# TRADER MEDIA EAST LIMITED

## Annual Report &
## Consolidated Financial Statements
## for the year ended 31 December 2017

## TABLE OF CONTENTS

## 2017 FINANCIAL HIGHLIGHTS

As of 2017 year end, Pronto Media Holding ("PMH") has taken the decision to cease its digital operations, based on the considerations regarding market competitiveness of PMH in which it operates and its performance being under the intended level. The Group's management believe that this will lead to improvements in our cash flow and increase our operational effectiveness in our core business in Russia and other countries. Due to this decision, total net loss from those operations are classified as "Discontinued Operations" in the profit/loss statement as of 31 December 2017 and 2016.

*Financial Highlights from continuing operations*

| ***IN US$ THOUSAND*** | **2017** | **2016** |
|---|---|---|
| **REVENUES** | **2,748** | **3,249** |
| **OPERATIONAL EBITDA** | **(47)** | **(95)** |
| **OPERATIONAL EBITDA MARGIN (%)** | **(1.7%)** | **(2.9%)** |
| **ADJUSTED EBITDA** | **(67)** | **(132)** |
| **ADJUSTED EBITDA MARGIN (%)** | **(2.43%)** | **(4.06%)** |
| **NET LOSS FROM CONTINUING OPERATIONS** | **(1,130)** | **(4,394)** |

### Consolidated Revenues from continuing operations

The revenues were lower compared to 2016 due to main reasons like Group's business restructuring that involved franchising out printing operations in the Russian Federation, ceasing digital operations, 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 and the Republic of Belarus.

Total consolidated revenues from continuing operations were US$ 2,748 thousand (2016: US$ 3,249 thousand), down by 15.4% 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. Online consolidated revenues from continuing operations were US$ 750 thousand (2016: US$ 863 thousand), down by 13.1% and offline revenues from continuing operations were US$ 1,998 thousand (2016: US$ 2,386 thousand), down by 16.3%.

### Adjusted EBITDA and Operations EBITDA from continuing operations

The "Adjusted EBITDA" can be defined as net loss 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. "Adjusted EBITDA margin" is the ratio of Adjusted EBITDA to Revenues. As of 31 December 2017, the Adjusted EBITDA from continuing operations was US$ (67) thousand (2016: US$ (132) thousand), increased by 49.2%. Adjusted EBITDA Margin is (2.43%) as of 2017 and (4.06%) as of 2016.

Share of online revenues amounted to 27.3% of total revenues from continuing operations in 2017. It has increased compared to the share of online revenues of 26.6% in 2016.

"The Operational EBITDA" (or operating profit before certain expenses) is the Adjusted EBITDA before management service expenses or corporate costs, and "Operational EBITDA margin" as the ratio of Operational EBITDA to revenues. As of 31 December 2017, operational EBITDA is US$ (47) thousand (2016: US$ (95) thousand).

### Discontinued operations

During 2017, the Group has taken the decision to cease its digital operations, based on the considerations regarding market competitiveness of PMH in which it operates and its performance being under the intended level. In addition to this, during 2017 it was decided to close the business in Kazakhstan. Due to this reason, net profit/loss from these entities was recognized as “Discontinued Operations” in the profit and loss statements for the years ended 31 December 2017 and 2016.

*Financial Highlights from discontinued operations*

| IN US$ THOUSAND | 2017 | 2016 |
|---|---|---|
| REVENUES | 4,390 | 6,520 |
| OPERATIONAL EBITDA | (4,183) | (2,823) |
| OPERATIONAL EBITDA MARGIN (%) | (95.3%) | (43.3%) |
| NET LOSS FROM DISCONTINUED OPERATIONS | (64,545) | (10,922) |

### Goodwill impairment

In 2015, the Group had 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. However, during 2017, the Group has taken the decision to cease its digital operations, based on the considerations regarding market competitiveness of PMH in which it operates.

Due to this, the Group recorded an impairment loss for goodwill from discontinued operations of US$ 33,712 thousand (2016: US$ 4,954 thousand from discontinued and US$ 824 thousand from continuing operations).

## 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 we formed a new management team, composed of experienced and dynamic top management.

Our main competitive advantages in 2017 have been our well-established relations with professional clients in the real estate segment, such as our partner Homsterz.kz and our well-known brand, *Iz Ruk v Ruki,* in Russia and CIS.

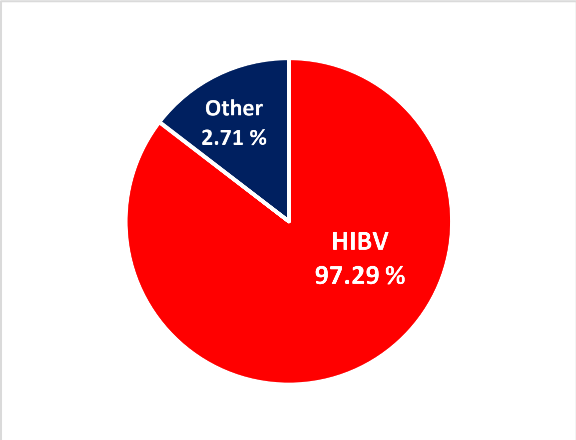
In 2018 IRR.ru we have a clear business plan how to run the IRR.ru and how to get it profitable. Our main competitive advantage – the rating, reconstruction of the web site structure, advertising campaign, refocusing on the other segment of the market – goods and services.

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

## CORPORATE SHAREHOLDING STRUCTURE & PROFILE

At 31 December 2017, Hürriyet Invest B.V. ("HIBV")[1] directly owns 97.29% shares of Trader Media East Limited.

| | Number of shares | Share Ownership (%) |
|---|---|---|
| Hürriyet 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** |




.

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

## CHAIRWOMAN'S STATEMENT

### 2018 Overview & 2017 Financial Results

During the first two quarters of 2017, we have continued our pure digital operations under our brands "JOB.ru" and "IRR.ru" offering our clients an optimized usage experience in all segments. In the meantime, our restructuring process in CIS and the Russian Federation kept going and we have closed down our printing business in Kazakhstan.

In the last two quarters of 2017, we started negotiations with strategic partners and potential investors for our digital brands and as of November 2017 our main operating subsidiary PMH had ceased its digital operations in Russian Federation, which was followed by the termination of PMH's branch in Tambov. By way of this, the re-organizational process within TME-PMH Group was complete.

Negotiations with possible partners were carried forward, resulting in the sale of JOB.ru's digital assets to the company HeadHunter on 27 December 2017 and the closing took place successfully on 25 January 2018 with a smooth transition of our users who are offered to join HeadHunter. We still continue negotiations for the remaining digital assets within our Group and we are committed to minimizing and covering our costs.

### Dividend

TME Board of Directors is not recommending a distribution.

**Vuslat Sabancı**
**Chairwoman**

**27 April 2018**

## MESSAGE FROM THE CEO OF PMH

In 2017, we continued the re-organization plan to reduce our costs and our headcount from 546 to 163 which was mostly achieved through cessation of our digital activities in November 2017, as well as by means of the successful acquisition of our brand JOB.ru by the company HeadHunter. It is our goal to finalize ongoing negotiations with potential investors for our remaining assets in order to create cash inflow and minimize losses.

On behalf of Top Management, I would like to thank the Shareholders and Board of Directors of the Group for their belief and support in our initiatives throughout the year 2017.

Anna Ushakova

Chief Executive Officer of PMH, CEO

**27 April 2018**

## BOARD OF DIRECTORS & ADVISORS

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

[2] Mrs. Vuslat Sabancı has been the "Chairwoman" since 17 August 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] Ms. Elif Ekin Çayhan was appointed as "General Secretary& Counsel" on 13 May 2016.
[6] TME's business address was changed on 1 September 2016.

## DIRECTORS’ BIOGRAPHIES

### Vuslat Sabancı

***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 Member of Board, before that she held the positions of Chairwoman of Board, 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).

### Turhan Cemal Beriker

***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.

### Özlem Mertoğlu – Munanoğlu

***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 and 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.

**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 14 and 15 to 18, 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 derived its revenues from online business. As a result of this, a more flexible body was restructured.

### 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. 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 2018. 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.

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 13.

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 2017, 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 fulfil 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 three directors: Mrs. Vuslat Sabancı as Chairwoman & Senior Director, Mr. Turhan Cemal Beriker as Vice-Chairman & Senior Director and Mrs. Özlem Mertoğlu-Munanoğlu as Senior Director;. The biographies are set out on pages 7 and 8, and illustrate the Directors' breadth of experience.

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, and 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)[7]
- Mrs. Vuslat Sabancı (Vice-President)[8]
- Mrs. Özlem Mertoğlu-Munanoğlu (Member)[9]
- Mr. Kemal Sertkaya (Member)[10]

In 2017, personnel from internal audit department of Doğan Holding have be assigned for PMH in order to support and follow up internal audit works and to provide the continuous internal control mechanism.

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

**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 once 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.

The Report on Remuneration set out on page 14 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)[11]
- Mrs. Vuslat Sabancı (Vice-President)[12]
- Mrs. Özlem Mertoğlu-Munanoğlu (Member)[13]

**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.

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

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 management accounts are prepared on a monthly basis, 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.

- *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 2017** | **1** | **1** | **1** | **1** |
| Mrs. Vuslat Sabancı | 1 | 1 | 1 | 1 |
| Mr. Turhan Cemal Beriker | 1 | 1 | 1 | 1 |
| Mrs. Özlem Mertoğlu-Munanoğlu | 1 | 1 | 1 | 1 |
| Mr. Kamil Nurettin Özörnek[14] | 1 | - | - | - |
| Mr. Kemal Sertkaya | - | 1 | - | - |

[14] Former CEO of Trader Media East Ltd, resigned from duty on 14 July 2017.

**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 and Corporate Secretary 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.

**Directors' Remuneration**

Directors' annual remunerations are set out as follows:

| | **EUR 2017** | **EUR 2017** |
|---|---|---|
| | **Basic Remuneration** | **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. 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 2017.

### Incorporation

The Company was incorporated in Jersey, Channel Islands in November 2005 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 7 and 8 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, goods and services, with strong local brands, serving local markets in the Russian Federation and Belarus. The Group transferred its activities to the web site IRR.ru, with more than 2 million monthly visitors who left the advertisements. The Group is one of the largest companies in the region operating with websites, primarily in the real estate, automotive and goods and services categories.

**Results and Dividends**

The profit and loss account of the Group for the year ended 31 December 2017 is set out in the audited consolidated financial statements. No dividends were paid during the year 2017.

**Directors**

The composition of the Board of Directors as at 31 December 2017 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.

**Directors' Interests**

No options were granted to or exercised by any director of TME in the period between 31 December 2017 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 bank borrowings. Moreover, the parent company management is able to provide financial support to Trader Media East Limited and its subsidiaries. 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' report, Russia's economy grew by 1.5% in 2017 while it was dipped by 0.2% in 2016. The Russian economy shrank by 0.2% in 2016 and 2.8% in 2015, in a recession caused by the fall in energy prices and the impact of US and EU sanctions triggered by Russia's annexation of Crimea. Published data suggests that Russia's agriculture and mining industries grew last year, the data showed, helped by reciprocal sanctions imposed by Moscow that ban many food imports from the EU. A rise in oil prices to around $70 a barrel has also helped fuel Russia's recovery from recession.

Kazakhstan's gross domestic product grew 4% in 2017. The outcome was determined by the following factors: two-thirds of the growth was provided by non-extractive industries, almost all sub-industries showed growth, manufacturing reached a five-year maximum, the "desired" industries showed a significant increase (e.g., pharmaceuticals) and non-primary exports and deeply processed goods also grew.

In Belarus, the economy returned to growth in 2017, expanding at a six-year high, following two years of recession. In 2017, GDP in Belarus increase by 2.4% (2016: decreased by 2.6%), according to the National Statistical Committee (Belstat).

***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, Hürriyet 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 revenues from continuing operations (62%) and operating loss arise in the Russian Federation. As a result, the Group's reported results in 2017 have been negatively affected by the weakening of the Russian Rouble (RUB) against the US Dollar (US$) versus 2016.

***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 12 to the consolidated financial statements.

**Purchase of Own Shares**

The Group did not purchase any of its shares for cancellation during the year.

**Secretary**

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

**Independent Auditors**

AO PricewaterhouseCoopers Audit was appointed as External Auditor to the Group at the Annual General Assembly on 29 June 2017.

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 during **14 June 2018** at the Company's headquarter in Amsterdam, The Netherlands.

**By order of the Board**

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

**E. Ekin Çayhan**
**General Secretary & Counsel**

**27 April 2018**

**RESPONSIBILITY STATEMENT**

TME Annual Report & Consolidated Financial Statements of 2017 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 of the Company.

This statement is set out below in full and unedited text. This states that on **27 April 2018**, the date of approval of the 2017 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**
**27 April 2018**

**TRADER MEDIA EAST LIMITED**

**Vuslat Sabancı**
**Chairwoman**

**Turhan Cemal Beriker**
**Vice-Chairman, 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 2017.

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 marketplace for communities of generalist, real estate, auto, goods and services, with strong local brands, serving local markets in the Russian Federation and Belarus.

TME was founded in November 2005, and comprises the former operations of Trader Classified Media N.V. Currently, the Group employs 163 permanent employees as of 31 December 2017.

The Group is one of the largest companies in the region operating with websites, primarily in the real estate, automotive and goods and services categories in specific markets as Belarus and the Russian Federation.

#### *Major Developments*

Cessation of Digital Assets in PMH

On 22 November 2017, PMH has taken the decision to cease its digital operations, based on the considerations regarding market competitiveness of PMH in which it operates and its performance being under the intended level. The Group's management believe that this will lead to improvements in our cash flow and increase our operational effectiveness in our core business in Russia and other countries. Due to this decision, total net loss from those operations are classified as "Discontinued Operations" in the profit/loss statement as of 31 December 2017 and 2016.

TME Group Financial Restructuring

As of the date of this report, the Group's payable to HIBV is US$ 2,265 thousand and to Hürriyet is US$ 2,071 thousand, including previous debts acquired from related parties, which were used both for the partial closure of the bank debts and working capital requirement of PMH in the past.

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 have been implemented within TME, as TME wishes to maintain the status of Dutch Tax Residency. As a matter of fact, we have submitted our CbCR (Country-by-Country Reporting) notification in all relevant jurisdictions we operate including the Netherlands and on 29 December 2017, we have finally filed our Group's CbC reports.

Russian Special Economic Measures (SEP)

Most of the restrictions introduced by the Russian Federation were abolished in 2017, allowing Turkish companies and businessmen to work actively in Russian & CIS countries.

TCM Adria d.o.o.

TCM Adria d.o.o. liquidation has already been started since 12 June 2017 and is expected to be finalized during 2018.

ASPM Holding B.V. Liquidation

ASPM Holding B.V. liquidation has already been started and was liquidated on 10 August 2017.

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

- Pronto-Kazan LLC is in liquidation process since 30 November 2015. Pronto Kazan was liquidated on 15 November 2017.
- Pronto-Baikal LLC is in liquidation process since 24 September 2015. Pronto-Baikal was liquidated on 5 September 2017.
- Pronto-Atyrau was sold on 16 November 2017.
- Pronto- Aktobe was sold on 7 June 2017.
- Pronto-Oka was liquidated on 9 June 2017.
- Utro Peterburga was liquidated on 14 August 2017.
- Pronto Aktau was liquidated on 29 September 2017.
- Ust-Kamenogorsk was liquidated on 23 March 2017.
- Pronto Akmola is in liquidation since 1 May 2017.
- Pronto Akzhol is in liquidation since 30 September 2017.

## BUSINESS OVERVIEW

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 a 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. In addition to this, as described in previous sections, on 22 November 2017, PMH cease its digital operations, based on the considerations regarding market competitiveness of PMH in which it operates and its performance being under the intended level.

As a consequence of the restructuring, offline revenues decreased significantly in 2017 versus 2016.

### 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 with whom we currently do not cooperate anymore because we closed the print editions.

Our web-site IRR.ru in Russia, have a national reach, and in these cases we solicit national advertising. 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 Moscow enhancements to advertisements and value-added services including our ‘‘Power Pages’’ solutions, mobile version and inventory lot management

## Currency Fluctuations

We express our results in US Dollar and generate revenues from continuing operations in different currencies. The most significant currency is the Russian Rouble, in which we have generated 62% of our revenues in 2017. The second one is Belarusian Rouble which produces 38% of our revenues in 2017

Set up below is a table of 2017 annual average rates of major local currencies against US$ compared to 2016:

| | 2017 Annual average rate | 2016 Annual average rate | Fluctuation % |
|---|---|---|---|
| Russian Rouble (RUB) | 0.0172 | 0.0149 | 15.0% |
| Belarusian Rouble (BYR) | 0.00005 | 0.00005 | - |

## Inflation

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

In 2017, the inflation rate in the Russian Federation was 2.5%.

The table below presents changes in Russia's consumer price index from 2010 through 2017.

| (Annual percent change) | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Consumer Price Index (December to December change in RUB) | 8.8% | 6.1% | 6.6% | 6.5% | 11.4% | 12.9% | 5.4% | 2.5% |

## Revenues from continuing operations

### *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) in Russia we derive revenues from selling advertising space in our publications and events 2) in Belarus 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. The portion of offline business in our total revenues from continuing operations is 72.7% in 2017 (2016: 73.4%); and the portion of online business is 27.3% in year 2017 (2016: 26.6%).

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

| | Percentage of revenues by segments | |
|---|---|---|
| | Year ended 31 December 2017 | Year ended 31 December 2016 |
| **Online revenues** | **27.3%** | **26.6%** |
| Russia | 6.4% | 5.7% |
| Belarus | 20.9% | 20.9% |
| **Offline revenues** | **72.7%** | **73.4%** |
| Russia | 55.6% | 45.8% |
| Belarus | 17.1% | 27.6% |

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 from continuing operations**

Revenues from continuing operations decrease to US$ 2,748 thousand in year 2017 from US$ 3,249 thousand in year 2016. 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 2017 US$ thousand | 31 December 2016 US$ thousand | Change (%) |
|---|---|---|---|
| **Online revenues** | **750** | **863** | **(13.1%)** |
| *Russia* | *177* | *185* | *(4.3%)* |
| *Belarus* | *573* | *678* | *(15.5%)* |
| **Offline revenues** | **1,998** | **2,386** | **(16.3%)** |
| *Russia* | *1,527* | *1,487* | *2.7%* |
| *Belarus* | *471* | *899* | *(47.6%)* |
| **Total revenues** | **2,748** | **3,249** | **(15.4%)** |

As of 31 December 2017, offline revenues decreased by 16.3%, to US$ 1,998 thousand from US$ 2,386 thousand and online revenues decreased by 13.1%, to US$ 750 thousand from US$ 863 thousand in 2016.

**Operating loss from continuing operations**

The operating loss from continuing operations increased by US$ 62 thousand or 5.4% from US$ (1,151) thousand to US$ (1,213) thousand in 2017.

**ADJUSTED EBITDA from continuing operations**

Adjusted EBITDA increased by US$ 65 thousand or 49.2% from US$ (132) thousand to US$ (67) thousand in 2017. The Adjusted EBITDA margin fell to (2.43)% from (4.06)%.

# TRADER MEDIA EAST LIMITED

## Consolidated financial statements
## for the year ended 31 December 2017

## and independent auditor's report

## TABLE OF 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 2017, 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 comprehensive income for the year ended 31 December 2017;
- the consolidated statement of financial position as at 31 December 2017;
- 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 significant accounting policies and other explanatory information.

### 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 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") 321 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 6 Group entities in 3 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 99% of Group's absolute value of underlying loss before tax.

*Key Audit Matters*

- Going concern assessment
- Accounting for discontinued operations of LLC Pronto Media Holding ("LLC PMH")

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 321 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 2017. |
| ***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, other intangible assets and tangible assets amounting to USD 33,712 thousand and USD 29,164 thousand, respectively, and expenses on severance payments to employees dismissed as a result of business restructuring amounting to USD 1,134 thousand, were excluded from loss before tax calculation as they are significant one-off items. |

**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 |
|---|---|
| *Going concern assessment*<br><br>*Refer to note 4.1 in the consolidated financial statements for the related disclosures.*<br><br>The Group incurred a net loss of USD 65,675 thousand, a negative operating cash flow of USD 7,575 thousand during the year ended 31 December 2017 and at the reporting date, the Group's current liabilities exceed its current assets by USD 7,479 thousand. Furthermore, the digital operations of LLC PMH, the largest subsidiary of the Group, have been ceased during the year.<br><br>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.<br><br>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 | Our audit procedures included discussion with management of Hurriyet Gazetecilik ve Matbaacilik A.S. ("Hurriyet"), the Group's parent company, and obtaining and examining management's business plan for the next five-year period for continuing operations.<br><br>Furthermore, we obtained a copy of the letter of support from Hurriyet, 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. In addition, we obtained sufficient audit evidence to satisfy ourselves that Hurriyet would be able to meet the undertakings which were set out in the letter of support, in the context of our audit of the Group.<br><br>No material exceptions were identified based on our procedures performed. We also compared the going concern disclosures in note 4.1 to the consolidated financial statements to the relevant |

| Key audit matter | How our audit addressed the Key audit matter |
|---|---|
| the current market conditions and the Group's performance. | requirements of IFRS and found no material exceptions. |
| *Accounting for discontinued operations of LLC PMH*<br><br>*Refer to note 17, 19 in the consolidated financial statements for the related disclosures.*<br><br>As described in note 19 in the consolidated financial statements, on 22 November 2017 the Board of Directors of LLC PMH, the biggest subsidiary of the Group, has decided to cease its digital operations.<br><br>As at 31 December 2017 and at the date of our auditor's report the legal liquidation process has not yet been initiated; however, management has classified LLC PMH's operations as discontinued based on their conclusion that the operation meets the criteria set out in IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" ("IFRS 5").<br><br>As at 31 December 2017 LLC PMH had outstanding borrowings in the amount of USD 7,639 thousand, which were classified as long-term liabilities in the consolidated statement of financial position notwithstanding the operations of LLC PMH overall being classified as discontinued operations.<br><br>We focused on this area due to the size of the operations of LLC PMH: accounting for 62% of the Group's revenues and 99% of the Group's absolute value of underlying loss before tax for the year ended 31 December 2017. Accounting for parts of an entity as discontinued operations has a significant impact on presentation and disclosure in the consolidated financial statements. This also requires application of judgements to be made by management in their analysis of the criteria for recognising LLC PMH as discontinued operations. | We analysed management's judgements underlying the classification of LLC PMH's operations as discontinued in accordance with the provisions of IFRS 5.<br><br>We considered the terms of the loan agreements with the banks and related guarantees to assess whether the classification of the borrowings in the amount of USD 7,639 thousand as long-term liabilities in the consolidated statement of financial position is appropriate.<br><br>We considered the presentation of LLC PMH as discontinued operations in the consolidated statement of comprehensive income and the related disclosures in note 19 in the consolidated financial statements and assessed the presentation and disclosures against the requirements of IFRS 5.<br><br>Following the procedures performed, we concluded that the judgements used by the management for accounting LLC PMH as discontinued operations are reasonable and require no adjustments in the consolidated financial statements. We also found no features that would require any changes in the long-term classification of the borrowings in amount of USD 7,639 thousand.<br><br>The related disclosures in the consolidated financial statements were found to be compliant with IFRS in all material respects. |

**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 PMH 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 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), which we obtained prior to the date of this auditor's report.

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 on the other information that we obtained prior to the date of this auditor's report, 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 using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

## *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.

The certified auditor responsible for the audit resulting in this independent auditor's report is Tatiana Sirotinskaya.

AO PricewaterhouseCoopers Audit

27 April 2018

Moscow, Russian Federation

Tatiana Sirotinskaya, certified auditor (license no. 01-000527), AO PricewaterhouseCoopers Audit

Audited entity: Trader Media East Limited

Certificate of incorporation issued on 6 February 2006 under registration № 91704
13 Castle Street, St. Helier Jersey JE4 5UT, Channel Islands

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

*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 thousands of US Dollars ("USD") unless otherwise indicated)*

| | Notes | For the years ended 31 December 2017 | *restated* 31 December 2016 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 6 | 2,748 | 3,249 |
| Cost of sales | 7 | (1,822) | (2,318) |
| **Gross profit** | | **926** | **931** |
| Marketing, selling and distribution expenses | 7 | (72) | (92) |
| General administrative expenses | 7 | (2,106) | (1,880) |
| Other operating expenses | 7 | 5 | (110) |
| Other operating income | | 34 | - |
| **Operating loss** | | **(1,213)** | **(1,151)** |
| Interest expenses | | (17) | (2,003) |
| Foreign exchange gain/ (loss), net | | 231 | (99) |
| Impairment loss on goodwill | 13 | - | (824) |
| Loss on disposal of subsidiaries | 25 | - | (238) |
| (Loss)/ gain on sale of property, plant and equipment | | (16) | 37 |
| Other income | | - | 3 |
| **Loss before tax** | | **(1,015)** | **(4,275)** |
| Income tax expense | 8 | (115) | (119) |
| **Net loss for the year from continuing operations** | | **(1,130)** | **(4,394)** |
| Loss from discontinued operations | 19 | (64,545) | (10,922) |
| **Net loss for the year** | | **(65,675)** | **(15,316)** |
| **Attributable to:** | | | |
| Equity holders of the Company | | (65,553) | (15,244) |
| Non-controlling interests | | (122) | (72) |
| | | **(65,675)** | **(15,316)** |
| **Other comprehensive income / (loss)** | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| - Exchange differences on translating foreign operations | | 1,856 | 11,033 |
| **Total comprehensive loss for the year** | | **(63,819)** | **(4,283)** |
| ***Attributable to:*** | | | |
| Equity holders of the Company | | (63,823) | (4,403) |
| Non-controlling interests | | 4 | 120 |
| | | **(63,819)** | **(4,283)** |
| ***Arises from:*** | | | |
| Continued operations | | (1,163) | (817) |
| Discontinued operations | | (62,660) | (3,586) |
| | | **(63,823)** | **(4,403)** |
| **Loss per share from continuing operations attributable to the ordinary equity holders of the company:** | | | |
| Weighted average number of ordinary shares in issue (thousands) | 24 | 480,000 | 200,000 |
| Basic and diluted loss per share (US Dollar per share) | 24 | (0.0021) | (0.0216) |
| **Loss per share attributable to the ordinary equity holders of the company:** | | | |
| Basic and diluted loss per share (US Dollar per share) | 24 | (0.1366) | (0.0762) |

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

| | Notes | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 76 | 328 |
| Investment property | 10 | 278 | 273 |
| Deferred tax assets | 8 | 1 | 125 |
| Goodwill | 11 | - | 32,353 |
| Other intangible assets | 12 | - | 27,411 |
| Investment in associate | | - | 41 |
| **Total non-current assets** | | **355** | **60,531** |
| **Current assets** | | | |
| Inventories | | 21 | 51 |
| Trade receivables | 14 | 256 | 510 |
| Current income tax asset | | 35 | 117 |
| Other current assets | 21 | 211 | 629 |
| Amounts due from shareholders | 20 | 155 | 151 |
| Cash and cash equivalents | 15 | 653 | 1,060 |
| Short-term financial investments | | 41 | - |
| **Total current assets** | | **1,372** | **2,518** |
| **Total assets** | | **1,727** | **63,049** |
| **EQUITY** | | | |
| Share capital | 16 | 76,800 | 76,800 |
| Additional paid-in capital | 16 | 21,022 | 21,022 |
| Translation reserve | | 18,076 | 16,224 |
| Accumulated losses | | (130,690) | (65,137) |
| **Total equity attributable to equity holders of the Company** | | **(14,792)** | **48,909** |
| Non-controlling interests | | (36) | 82 |
| **Total equity** | | **(14,828)** | **48,991** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 17 | 7,639 | - |
| Deferred tax liabilities | 8 | 65 | 4,694 |
| **Total non-current liabilities** | | **7,704** | **4,694** |
| **Current liabilities** | | | |
| Borrowings | 17 | 2,526 | 4,369 |
| Trade payables | 18 | 1,421 | 1,899 |
| Borrowings due to shareholders | 20 | 3,643 | 1,069 |
| Current income tax liabilities | 8 | 87 | 89 |
| Other current liabilities | 22 | 1,174 | 1,938 |
| **Total current liabilities** | | **8,851** | **9,364** |
| **Total liabilities** | | **16,555** | **14,058** |
| **Total liabilities and equity** | | **1,727** | **63,049** |

**TRADER MEDIA EAST LIMITED**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*(Amounts expressed in thousands 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** |
| **Balance at 1 January 2016** | **9,600** | **696,822** | **5,311** | **(746,693)** | **(96)** | **(35,056)** |
| Capital reduction (Note 16) | - | (696,800) | - | 696,800 | - | - |
| Capital increase (Note 16) | 67,200 | 21,000 | - | - | - | 88,200 |
| Net loss for the year | - | - | - | (15,244) | (72) | (15,316) |
| Other comprehensive income for the year | - | - | 10,913 | - | 120 | 11,033 |
| **Total comprehensive income/(loss) for the year** | **-** | **-** | **10,913** | **(15,244)** | **48** | **(4,283)** |
| Disposal of subsidiaries | - | - | - | - | 130 | 130 |
| **Balance at 31 December 2016** | **76,800** | **21,022** | **16,224** | **(65,137)** | **82** | **48,991** |
| Net loss for the year | - | - | - | (65,553) | (122) | (65,675) |
| Other comprehensive income for the year | - | - | 1,852 | - | 4 | 1,856 |
| **Total comprehensive income/(loss) for the year** | **-** | **-** | **1,852** | **(65,553)** | **(118)** | **(63,819)** |
| **Balance at 31 December 2017** | **76,800** | **21,022** | **18,076** | **(130,690)** | **(36)** | **(14,828)** |

The accompanying notes on pages 37-74 form an integral part of these consolidated financial statements.

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

| | Notes | For the years ended 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| Net loss for the year | | (65,675) | (15,316) |
| **Adjustments:** | | | |
| Depreciation and amortisation | 9,10,12 | 1,208 | 803 |
| Income tax (credit)/ expense recognised in consolidated statement of comprehensive income | 8 | (4,745) | 368 |
| Impairment loss on intangible and tangible assets | 9,12 | 29,164 | - |
| Impairment loss on goodwill | 11,13 | 33,712 | 5,778 |
| Impairment loss on doubtful receivables | 14 | 234 | 526 |
| Gain on sale of property, plant and equipment | | (33) | (21) |
| Interest expenses | | 1,032 | 2,258 |
| Other income/ (loss), net | | - | (3) |
| Loss on disposal of subsidiaries | 19,25 | 7 | 338 |
| Unrealised foreign exchange gain | | (320) | - |
| | | **(5,416)** | **(5,269)** |
| **Movements in working capital:** | | | |
| Changes in trade receivables | 14 | 20 | 161 |
| Changes in inventories | | 30 | 4 |
| Changes in other current assets | 21 | 418 | 94 |
| Changes in trade payables | | (478) | 1,019 |
| Changes in liabilities relating to former non-controlling interests | | - | (1,922) |
| Changes in other current liabilities | | (764) | 3 |
| **Cash used in operations** | | **(6,190)** | **(5,910)** |
| Interest paid | | (1,008) | (499) |
| **Net cash used in operating activities** | | **(7,198)** | **(6,409)** |
| **Cash flows from investing activities:** | | | |
| Purchase of property, plant and equipment and intangible Assets | 9,10 | (1,305) | (1,353) |
| Proceeds from sales of property, plant and equipment and intangible Assets | | 141 | 219 |
| **Net cash used in investing activities** | | **(1,164)** | **(1,134)** |
| **Cash flows from financing activities:** | | | |
| Proceeds from borrowings | 17 | 15,707 | 4,369 |
| Repayment of loans | 17 | (10,210) | (37,470) |
| Capital increase | 16 | - | 860 |
| Loans received from shareholders | 20 | 2,422 | 40,137 |
| **Net cash generated by financing activities** | | **7,919** | **7,896** |
| **Net change in cash and cash equivalents** | | **(443)** | **353** |
| Cash and cash equivalents at the beginning of year | 15 | 1,060 | 561 |
| Effect of exchange rate changes on cash held in foreign currencies | | 36 | 146 |
| **Cash and cash equivalents at the end of year** | **15** | **653** | **1,060** |
| | | | |
| Cash flows of discontinued operation | **19** | **(726)** | **(39,854)** |

*(Amounts expressed in thousands 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 2017 and 2016:

| Subsidiaries | Country of incorporation | Geographic segment | % ownership 2017 | % ownership 2016 |
|---|---|---|---|---|
| **Investment and holding entities** | | | | |
| TCM Adria d.o.o.[2] | Croatia | Corporate | 100% | 100% |
| ASPM Holding B.V. [3] | Holland | Corporate | - | 51% |
| Publishing House Pennsylvania Inc. [7] | USA | Corporate | 100% | 100% |
| Mirabridge International B.V. [7] | Holland | Corporate | 100% | 100% |
| Publishing International Holding BV [7] | Holland | Corporate | 100% | 100% |
| LLC Rektcentr[7] | Russia | Russia | 100% | 100% |
| **Operating entities** | | | | |
| LLC Pronto Media Holding ("LLC PMH")[1] | Russia | Russia | 100% | 100% |
| TOO Pronto Akmola[2] | Kazakhstan | Kazakhstan | 100% | 100% |
| TOO Pronto Akzhol[2] | Kazakhstan | Kazakhstan | 80% | 80% |
| LLC Utro Peterburga[3] | Russia | Russia | - | 55% |
| TOO Pronto Aktau[3] | Kazakhstan | Kazakhstan | - | 80% |
| LLC Pronto Baikal[4] | Russia | Russia | - | 100% |
| LLC Pronto Kazan[4] | Russia | Russia | - | 100% |
| TOO Pronto Ust Kamenogorsk[4] | Kazakhstan | Kazakhstan | - | 80% |
| TOO Pronto Aktobe[5] | Kazakhstan | Kazakhstan | - | 64% |
| TOO Pronto Atyrau[5] | Kazakhstan | Kazakhstan | - | 80% |
| SP Belpronto[6] | Belarus | Belarus | 60% | 60% |
| LLC ID Impress Media[6] | Russia | Russia | 91% | 91% |
| LLC Pronto Samara[7] | Russia | Russia | 100% | 100% |
| LLC Rukom[7] | Russia | Russia | 100% | 100% |

1 As announced in the press release dated 22 November 2017, the Board of Directors of LLC PMH, the biggest subsidiary of TME, has decided to cease LLC PMH's digital operations (mainly irr.ru and job.ru) in Russia. There will be limited amount of transactions in 2018 and a legal liquidation process is expected to be started based on the liquidation plan prepared by management.

2 The liquidation processes of these entities were in progress as of 31 December 2017. Related losses were recorded in the consolidated statement of comprehensive income in 2017 (Note 19).

3 These entities have already been liquidated during 2017. Related losses were recorded in the consolidated statement of comprehensive income in 2017 (Note 19).

4 The liquidation processes for these entities were finalised during 2017. Related losses were recorded in the consolidated statement of comprehensive income in 2015.

5 These entities were sold during 2017.

6 As disclosed in Note 4.1. the key remaining operating entities as at 31 December 2017 are LLC ID Impress Media and SP Belpronto.

7 These entities did not have any material operations during 2017 and 2016.

## 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 Hürriyet Invest B.V. (“HIBV”) which holds 97.29% of its shares as at 31 December 2017 (31 December 2016: 97.29%).

The parent company of HIBV is Hürriyet Gazetecilik ve Matbaacilik A.Ş. (“Hürriyet”), a company listed on the Borsa İstanbul A.Ş. (“BIAS”) in Turkey. As at 31 December 2017 the majority shareholder of Hürriyet was 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”). As disclosed in Note 26, in April 2018 Doğan Holding announced that it has concluded an agreement with Demirören Medya Yatırımları Ticaret A.Ş ("Demiroren") for the sale and transfer of its direct and indirect subsidiaries operating in the publishing and broadcasting segments. The transaction will also include Hürriyet, HIBV and TME. The transaction is subject to various conditions, including, amongst others, approval by the General Assembly of Doğan Holding and regulatory consents. The transaction is expected to be completed during May 2018.

### 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 23). The Russian economy was growing in 2017, after overcoming the economic recession of 2015 and 2016. The economy has been negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. 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, gas prices and other minerals. Low prices on oil and other minerals and exchange rate volatility could have a negative impact on the economy of Kazakhstan, including a decrease in liquidity. During 2015, the National Bank and the Government of Kazakhstan decided to stop supporting the exchange rate of the tenge and implementing a new monetary policy based on the inflation targeting mode, abolishing the currency corridor and moving to a freely floating exchange rate. Thus, there is uncertainty about the exchange rate of the tenge and future actions of National Bank and Government, as well as the impact of these factors on the economy of Kazakhstan. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations.

## 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 standard became effective for the Group from 1 January 2017:

- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The disclosures were provided in Note 17 and Note 20.
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment did not have a material impact on the Group.
- Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017). The amendments did not have a material impact on the Group.

### 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 2018 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.
- 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.

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

Management has made an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances existing at that date, as well as the forecasting information, concluded that the adoption of the new standard from 1 January 2018 will impact the classification of financial instruments but will not have a significant impact on the classification of assets and liabilities in the Group's consolidated financial statements, and that the amount of expected credit losses as at 1 January 2018 insignificantly differs from the amount of provisions recognised in the consolidated financial statements as at 31 December 2017.

**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 has assessed the impact of IFRS 15, Revenue from Contracts with Customers, and expects that the standard will have no significant effect, when applied, on its consolidated financial statements.

***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).*** The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Group has assessed the impact of Amendments to IFRS 15, Revenue from Contracts with Customers, and expects that they will have no significant effect, when applied, 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.

***IFRS 17 "Insurance Contracts" (issued on 18 May 2017, not yet been endorsed by the EU).*** IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

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

***IFRIC 22 "Foreign currency transactions and advance consideration" (issued on 8 December 2016, not yet been endorsed by the EU).*** This interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity either pays or received consideration in advance for foreign currency-denominated contracts. The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The Group is currently assessing the impact of the interpretation on its consolidated financial statements.

***IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017, not yet endorsed by the EU).*** IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Group is currently assessing the impact of the interpretation on its 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), not yet endorsed by the EU.
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016, not yet endorsed by the EU).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- 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), not yet endorsed by the EU.
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019), not yet endorsed by the EU.
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019, not yet endorsed by the EU.
- Annual Improvements to IFRSs 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019), not yet endorsed by the EU.

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

- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018, not yet endorsed by the EU).

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

## 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*

Comparative information in the consolidated statement of comprehensive income and related disclosures for 2016 were amended to present only continued operations.

#### *3.2.3. Change of unit of measure*

Starting from 2017 all amounts in the consolidated financial statements including comparative information are presented in thousands of USD. Previously all amounts were presented in millions of USD.

### 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.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### *3.3.2. 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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* (“IFRS 5”) 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 in the consolidated statement of comprehensive income 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 in the consolidated statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the profit or loss in the consolidated statement of comprehensive income 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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 in the consolidated statement of comprehensive income in profit and 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.

### 3.6. 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.

### 3.7. 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)

### 3.8. 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 2017 and 2016 and outstanding amounts as at those dates are disclosed in Note 20.

### 3.9. 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.

### 3.10. 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 thousands of US Dollars ("USD") unless otherwise indicated)*

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11. 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.

Income and expenses items for 2017 and 2016 of Russian, Belarussian and Kazakhstan subsidiaries were translated at average annual exchange rates as there were no significant fluctuations.

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 2017** | **31 December 2016** |
|---|---|---|
| RUB/USD | 57.60 | 60.66 |
| BYR/USD | 1.9727 | 1.9585 |
| KZT/USD | 332.33 | 333.95 |
| EURO/USD | 0.84 | 0.95 |

| **Average rates** | **2017** | **2016** |
|---|---|---|
| RUB/USD | 58.30 | 67.03 |
| BYR/USD | 1.9324 | 1.9882 |
| KZT/USD | 326.00 | 342.05 |
| EURO/USD | 0.89 | 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 in the consolidated statement of comprehensive income.

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.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**3.12. 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.

**3.13. 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.

**3.14. 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 |
| 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.

### 3.15 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. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. 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.

### 3.16. Intangible assets

#### *3.16.1. 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 separately, 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 |

Certain trade names have indefinite useful lives as it is not practical to determine their useful lives. As disclosed in Note 13 all tradenames, software and other intangible assets were impaired as of 31 December 2017 due to decision of ceasing operations of LLC PMH.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *3.16.2. 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.

### *3.16.3. 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.

### *3.16.4. 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.

### 3.17. 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. As described in Note 13 goodwill, tradenames, software and other intangible assets were fully impaired as of 31 December 2017 due to ceased operations of LLC PMH.

### 3.18. 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.

### 3.19. 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).

### 3.20. 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 out at amortised cost using effective interest rate method.

### 3.21. Short-term financial investments

Short-term financial investments are represented by bank deposits, with a maturity term of more than three months but less than one year.

### 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*

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 the consolidated statement of comprehensive income, 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.

## 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 with discretionary dividends are both 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 continue operations, realisation of assets, and settlement of liabilities and commitments in the normal course of business.

The Group incurred a net loss of USD 65,675 for the year ended 31 December 2017 as well as negative operating and net cash flows, and as at the year-end had a working capital deficit of USD 7,479 (31 December 2016: USD 6,846) and negative net assets of USD 14,828.

As described in Note 19 to the consolidated financial statements, on 22 November 2017 the Group announced its decision to cease digital operations of its major subsidiary, LLC PMH. Furthermore, operations of the Group subsidiaries in Kazakhstan have also been ceased during 2017.

Despite business restructuring described above, the Group intends to maintain operating activities of LLC SP Belpronto (Belarus), which is involved in classified advertising, and LLC ID Impress (Russia), which is mainly involved in event organisation in commercial real estate business.

In order to improve financial performance of the operating subsidiaries and working capital situation, management intends to continue focusing on cost reduction activities, including reduction of personnel costs and general administrative expenses. The Group finances its operations though bank borrowings guaranteed by Hürriyet and other financial support from Hürriyet and Dogan Holding as and when required.

Management recognises that access to external funds is critical to support the ongoing operations. The parent of the Group, Hürriyet, 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 Hürriyet to support the Group, management has a reasonable expectation that the Group has adequate resources to continue its remaining 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.

As described in Note 13 all tradenames, software and other intangible assets were impaired as of 31 December 2017 due to ceased operations of LLC PMH.

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 1,253, 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 2017 were completely impaired (carrying value as at 31 December 2016: USD 32,353 and USD 25,064, respectively). Details of the goodwill and intangible assets with indefinite useful lives impairment testing performed by the Group are set out in Note 13.

### *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 2017 the management of the Group did not recognise a deferred tax asset on tax losses carried forward and other deductible temporary differences in the amount of USD 18,106 (31 December 2016: deferred tax assets on tax losses carried forward in the amount of USD 15,029). As described in Note 8, the tax losses carry forward were mainly incurred by LLC PMH. Since LLC PMH ceased its business, there is no expectation of using tax losses carry forward and other deductible temporary difference in the future. Therefore management has not recognised deferred tax assets relating to the tax losses carry forward and other temporary differences as at 31 December 2017. Deferred tax assets on tax losses carried forward as at 31 December 2016 was not recognised as there was an operating loss for the year ended 31 December 2016 and management considered that it would be more appropriate to follow the more conservative approach consistent with prior years and not to recognise deferred tax assets.

*(Amounts expressed in thousands 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 in respect of continued operations to continue as a going concern while maximising the return to shareholders.

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 2017 | 31 December 2016 |
|---|---|---|
| Total bank borrowings (Note 17) | 10,165 | 4,369 |
| Total loans due to shareholders (Note 20) | 3,643 | 1,069 |
| Less: Cash and cash equivalents (Note 15) | (653) | (1,060) |
| Net debt | 13,155 | 4,378 |
| Total equity | (14,828) | 48,991 |
| **Total capital** | **(1,673)** | **53,369** |
| **Gearing ratio** | **(786.3%)** | **8.2%** |

The change in the gearing ratio from 2016 to 2017 as depicted above has resulted from recognition of impairment loss on goodwill, intangible and tangible assets due to the fact that LLC PMH's operations were ceased.

### 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 17, 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 14.

*(Amounts expressed in thousands 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 steps taken by management to address liquidity deficit is disclosed in Note 4 of the consolidated financial statements.

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 2017 | Up to 3 months | 3 to 6 months | 6 to 12 Months | 1-3 years | Total |
|---|---|---|---|---|---|
| Borrowings | 701 | 1,374 | 586 | 10,080 | 12,741 |
| Trade payables | 1,421 | - | - | | 1,421 |
| Borrowings due to shareholders | - | - | 3,862 | | 3,862 |
| | **2,122** | **1,374** | **4,448** | **10,080** | **18,024** |

| At 31 December 2016 | Up to 3 months | 3 to 6 months | 6 to 12 Months | 1-3 years | Total |
|---|---|---|---|---|---|
| Borrowings | 691 | 1,033 | 2,970 | - | 4,694 |
| Trade payables | 1,899 | - | - | - | 1,899 |
| Borrowings due to shareholders | - | - | 1,133 | - | 1,133 |
| | **2,590** | **1,033** | **4,103** | **-** | **7,726** |

Further information regarding the borrowings is described in Note 17.

### *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 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| USD | 188 | 110 | (1,486) | (104) |
| Euro | 31 | 9 | (693) | - |

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

## 5 CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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** | **2017** | **2016** |
|---|---|---|
| Loss before tax/ equity | 260 | - |

| **Euro impact** | **2017** | **2016** |
|---|---|---|
| Loss before tax/ equity | 132 | - |

## 6 SEGMENT INFORMATION

Information reported to the chief operating decision maker ("key management") 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 key management 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, loss on disposal of subsidiaries and certain other non-recurring gains and losses.

As at 31 December 2017 and 2016 the Group has three reportable segments under IFRS 8 *Operating Segments* (Russia, Belarus and Kazakhstan).

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 2017:

| | **Russia** | | **Belarus** | **Kazakhstan** | **Sub-total** | **Corporate and unallocated** | **Total** |
|---|---|---|---|---|---|---|---|
| | **continued** | **discontinued** | **continued** | **discontinued** | | | |
| Online revenues | 177 | 4,147 | 573 | 40 | 4,937 | - | 4,937 |
| Offline revenues | 1,527 | 32 | 471 | 171 | 2,201 | - | 2,201 |
| **Total revenues** | **1,704** | **4,179** | **1,044** | **211** | **7,138** | **-** | **7,138** |
| **Adjusted EBITDA** | **(63)** | **(4,052)** | **(4)** | **(153)** | **(4,272)** | **(1,144)** | **(5,416)** |

| | **Russia** | **Belarus** | **Kazakhstan** | **Sub-total** | **Corporate and unallocated** | **Total** |
|---|---|---|---|---|---|---|
| Non-current assets | 302 | 43 | 10 | 355 | - | 355 |
| Current assets | 849 | 193 | 10 | 1,052 | 320 | 1,372 |
| **Total assets** | **1,151** | **236** | **20** | **1,407** | **320** | **1,727** |
| **Total liabilities** | **13,354** | **110** | **87** | **13,551** | **3,004** | **16,555** |

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

## 6 SEGMENT INFORMATION (CONTINUED)

As announced in the press release dated 22 November 2017, Board of Directors of LLC PMH, the biggest subsidiary of the Group, has decided to cease its digital operations (mainly irr.ru and job.ru) in Russia. The operations in Kazakhstan have been ceased during 2017. The Kazakh subsidiaries were in the process of liquidation as of 31 December 2017. The consolidated statement of comprehensive income of these subsidiaries was presented based on the discontinued operations basis.

Although, the Group is intending to sell the assets of these subsidiaries, their sale is not probable within twelve months from 31 December 2017, as a result no assets and liabilities of these subsidiaries are classified as held for sale.

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** |
|---|---|---|---|---|---|---|---|
| | **continued** | **discontinued** | **continued** | **discontinued** | | | |
| Online revenues | 185 | 5,320 | 678 | 204 | 6,387 | - | 6,387 |
| Offline revenues | 1,487 | 126 | 899 | 870 | 3,382 | - | 3,382 |
| **Total revenues** | **1,672** | **5,446** | **1,577** | **1,074** | **9,769** | **-** | **9,769** |
| **Adjusted EBITDA** | **(206)** | **(2,814)** | **74** | **20** | **(2,926)** | **(865)** | **(3,791)** |

| | **Russia** | **Belarus** | **Kazakhstan** | **Sub-total** | **Corporate and unallocated** | **Total** |
|---|---|---|---|---|---|---|
| Intangible assets | 27,411 | - | - | 27,411 | - | 27,411 |
| Goodwill | 32,283 | - | 70 | 32,353 | - | 32,353 |
| Other assets | 1,803 | 334 | 245 | 2,382 | 903 | 3,285 |
| **Total assets** | **61,497** | **334** | **315** | **62,146** | **903** | **63,049** |
| **Total liabilities** | **12,258** | **216** | **147** | **12,621** | **1,437** | **14,058** |

Royalty fee received by the Group included in offline revenues equals to USD 30 (2016: USD 131).

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

| | **2017** | | | **2016** | | |
|---|---|---|---|---|---|---|
| | **continued** | **discontinued** | **Total** | **continued** | **discontinued** | **Total** |
| Adjusted EBITDA for reportable segments | (67) | (4,205) | (4,272) | (132) | (2,794) | (2,926) |
| Corporate and unallocated adjusted EBITDA | (1,144) | - | (1,144) | (865) | - | (865) |
| Depreciation and amortisation | (38) | (1,170) | (1,208) | (44) | (759) | (803) |
| Provision for doubtful receivables | 38 | (272) | (234) | (110) | (416) | (526) |
| Interest expenses | (17) | (1,015) | (1,032) | (2,003) | (255) | (2,258) |
| Foreign exchange gain/ (loss), net | 231 | 89 | 320 | (99) | (1,379) | (1,478) |
| Impairment loss on goodwill | - | (33,712) | (33,712) | (824) | (4,954) | (5,778) |
| Impairment loss on intangible and tangible assets | - | (29,164) | (29,164) | - | - | - |
| Loss on disposal of subsidiaries | - | (7) | (7) | (238) | (100) | (338) |
| Other income/ (loss), net | (16) | 49 | 33 | 40 | (16) | 24 |
| **Loss before income tax** | **(1,013)** | **(69,407)** | **(70,420)** | **(4,275)** | **(10,673)** | **(14,948)** |

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

## 6 SEGMENT INFORMATION (CONTINUED)

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

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Segment assets for reportable segments | 1,407 | 62,146 |
| **Corporate and unallocated:** | | |
| Cash and cash equivalents | 179 | 690 |
| Prepayments and other assets | 141 | 213 |
| **Total assets** | **1,727** | **63,049** |

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 2017 | 31 December 2016 |
|---|---|---|
| Segment liabilities for reportable segments | 13,551 | 12,621 |
| **Corporate and unallocated:** | | |
| Amounts due to shareholders | 2,850 | 1,069 |
| Other payables | 154 | 368 |
| **Total liabilities** | **16,555** | **14,058** |

## 7 EXPENSES

Expenses from continuing operations, by nature, for the years ended 31 December 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---|---|---|
| Personnel costs | 1,170 | 1,375 |
| Consultancy | 606 | 713 |
| Event organisation | 459 | 472 |
| Management fees (Note 20) | 415 | 276 |
| Raw material costs: | | |
| *- Printing and ink* | *274* | *374* |
| *- Paper* | *36* | *67* |
| Social taxes | 294 | 215 |
| Commissions | 272 | 300 |
| Rent | 151 | 242 |
| Electricity, water and office expenses | 98 | 96 |
| Advertising | 49 | 51 |
| Depreciation and amortisation charges (Notes 9, 10 and 12) | 38 | 44 |
| Transportation, storage and travel | 24 | 38 |
| Communication | 20 | 27 |
| Provision for doubtful receivables and accounts receivable write-off | (5) | 110 |
| Other | 94 | - |
| **Total expenses** | **3,995** | **4,400** |

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

## 8 INCOME TAXES

### 8.1. Income tax recognised in the consolidated statement of comprehensive income

| | 2017 | 2016 |
|---|---|---|
| Current tax expense | 5 | 14 |
| Deferred tax (credit)/ expense | (4,750) | 354 |
| **Total income tax (credit)/ expense** | **(4,745)** | **368** |

| **Income tax (credit)/ expense is attributed to** | **2017** | **2016** |
|---|---|---|
| Income tax credit attributable to discontinued operations (Note 19) | (4,860) | 249 |
| Income tax expenses attributable to continuing operations | 115 | 119 |
| **Total income tax (credit)/ expense** | **(4,745)** | **368** |

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 2017 and 2016 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:

| | 2017 | 2016 |
|---|---|---|
| Loss before tax from continuing operations | (1,015) | (4,275) |
| Loss before tax from discontinued operations | (69,405) | (10,673) |
| | **(70,420)** | **(14,948)** |
| Income tax benefit calculated at statutory rate of Russian Federation of 20% (2016: 20%) | (14,084) | (2,990) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (8) | - |
| Tax effect of expenses not deductible for tax purposes | | |
| Impairment of goodwill | 6,742 | 1,156 |
| Other non-deductible expenses | 73 | 53 |
| Unrecognised deferred tax assets on tax loss for the year | 1,521 | 1,899 |
| Unrecognised other potential deferred tax assets arising on intangible assets | 406 | - |
| Deferred tax assets write-off | 368 | - |
| Other | 237 | 250 |
| **Income tax (credit)/ expense** | **(4,745)** | **368** |

### 8.2. 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:

| **2017** | **Opening balance** | **Recognised in profit or loss** | **Currency translation differences** | **Closing balance** |
|---|---|---|---|---|
| **Deferred tax (liabilities)/ assets relating to:** | | | | |
| Property, plant & equipment, intangible assets and investment property | (5,143) | 5,351 | (273) | (65) |
| Doubtful debts | 302 | (318) | 16 | - |
| Other | 147 | (155) | 8 | - |
| | **(4,694)** | **4,878** | **(249)** | **(65)** |
| Tax losses | 125 | (128) | 4 | 1 |
| | **(4,569)** | **4,750** | **(245)** | **(64)** |

| **2016** | **Opening balance** | **Recognised in profit or loss** | **Currency translation differences** | **Closing balance** |
|---|---|---|---|---|
| **Deferred tax (liabilities)/ assets relating to:** | | | | |
| Property, plant & equipment, intangible assets and investment property | (4,349) | 83 | (877) | (5,143) |
| Doubtful debts | 178 | 88 | 36 | 302 |
| Other | 439 | (380) | 88 | 147 |
| | **(3,732)** | **(209)** | **(753)** | **(4,694)** |
| Tax losses | 166 | (145) | 104 | 125 |
| | **(3,566)** | **(354)** | **(649)** | **(4,569)** |

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

## 8 INCOME TAXES (CONTINUED)

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 2017 | 31 December 2016 |
|---|---|---|
| Deferred tax assets | 1 | 125 |
| Deferred tax liabilities | (65) | (4,694) |
| | **(64)** | **(4,569)** |

The Group has unrecognised potential deferred tax assets in respect of unused tax loss carry forwards and other temporary differences (arising on provisions, accruals and intangible assets) of USD 90,531 (31 December 2016: USD 75,147). The losses were incurred by LLC PMH. Since LLC PMH ceased its business, there is no expectation of using tax losses carry forward in the future, management has not recognised deferred tax assets relating to the tax losses carry forward.

## 9 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 | Assets under construction | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **Balance at 1 January 2016** | **588** | **2,557** | **53** | **16** | **3,214** |
| Additions | - | 63 | - | 11 | 74 |
| Disposals | (96) | (587) | - | (18) | (701) |
| Transfers to investment property | (366) | - | - | - | (366) |
| Disposal of subsidiaries | - | (65) | - | - | (65) |
| Currency translation impact | 108 | 291 | 10 | 1 | 410 |
| **Balance at 31 December 2016** | **234** | **2,259** | **63** | **10** | **2,566** |
| Additions | - | 10 | - | - | 10 |
| Disposals | (26) | (924) | - | (8) | (958) |
| Disposal of subsidiaries | - | (40) | - | - | (40) |
| Impairment loss | (217) | (923) | (66) | (2) | (1,208) |
| Currency translation impact | 9 | 64 | 3 | - | 76 |
| **Balance at 31 December 2017** | **-** | **446** | **-** | **-** | **446** |
| | | | | | |
| **Accumulated depreciation** | | | | | |
| **Balance at 1 January 2016** | **231** | **2,169** | **38** | **-** | **2,438** |
| Charge | 20 | 163 | 16 | - | 199 |
| Disposals | (28) | (552) | - | - | (580) |
| Transfers to investment property | (93) | - | - | - | (93) |
| Disposal of subsidiaries | - | (45) | - | - | (45) |
| Currency translation impact | 45- | 265 | 9 | - | 319 |
| **Balance at 31 December 2016** | **175** | **2,000** | **63** | **-** | **2,238** |
| Charge | 2 | 100 | - | - | 102 |
| Disposals | (13) | (862) | - | - | (875) |
| Disposal of subsidiaries | - | (28) | - | - | (28) |
| Impairment loss on tangible assets | (171) | (899) | (66) | - | (1,136) |
| Currency translation impact | 7 | 59 | 3 | - | 69 |
| **Balance at 31 December 2017** | **-** | **370** | **-** | **-** | **370** |
| | | | | | |
| **Net carrying value** | | | | | |
| **As at 31 December 2016** | **59** | **259** | **-** | **10** | **328** |
| **As at 31 December 2017** | **-** | **76** | **-** | **-** | **76** |

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

## 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation charge amounting to USD 102 for the year ended 31 December 2017 has been included in general administrative expenses (year ended 31 December 2016: USD 199). Depreciation charge for the year ended 31 December 2017 relates to continued operations in the amount of USD 28 and discontinued operations in the amount of USD 74 (year ended 31 December 2016: continued operations – USD 41, discontinued operations – USD 158).

Net impairment loss amounting to USD 72 for the year ended 31 December 2017 is due to ceased operations of LLC PMH.

## 10 INVESTMENT PROPERTY

The Group has started to use the office building in Samara to earn rental income in 2016. The movements of investment property and related accumulated depreciation for the reporting periods were as follows.

| | Buildings |
|---|---|
| **Cost** | |
| **Balance at 1 January 2016** | **-** |
| Transfers | 366 |
| **Balance at 31 December 2016** | **366** |
| Currency translation impact | 25 |
| **Balance at 31 December 2017** | **391** |
| | |
| **Accumulated depreciation** | |
| **Balance at 1 January 2016** | **-** |
| Transfers | 93 |
| **Balance at 31 December 2016** | **93** |
| Charge | 10 |
| Currency translation impact | 10 |
| **Balance at 31 December 2017** | **113** |
| | |
| **Net carrying value** | |
| **As at 31 December 2016** | **273** |
| **As at 31 December 2017** | **278** |

The fair value of the investment property as at 31 December 2017 was assessed as USD 557 using the best available market rate for the similar office buildings in Samara.

Depreciation charge amounting to USD 10 for the year ended 31 December 2017 has been included in general administrative expenses and relates to continuing operations.

## 11 GOODWILL

The movements in goodwill during the years ended 31 December 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---|---|---|
| **Balance as at 1 January** | **32,353** | **31,935** |
| Goodwill impairment (Note 13 and 19) | (33,712) | (5,778) |
| Currency translation impact | 1,359 | 6,196 |
| **Balance as at 31 December** | **-** | **32,353** |

Goodwill impairment for the year ended 31 December 2017 relates fully to discontinued operations in the amount of USD 33,712 (year ended 31 December 2016: discontinued operations – USD 4,954, continued operations – USD 824).

Further information on the Group’s annual impairment testing for goodwill can be found in Note 13.

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

## 12 OTHER INTANGIBLE ASSETS

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

| | Trade names | Software | Other intangibles | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| **Balance at 1 January 2016** | **24,051** | **13,911** | **2,479** | **40,441** |
| Additions | - | 111 | 1,168 | 1,279 |
| Disposals | (2) | (100) | (409) | (511) |
| Transfers | - | 237 | (177) | 60 |
| Disposal of subsidiaries | - | (54) | (62) | (116) |
| Currency translation impact | 4,855 | 425 | 490 | 5,770 |
| **Balance at 31 December 2016** | **28,904** | **14,530** | **3,489** | **46,923** |
| Additions | - | 2 | 1,293 | 1,295 |
| Disposals | - | (320) | (75) | (395) |
| Disposal of subsidiaries | - | (1) | - | (1) |
| Impairment loss | (30,395) | (2,205) | (4,815) | (37,415) |
| Currency translation impact | 1,534 | 125 | 185 | 1,844 |
| **Balance at 31 December 2017** | **43** | **12,131** | **77** | **12,251** |
| | | | | |
| **Accumulated amortisation** | | | | |
| **Balance at 1 January 2016** | **2,479** | **13,788** | **1,988** | **18,255** |
| Charge | 71 | 277 | 256 | 604 |
| Disposals | (1) | (100) | (393) | (494) |
| Transfers | - | (41) | 64 | 23 |
| Disposal of subsidiaries | - | (54) | (59) | (113) |
| Currency translation impact | 508 | 351 | 378 | 1,237 |
| **Balance at 31 December 2016** | **3,057** | **14,221** | **2,234** | **19,512** |
| Charge | 84 | 200 | 812 | 1,096 |
| Disposals | - | (320) | (75) | (395) |
| Disposal of subsidiaries | - | (1) | - | (1) |
| Impairment loss | (3,263) | (2,048) | (3,012) | (8,323) |
| Currency translation impact | 165 | 79 | 118 | 362 |
| **Balance at 31 December 2017** | **43** | **12,131** | **77** | **12,251** |
| | | | | |
| **Net carrying value** | | | | |
| **As at 31 December 2016** | **25,847** | **309** | **1,255** | **27,411** |
| **As at 31 December 2017** | **-** | **-** | **-** | **-** |

The carrying value of intangible assets with indefinite useful lives (i.e. trade names) included above were written-off as of 31 December 2017 due to ceased operations of LLC PMH (31 December 2016: USD 25,064). Further information on the Group's annual impairment testing for intangible assets with indefinite useful lives can be found in Note 13.

The amortisation charge of USD 1,096 for the year ended 31 December 2017 has been included in general administrative expenses (2016: USD 604).The amortisation charge for the year ended 31 December 2017 relates fully to discontinued operations in the amount of USD 1,096 and included within Note 19 in the consolidated financial statements (year ended 31 December 2016: continued operations – USD 3, discontinued operations – USD 601).

Net impairment loss amounting to USD 29,092 for the year ended 31 December 2017 is due to ceased operations of LLC PMH and accounted under discontinued operations (Note 19).

The additions to other intangibles amounting to USD 1,293 in 2017 (2016: USD 1,168) are mainly related to the website development costs which were fully impaired during 2017 due to ceased operations of LLC PMH.

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

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

As at 31 December 2017 goodwill and other intangible assets were fully impaired due to the decision to cease digital operations of LLC PMH. The amount of the impairment booked for 2017 amounted to USD 62,876 relates to impairment of goodwill amounted to USD 33,712, impairment of other intangible assets amounted to USD 29,092 and impairment of tangible assets amounted to USD 72 (as at 31 December 2016: impairment of goodwill amounted to USD 5,778).

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

- Russia
- Kazakhstan.

As at 31 December 2016, the carrying amounts of goodwill and other intangible assets with indefinite useful lives were allocated to the cash-generating units as follows:

| | Goodwill | Other intangibles |
|---|---|---|
| Russia | 32,283 | 25,064 |
| Kazakhstan | 70 | - |
| | **32,353** | **25,064** |

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.

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.

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 and an EBITDA margin of 47.1% for Russia and 8.2% 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 5,778 was recorded in the consolidated financial statements as at 31 December 2016.

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 |
|---|---|
| An increase in the WACC to 19% | 6.2 |
| An increase in the WACC to 20% | 11.6 |
| Not meeting revenue forecast by 20% in each year | 14.9 |
| Terminal growth rate decrease to 3.7% | 3.9 |

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

## 14 TRADE RECEIVABLES

The details of trade receivables as at 31 December 2017 and 2016 are as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Trade receivables | 1,783 | 2,020 |
| Less: allowance for doubtful debts | (1,527) | (1,510) |
| **Net trade receivables** | **256** | **510** |

The fair values of trade receivables approximate their carrying values.

As at 31 December 2017 trade receivables that are neither past due nor impaired amounted to USD 142 (31 December 2016: USD 399). These trade receivables relate to a number of independent customers for whom there is no recent history of default.

As at 31 December 2017, trade receivables of USD 114 (31 December 2016: USD 111) included in the above amounts were past due but not impaired. These past due but not impaired 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 2017 | 31 December 2016 |
|---|---|---|
| Up to 3 months past due | 114 | 111 |
| | **114** | **111** |

As at 31 December 2017, trade receivables of USD 1,527 (31 December 2016: USD 1,510) were impaired. The individually impaired receivables relate to the customers experiencing economic difficulties. The aged analysis of these receivables is as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Up to 3 months | 51 | 37 |
| 3 to 6 months | 102 | 207 |
| Over 6 months | 1,374 | 1,266 |
| | **1,527** | **1,510** |

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

| | 2017 | 2016 |
|---|---|---|
| **Balance as at 1 January** | **1,510** | **890** |
| Impairment losses recognised on receivables | 284 | 526 |
| Reversal of prior year provision due to collection | (50) | - |
| Amounts written off during the year as uncollectable | (296) | (49) |
| Amounts relating to impaired receivables disposed of with a subsidiary | - | (36) |
| Foreign exchange translation difference | 79 | 179 |
| **Balance as at 31 December** | **1,527** | **1,510** |

Trade receivables and related allowances were 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.

During 2017, net impairment losses recognised on receivables amounting to USD 234 (2016: USD 526), including the reversal of prior year provision due to collection in 2017 in the amount of USD 50 and impairment losses recognised on receivables in the amount of USD 284. The net impairment losses recognised on receivables amounting to USD 234 (2016: 526) comprise USD 272 (USD: 416) thousand related to discontinued operations and included within general administrative expenses in Note 19 and reversal of prior year provision in the amount of USD 38 (2016: impairment loss in the amount of USD 110) related to continued operations.

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

## 15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2017 and 2016 are as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Cash at bank and in hand | 553 | 951 |
| Short-term time deposits | 100 | 109 |
| | **653** | **1,060** |

Short-term time deposits are comprised of USD denominated deposits with a 0.71% p.a. interest rate (31 December 2016: 0.54% p.a.) and a maturity of less than 3 months.

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

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| *Neither past due nor impaired* | | |
| BB- | 181 | 695 |
| BBB- | 330 | 210 |
| B- | 80 | 77 |
| BB+ | 62 | 60 |
| BB | - | 14 |
| B | - | 4 |
| | **653** | **1,060** |

## 16 SHARE CAPITAL

The Company's shareholding structure is as follows:

| | 31 December 2017 | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|
| | Share capital | Number of shares | Share, % | Share capital | Number of shares | Share, % |
| HIBV | 74,719 | 466,979,413 | 97.29 | 74,719 | 466,979,413 | 97.29 |
| Other | 108 | 671,574 | 0.14 | 108 | 671,574 | 0.14 |
| Other GDR | 1,973 | 12,349,013 | 2.57 | 1,973 | 12,349,013 | 2.57 |
| **Share capital** | **76,800** | **480,000,000** | **100.00** | **76,800** | **480,000,000** | **100.00** |

In 2017 no capital transactions were performed by the Group.

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 696,822 standing to the credit of the said share premium account to the credit of the accumulated losses with the opening balance of USD 746,693.

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 67,200 and additional paid-in capital by USD 21,000. The debt to HIBV amounting to USD 87,292 was transferred to the equity as a result of the share capital increase. Remaining amount of USD 908 was received in cash and used for meeting the working capital needs and for general corporate purposes.

All issued ordinary shares are fully paid.

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

## 17 BORROWINGS

| | Currency | Annual interest rate (actual rate as at 31 December 2017) | Maturity | 31 December 2017 | 31 December 2016 |
|---|---|---|---|---|---|
| Yapi Credi Bank | RUB | 12.25% | 21 November 2018 - 31 December 2018 | 356 | - |
| Deniz Bank CJSC | RUB | 11.13% (Mosprime + 2.75%) | 1 February 2018 - 24 January 2019 | 1,302 | - |
| Deniz Bank CJSC | RUB | 12.25% | 14 June 2018 - 30 September 2020 | 8,507 | - |
| Deniz Bank CJSC | RUB | 12.63% (Mosprime + 2.0%) | 5 May 2017 | - | 1,236 |
| Deniz Bank CJSC | RUB | 13.38% (Mosprime + 2.75%) | 16 November 2017 | - | 2,061 |
| Deniz Bank CJSC | RUB | 13.41% (Mosprime + 2.95%) | 22 December 2017 | - | 1,072 |
| | | | | **10,165** | **4,369** |

All bank loans are guaranteed by Hürriyet. The fair value of borrowings approximate their carrying amount.

Borrowings in the amount of USD 7,639 thousand, which were classified as long-term liabilities in the consolidated statement of financial position relate to LLC PMH. These borrowings are due to be settled in 2019-2020 and management intends to settle them based on the contractual maturity, notwithstanding the operations of LLC PMH were ceased and are classified as discontinued operations.

During 2017, the Group opened new credit lines totalling for the total amount of RUB 520 million (equivalent of USD 9,028) in Yapi Kredi Bank. The Group obtained tranches during 2017 totalling RUB 350 million (equivalent of USD 6,016) in Yapi Kredi Bank with maturity of less than one year and RUB 565 million (equivalent of USD 9,691) in Deniz Bank CJSC. During 2017, the Group settled its debts in the amount of USD 5,664 to Yapi Kredi Bank and USD 4,546 to Deniz Bank CJSC.

In January 2016, the Group repaid its external debts including interests to CEB in the amount of USD 35,215 and to Deniz Bank CJSC in the amount of USD 2,469 using the additional loan of USD 37,658 obtained from HIBV. During 2016 the Group received additional loans in the amount of USD 1,571.

During 2016, the Group opened new credit lines for the total amount of RUB 300 million (equivalent of USD 4,946) in Deniz Bank CJSC and obtained tranches totalling RUB 265 million (equivalent of USD 4,369) 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 2017 the Group has committed but not accessed borrowing facilities in the amount of USD 3,012 (31 December 2016: USD 577).

The movement of borrowing principal for the reporting periods were as follows:

| | Borrowings |
|---|---|
| **Borrowings at 1 January 2016** | **37,692** |
| Cash inflow | 4,369 |
| Interests accrued | 499 |
| Cash outflow | (37,470) |
| Interests paid | (499) |
| Currency translation difference | (222) |
| **Borrowings at 31 December 2016** | **4,369** |
| Cash inflow | 15,707 |
| Interests accrued | 1,008 |
| Cash outflow | (10,210) |
| Interests paid | (1,008) |
| Currency translation difference | 299 |
| **Borrowings at 31 December 2017** | **10,165** |

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

## 18 TRADE PAYABLES

Trade payables as at 31 December 2017 and 2016 are as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Trade payables | 1,421 | 1,899 |
| | **1,421** | **1,899** |

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.

The fair values of trade payables approximate their carrying values.

## 19 DISCONTINUED OPERATIONS

As announced in the press release dated 22 November 2017, Board of Directors of LLC PMH, the biggest subsidiary of the Group, has decided to cease LLC PMH's digital operations (mainly irr.ru and job.ru) in Russia. The operations in Kazakhstan have been ceased during 2017 as well and Kazakh subsidiaries were in the process of liquidation as of 31 December 2017.

Although the legal liquidation process has not yet been initiated; however, management has classified LLC PMH's operations as discontinued based on their conclusion that the operation meets the criteria set out in IFRS 5, in particular:

- Operations of LLC PMH represent a separate major line of the Group's business in Russia;
- Major part of LLC PMH's employees were laid-off and received severance payments as at 31 December 2017;
- The Group derecognised major part of non-current assets related to LLC PMH, including goodwill and other intangible assets amounting to USD 33,712 and USD 29,092, respectively (Note 13). As at 31 December 2017 the Group does not have any material non-current assets related to LLC PMH.

The results of discontinued operations are as follows:

| | For the years ended | |
|---|---|---|
| | 31 December 2017 | 31 December 2016 |
| **Discontinued operations** | | |
| Revenue | 4,390 | 6,520 |
| Cost of sales | (3,141) | (4,301) |
| **Gross profit** | **1,249** | **2,219** |
| Marketing, selling and distribution expenses | (2,640) | (2,495) |
| General administrative expenses | (4,051) | (3,277) |
| Other operating expenses | (309) | (416) |
| Other operating income | 106 | - |
| **Operating loss** | **(5,645)** | **(3,969)** |
| Interest expenses | (1,015) | (255) |
| Foreign exchange gain/ (loss), net | 89 | (1,379) |
| Impairment loss on goodwill (Note 11 and 13) | (33,712) | (4,954) |
| Impairment loss on intangible and tangible assets (Note 9,12 and 13) | (29,164) | - |
| Loss on disposal of subsidiaries | (7) | (100) |
| Gain/ (loss) on sale of property, plant and equipment | 49 | (16) |
| **Loss before income tax** | **(69,405)** | **(10,673)** |
| Income tax credit/(expense) | 4,860 | (249) |
| **Net loss for the year from discontinued operations** | **(64,545)** | **(10,922)** |

An analysis of the cash flows of discontinued operations is as follows:

| | | |
|---|---|---|
| Net cash used in operating activities | (6,429) | (5,510) |
| Net cash used in investing activities | (1,164) | (1,243) |
| Net cash generated by/(used in) financing activities | 6,867 | (33,101) |
| **Net decrease in cash and cash equivalents** | **(726)** | **(39,854)** |

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

## 20 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, Hürriyet, 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:

| | 2017 | 2016 |
|---|---|---|
| HIBV | 19 | 1,977 |
| Hürriyet | 8 | - |
| | **27** | **1,977** |

Purchase of services for the year:

| | 2017 | 2016 |
|---|---|---|
| Hürriyet | 415 | 276 |
| | **415** | **276** |

The following payables were outstanding at the end of the reporting period:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Hürriyet | 693 | 276 |
| | **693** | **276** |

This balance was included in trade payables line in the consolidated statement of financial position.

The following borrowings from shareholders were outstanding at the end of the reporting period:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| HIBV | 2,265 | 1,069 |
| Hürriyet | 1,378 | - |
| | **3,643** | **1,069** |

The movement of borrowings for the reporting periods were as follows:

| | |
|---|---|
| **Borrowings at 31 December 2016** | **1,069** |
| Cash inflow | 2,422 |
| Interests accrued | 27 |
| Currency translation impact | 125 |
| **Borrowings at 31 December 2017** | **3,643** |

As disclosed in Note 17 in the consolidated financial statements during 2016 the Group obtained loan in the amount of USD 37,658 from HIBV which was used to repay external debts to CEB and Deniz Bank CJSC. Later during 2016 additional loan from HIBV in the amount of USD 1,571 was received.

Further in August 2016 the Group received USD 908 from HIBV as a result of GDR issue, details of this transaction are disclosed in Note 16 in the consolidated financial statement.

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

## 20 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

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

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| HIBV | 155 | 151 |
| | **155** | **151** |

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

| | 2017 | 2016 |
|---|---|---|
| Short-term benefits (salaries) | 388 | 295 |
| | **388** | **295** |

The short-term benefits for the year-ended 31 December 2017 amounted to USD 388 and comprised of salaries and severance payments paid to the General Director of LLC PMH together with the remuneration to the Board of Directors of the Group.

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

## 21 OTHER CURRENT ASSETS

Other current assets as at 31 December 2017 and 2016 are as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Receivables from social funds | 148 | 68 |
| Prepaid rent and other expenses | 73 | 309 |
| Value Added Tax (“VAT”) receivable | - | 301 |
| Less: allowance for other doubtful debts | (10) | (49) |
| | **211** | **629** |

## 22 OTHER CURRENT LIABILITIES

Other current liabilities as at 31 December 2017 and 2016 are as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Advances received | 769 | 1,236 |
| Provision for severance payments | 133 | - |
| VAT payable | 114 | 217 |
| Accrual for unused vacations | 51 | 214 |
| Social security and other taxes payable | 34 | 170 |
| Amounts due to employees | 23 | 77 |
| Other liabilities | 50 | 24 |
| | **1,174** | **1,938** |

As a result of the resolution to cease operations of LLC PMH, the Group created the provision for severance payments as at 31 December 2017 amounted to USD 133, which will be paid to the employees when they will be laid-off. This amount was included in General administrative expenses within discontinued operations (Note 19).

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

## 23 COMMITMENTS AND CONTINGENCIES

### 23.1. Operating lease arrangements

Minimum non-cancellable operating lease payments under existing operating leases for office space, automobiles and office equipment as at 31 December 2017 and 2016 are as follows:

| | 31 December 2017 | 31 December 2016 |
|---|---|---|
| Within one year | 122 | 191 |
| | **122** | **191** |

Operating lease expenses during the year ended 31 December 2017 from continued operation amounted to USD 151 and discontinued operations amounted to USD 427 (year ended 31 December 2016: continued operations - USD 242 and discontinued operations – USD 468).

### 23.2. Litigation

From time to time, the Group is involved in certain litigations arising in the normal course of business.

In 2015, a legal claim for a total amount of RUB 39 million (approximately USD 535) 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 final resolutions of the courts, which took place in 2017, were again in favour of the defendants and the legal claim was closed.

### 23.3. Tax and regulatory environment

During 2017 the 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), although it has specific features. This legislation provides for the possibility of additional tax assessments for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm’s-length basis. The Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from controlled transactions are determined based on their 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.

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

## 23 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

## 24 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 2017 | 31 December 2016 |
|---|---|---|
| **Loss per share from attributable to the ordinary equity holders of the company:** | | |
| Weighted average number of ordinary shares in issue (thousands) | 480,000 | 200,000 |
| Loss from continuing operations | (1,008) | (4,322) |
| Basic and diluted loss per share from continuing operations (USD per share) | (0.0021) | (0.0216) |
| Loss from discontinued operations | (64,545) | (10,922) |
| Basic and diluted loss per share from discontinued operations (USD per share) | (0.1345) | (0.0546) |
| **Total Basic and diluted loss per share** | **(0.1366)** | **(0.0762)** |

## 25 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.

| | 2017 | 2016 |
|---|---|---|
| Net assets disposed of | - | (238) |
| **Loss on disposal of subsidiaries** | **-** | **(238)** |

## 26 EVENTS AFTER THE REPORTING PERIOD

The closing of the sale of JOB.ru's digital assets to the company HeadHunter took place on 25 January 2018 with total proceeds amounting to RUB 40 million (approximately USD 700 thousand).

In April 2018, Doğan Holding announced that it has concluded an agreement with Demirören for the sale and transfer of its direct and indirect subsidiaries operating in the publishing and broadcasting segments. The transaction will also include Hürriyet, HIBV and TME. The transaction is subject to various conditions, including, amongst others, approval by the General Assembly of Doğan Holding and regulatory consents. The transaction is expected to be completed during May 2018.

## 27 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorised for issuance on 27 April 2018.