.58
Other GDR	2.0	12,349,013	2.57	2.0	12,505,781	20.84
Share capital	**76.8**	**480,000,000**	**100.00**	**9.6**	**60,000,000**	**100.00**

On 19 July 2016, the Directors of the Group authorised the Capital Reduction by means of a special resolution under Article 61(1A) of the Companies (Jersey) Law 1991, that the share premium account maintained in respect of the ordinary shares in the Group (referred to in the Group's consolidated financial statements as "Additional paid-in capital") be cancelled by transferring the sum of USD 696.8 standing to the credit of the said share premium account to the credit of the accumulated losses with the opening balance of USD 746.7.

In August 2016 the Group announced an offering to the holders of the Group's GDR of the right to subscribe for new ordinary shares in the capital of the Group and an offering to the holders of ordinary shares on the register of members of the Group of the right to subscribe for new shares at the rate of 21 US cents per share. The total number of shares issued was 420 million with the nominal value of 16 US cents per share, increasing the share capital by USD 67.2 and additional paid-in capital by USD 21.0. The debt to HIBV amounting to USD 87.3 was transferred to the equity. Remaining amount, 0.9, was received as cash and was used for meeting the working capital needs and for general corporate purposes.

In 2015 no capital transactions were performed by the Group.

20 BORROWINGS

	Currency	Annual interest rate (actual rate as at 31 December 2016)	Maturity	31 December 2016	31 December 2015
Deniz Bank CJSC	RUB	12.63% (Mosprime + 2.0%)	5 May 2017	1.2	-
Deniz Bank CJSC	RUB	13.38% (Mosprime + 2.75%)	16 November 2017	2.1	-
Deniz Bank CJSC	RUB	13.41% (Mosprime + 2.95%)	22 December 2017	1.1	-
Deniz Bank CJSC	RUB	20.00%	23 June-11 August 2016	-	1.0
Deniz Bank CJSC	RUB	14.96% (Mosprime + 3.25%)	22 January-9 March 2016	-	1.5
CEB	USD	3.75%	21 April 2016	-	35.2
				4.4	**37.7**

As at the reporting date the Group was in compliance with the covenants for the credit facilities of Deniz Bank CJSC.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

20 BORROWINGS (CONTINUED)

On 20 April 2015, the Group has received a loan of USD 35.0 from HIBV bearing annual interest of 4.29% and maturing on 20 April 2016 in order to repay the loan to CEB. The USD 35.0 loan to CEB was repaid in full on 20 April 2015. On 22 April 2015, the management of the Group negotiated a new loan from CEB in the amount of USD 35.0 and an interest rate of 3.75%.

In January 2016, the Group repaid its external debts to CEB in the amount of USD 35.2 and to CJSC Deniz Bank in the amount of USD 2.5 using the additional loan of USD 37.7 obtained from HIBV.

During 2016, the Group opened new credit lines for the total amount of RUB 300 million (equivalent of USD 4.9) in CJSC Deniz Bank and obtained tranches totalling RUB 265 million (equivalent of USD 4.4) with maturity of less than one year.

As at 31 December 2016 the Group's loans to CJSC Deniz Bank are fully secured by the guarantee of HIBV. As at 31 December 2015, Dogan Holding had a blocked bank deposit of USD 35.0 with CEB as a guarantee against the Group's borrowings.

As at 31 December 2016 the Group has committed but not accessed borrowing facilities in the amount of USD 0.5 (31 December 2015: USD 1.5).

The carrying value of borrowings is considered to approximate their fair value due to their short-term nature.

21 LIABILITIES RELATING TO FORMER NON-CONTROLLING INTERESTS

During 2013 – 2015, the Group was a defendant in an arbitration process in the Zagreb Arbitration Court against a non-controlling shareholder of its former Croatian subsidiary, disposed of in 2014, related to validity of a certain put option. As at 31 December 2014, the Group reflected USD 7.7 as a liability related to the court case.

In November 2015, a settlement agreement was concluded whereby the Group's liability to the claimants comprised EUR 2.35 million (equivalent to USD 2.5 as at the date of the agreement). The final settlement was recognised in the consolidated statement of comprehensive income as the gain on change in liability to former non-controlling interests of USD 4.6 and a foreign exchange gain of USD 0.6.

In December 2015, the first payment of USD 0.6 was made and the remaining liability of USD 1.9 was settled in full during the year ended 31 December 2016.

22 TRADE PAYABLES

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

	31 December 2016	**31 December 2015**
Trade payables	1.9	0.9
	1.9	**0.9**

The average maturity of trade payables is 3 months. The Group has financial policies in place to ensure all payables are settled within the contractual credit terms.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

23 RELATED PARTY BALANCES AND TRANSACTIONS

Details of transactions between the Group and other related parties are disclosed below.

Related parties may enter into transactions in which unrelated parties would not enter. Transactions between related parties may be on different terms, conditions and amounts than transactions between unrelated parties.

Management has assessed the Group's related parties as being Doğan Holding, Hurriyet, and the Group's shareholders, key management personnel and Board members, along with their families and any entities under their control.

Interest expense for the year:

	2016	2015
HIBV	2.0	1.6
	2.0	**1.6**

Purchase of services for the year:

	2016	2015
Hurriyet	0.3	-
Affiance Management B.V.	-	0.1
	0.3	**0.1**

The following debt balances were outstanding at the end of the reporting period:

	31 December 2016	31 December 2015
HIBV	1.1	46.3
Hurriyet	0.3	-
	1.4	**46.3**

Debt payable to HIBV as at 31 December 2015 was presented by the loans of USD 35.0 obtained in December 2014, and of USD 8.9 obtained in March and August 2015, both with an annual interest rate of 4.29%.

On 14 January 2016, the Group received an additional loan of USD 37.7 from HIBV with an annual interest rate of 4.29%. As disclosed in Note 4.1, the Group used the net proceeds from share capital increase to repay its debt.

In January 2016, the Group's subsidiary LLC ID Impress Media obtained a loan from HIBV in the amount of USD 0.1.

As at 31 December 2016 the Group's loans to CJSC Deniz Bank are fully secured by the guarantee of HIBV. As at 31 December 2015, Dogan Holding had a blocked bank deposit of USD 35.0 with CEB as a guarantee against the Group's borrowings (Note 20).

The following balances were in trade receivables at the end of the reporting period:

	31 December 2016	31 December 2015
HIBV	0.2	0.1
	0.2	**0.1**

The remuneration of directors and other key management personnel during the year was as follows:

	2016	2015
Short-term benefits (salaries)	0.3	0.4
	0.3	**0.4**

There were no other benefits or payments made to directors or other key management personnel during the reporting periods.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

24 OTHER CURRENT ASSETS

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

	31 December 2016	31 December 2015
Prepaid rent and other expenses	0.3	0.2
Value Added Tax ("VAT") receivable	0.2	0.1
Other current assets	0.3	0.6
Less: allowance for other doubtful debts	-	(0.1)
	0.8	**0.8**

25 OTHER CURRENT LIABILITIES

Other current liabilities as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Advances received	1.2	1.0
Accrual for unused vacations	0.2	0.3
Social security and other taxes payable	0.2	0.3
VAT payable	0.2	0.2
Amounts due to employees	0.1	-
Other liabilities	-	0.1
	1.9	**1.9**

26 COMMITMENTS AND CONTINGENCIES

26.1. Operating lease arrangements

Minimum non-cancellable operating lease payments under existing operating leases for office space, automobiles and office equipment as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Within one year	0.2	0.2
	0.2	**0.2**

Operating lease expenses during the year ended 31 December 2016 amounted to USD 0.7 (year ended 31 December 2015: USD 1.7).

26.2. Litigation

From time to time, the Group is involved in certain litigations arising in the normal course of business. The most significant of them, in addition to the one described in Note 21, are as follows:

In 2015, a legal claim for a total amount of approximately USD 0.4 was raised against one of the Group's subsidiaries and other third parties. The resolutions of the first and second instance courts, which took place prior to 31 December 2015, were in favour of the defendants. However, in June 2016 the cassation court ruled that previous court resolutions should be cancelled and this case should be considered again in the first instance court. The resolutions of the first instance courts, which took place in February 2017, were again in favour of the defendants. Management estimates the probability of negative outcome of this legal case for the Group as possible, thus, did not record any provision in these consolidated financial statements.

A former subsidiary of the Group was involved in a litigation with its landlord and as a result the Group booked a provision amounting to USD 0.1 as at 31 December 2015. The Group withdrew from that subsidiary during 2016 and the provision for this legal claim was reversed based on the Group's assessment that the probability that the landlord would raise the claim against the Group is low.

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

26 COMMITMENTS AND CONTINGENCIES (CONTINUED)

26.3. Tax and regulatory environment

Major part of the Group's operations are performed in the Russian Federation. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years (5 years for Belarus and Kazakhstan) preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) but has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Tax liabilities arising from transactions between companies within the Group are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of the Russian Federation. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in the Russian Federation. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Management will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements if these are challenged by the authorities.

27 LOSS PER SHARE

Basic and diluted loss per share

The losses attributable to the equity holders of the Company and the weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	31 December 2016	31 December 2015
Loss per share		
Weighted average number of ordinary shares in issue (thousands)	200,000	60,000
Basic and diluted loss per share (USD per share)	(0.08)	(0.27)

(Amounts expressed in millions of US Dollars ("USD") unless otherwise indicated)

28 DISPOSAL OF SUBSIDIARIES

In February 2016, the Group sold a 6% share in its subsidiary LLC Impress Media Marketing to its non-controlling interest shareholder for a nominal amount, decreasing the Group's share to 85%. In March 2016, the Group transferred its shares in LLC Impress Media Marketing to the minority shareholder. A new entity, LLC ID Impress Media, was established in December 2015, to which the net assets of LLC Impress Media Marketing were transferred in March 2016.

The Group sold its 85% share of LLC Tambukan on 7 May 2015 to its minority shareholder. In addition, the Group's 90% share of LLC Pronto Nizhny Novgorod was sold on 27 May 2015 to its minority shareholder.

The Group withdrew from LLC Pronto Kaliningrad, LLC Pronto Krasnodar, LLC Delta-M, LLC Tambov-Info, LLC Pronto Ulan-Ude and LLC Pronto Ivanovo in December 2015.

All assets and liabilities of these entities were written down to profit and loss and the effect of the write off was recorded as a loss from disposal of subsidiaries for the year ended 31 December 2015

	2016	**2015**
Consideration received	-	0.1
Net (assets)/ liabilities disposed of	(0.2)	(0.2)
Loss on disposal of subsidiaries	**(0.2)**	**(0.1)**

29 NON-CASH TRANSACTIONS

During the year ended 31 December 2015, the Group entered into the following non-cash barter transactions which are not reflected in the statement of cash flows:

	2016	**2015**
Revenue recognised for barter transactions	-	0.4

As explained in Note 19, in September 2016 the Group offset the loan from HIBV in the amount of USD 87.3 against net proceeds from the capital increase in August 2016.

30 EVENTS AFTER THE REPORTING PERIOD

The Group has opened new credit lines totalling to RUB 360 million (approximately USD 6.2) and RUB 60 million (approximately USD 1.0) respectively in Yapi Kredi Bank Moscow. The Group used tranches amounting to RUB 176.2 million (approximately USD 3.1) with an annual interest rate of 12% per annum and with a maturity of 540 days.

TOO Pronto Ust-Kamenogorsk was liquidated on 23 March 2017.

The Group has started liquidation process of OOO Rektcentr.

31 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorised for issuance on 28 April 2017.