DP Eurasia N.V.

Annual Report and Accounts 2018

About us

DP Eurasia N.V. ("DP Eurasia" or the "Company") is the exclusive master franchisee of the Domino's Pizza brand in Turkey, Russia, Azerbaijan and Georgia.

Domino's Pizza is one of the most successful fast-food brands worldwide and a global leader in home delivery.

Visit us online at
www.dpeurasia.com

What's inside

People

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Product

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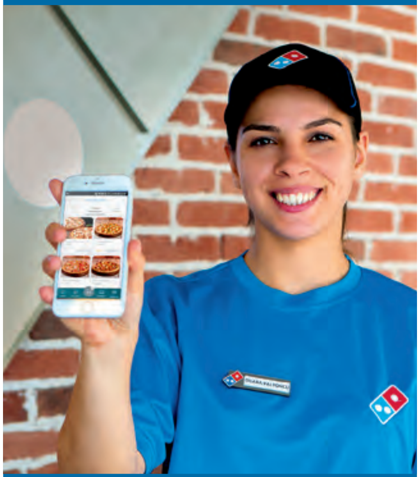
Digital



Find out more on page 18

At a glance

Domino's Pizza is one of the most successful fast-food brands and an international leader of home delivery with global retail sales of over USD 13.5 billion in 2018. DP Eurasia is the fifth largest master franchisee of the Domino's Pizza brand owned by Domino's Pizza Inc.

TRY 1.1 billion system sales

724 stores across 4 countries

67% franchise store mix

60.8% of delivery online

DP Eurasia together with its subsidiaries (the "Group") offers pizza delivery and takeaway/eat-in facilities at its 724 stores (as at 31 December 2018) across four countries (535 in Turkey, 179 in Russia, six in Azerbaijan and four in Georgia).

The Group operates through its corporate stores and franchised stores (together, its "system stores"). As of 31 December 2018, 33% of the Group's system stores were corporate stores, principally located in densely populated cities, and 67% were franchised stores. The corporate stores serve as a platform to develop best practices that the Group subsequently deploys in its franchised stores.

Since 2010, the Group has rapidly expanded, opening (on a net basis) an average of 70 system stores per year (from 2011 to 2018). As at 31 December 2018, the Group operated 724 system stores of which 486 were franchised. The Group intends to continue to rapidly expand its store network in the future.

The Group has adapted the Domino's Pizza globally proven business model to its local markets. The Group has a centralised supply and procurement function, owning and operating six commissaries which manufacture pizza dough and supply its system stores.

The Group offers consumers high quality, freshly made pizzas, which it tailors to local tastes, at attractive prices, delivered within 30 minutes of ordering. It also offers complementary products, side dishes such as chicken, and desserts, some of which have been developed by the Group's innovation centre in Istanbul and subsequently adopted by other master franchisees of Domino's Pizza around the world.

Our history

Founded in 1996 by our Chief Executive Officer, Aslan Saranga, the Group became the master franchisee of Domino's Pizza in Turkey, expanding rapidly, with its 100th store opening in Istanbul in 2008.

In 2012, the Group was awarded the exclusive master franchise of the Domino's System for Russia, and in 2015, the Group opened its first franchised stores in Azerbaijan and Georgia. The Group today is the largest pizza delivery company in Turkey and the third largest in Russia, in terms of number of stores.

Where we operate

Growing regional expansion from an established strong base in Turkey

DP Eurasia offers pizza delivery and takeaway/eat-in facilities at its 724 stores (as at 31 December 2018) across four countries (Turkey, Russia, Azerbaijan and Georgia).

- Franchised stores
- Corporate stores
- Commissaries

Our vision

Vision
The Group's vision is to be an international leader in the areas in which it operates by utilising the best market practices and continually innovating to provide excellent services to both customers and the community.

Mission
The Group's mission is to create value for shareholders and respect the community in a socially responsible way.

Values
Underpinning the Group's ethical principles and business conduct are its core values of **ambition**, **integrity**, **cohesion** and **team spirit**.

Highlights

Financial highlights

- Group revenue and system sales up 36.8% and 30.9%, respectively, driven by both like-for-like growth and store openings
  - Turkish system sales growth of 14.0%
  - Russian system sales growth of 81.8% (48.7% based on RUB)
- Adjusted EBITDA margin as a percentage of system sales was 9.8%, with both regions delivering improved returns:
  - Turkey adjusted EBITDA margin increased by 0.5% points to 12.8%
  - Russia adjusted EBITDA margin increased by 0.9% points to 6.4%
- Adjusted EBITDA up 21.8% to TRY 110.6 million (2017: TRY 90.8 million) driven by strong sales growth despite the impact of increased Dutch corporate expenses of TRY 9.8 million (2017: TRY 1.3 million)
- Adjusted net income is a loss of TRY 6.7 million, affected by increased financial expense and FX loss
- All hard currency bank debt refinanced into local currency, predominantly in Russian Roubles

Operational highlights

- Turkey and Russia like-for-like growth predominantly driven by the online ordering platforms – online delivery system sales as a share of delivery system sales reached 60.8% for the period (2017: 51.8%)
- All-time high of 81 new stores added in the year, bringing the total number to 724
  - Strong Russian store rollout with a record 58 additions
  - 23 store openings in Turkey segment (including Azerbaijan and Georgia)
  - Russian franchised store mix at 44%
- Responsive and progressive websites now live in Turkey and Russia
- First regional dough production facility operational in Yekaterinburg, Russia

Notes

(1) System sales are sales generated by the Group's corporate and franchised stores to external customers and do not represent revenue of the Group.

(2) Like-for-like growth is a comparison of sales between two periods that compares system sales of existing system stores. The Group's system stores that are included in like-for-like system sales comparisons are those that have operated for at least 52 weeks preceding the beginning of the first month of the period used in the like-for-like comparisons for a certain reporting period, assuming the relevant system store has not subsequently closed or been "split" (which involves the Group opening an additional store within the same map of an existing store or in an overlapping area).

(3) EBITDA, adjusted EBITDA and non-recurring and non-trade income/expenses are not defined by IFRS. These items are determined by the principles defined by the Group management and comprise income/expenses which are assumed by the Group management to not be part of the normal course of business and are non-trading items. These items which are not defined by IFRS are disclosed by the Group management separately for a better understanding and measurement of the sustainable performance of the Group. Please refer to Note 3 in the Consolidated Financial statements for a reconciliation of these items with IFRS.

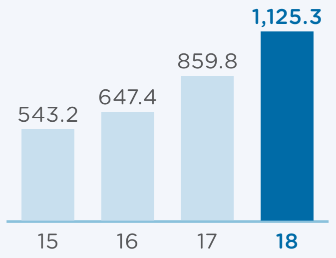
(4) Adjusted net income is not defined by IFRS. Adjusted net income excludes income and expenses which are not part of the normal course of business and are non-recurring items. Management uses this measurement basis to focus on core trading activities of the business segments and to assist it in evaluating underlying business performance. Please refer to Note 3 in the consolidated financial statements for a reconciliation of this item with IFRS.

(5) Net debt and adjusted net debt are not defined by IFRS. Adjusted net debt includes cash deposits used as a loan guarantee and cash paid, but not collected during the non-working day at the year end. Management uses these numbers to focus on net debt including deposits not otherwise considered cash and cash equivalents under IFRS. Please refer to Note 17 in the consolidated financial statements for a reconciliation of these items with IFRS.

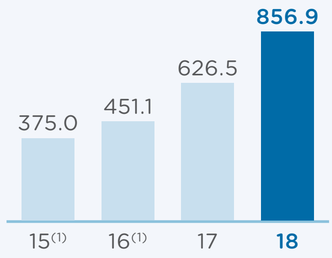
(6) Please refer to Note 2.3 in the consolidated financial statements for the details of the restatement due to IFRS 15 adoption.

Key financial figures

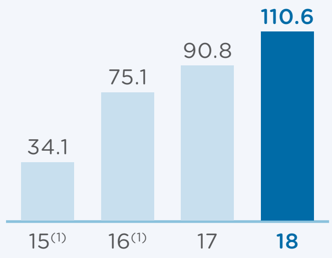
System sales in TRY million



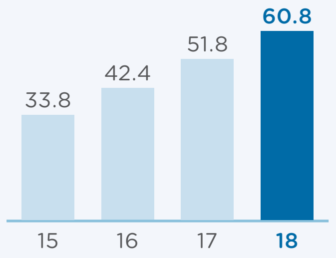
Revenue in TRY million



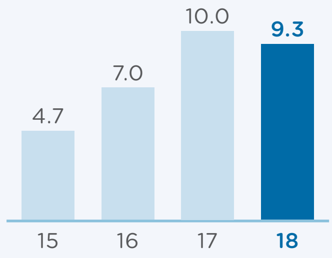
Adjusted EBITDA in TRY million



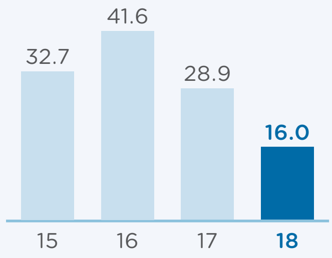
Online as a % of delivery



Like-for-like growth % – Turkey



Like-for-like growth % – Russia



(1) 2015 and 2016 figures have not been restated for the adoption of IFRS 15.

For the year ended 31 Dec (in millions of TRY, unless otherwise indicated)	**2018**	Restated[6] 2017	Change
Number of stores	**724**	643	81
System sales[1]			
Turkey	**736.1**	645.6	14.0%
Russia	**373.5**	205.4	81.8%
Azerbaijan and Georgia	**15.7**	8.7	80.2%
Total	**1,125.3**	859.8	30.9%
Group system sales like-for-like growth[2]			
Turkey	**9.3%**	10.0%	
Russia (based on RUB)	**16.0%**	28.9%	
Revenue	**856.9**	626.5	36.8%
Turkey adjusted EBITDA[3]	**96.5**	80.9	19.4%
Russia adjusted EBITDA[3]	**23.9**	11.2	112.2%
Adjusted EBITDA[3]	**110.6**	90.8	21.8%
Adjusted net income[4]	**(6.7)**	16.9	n.m.
Adjusted net debt[5]	**154.6**	106.7	44.9%

Chairman's statement

2018 has been a year where we have built further on our achievements in 2017.

Peter Williams
Chairman

DP Eurasia have produced robust results whilst operating in what is a challenging market. For DP Eurasia, which has witnessed similar tests before, this brings challenges but also opportunity. The Board is determined to navigate the best path to deliver further value to shareholders and I look forward to working with the team in taking the Group forward.

Financial results

The strength of our business model and the Domino's Pizza brand underpins our robust financial results in 2018. Adjusted EBITDA increased by 21.8% to TRY 110.6 million driven by revenue growth of 36.8% to TRY 856.9 million. We opened a record 81 stores across the Group in 2018, passing the 700 stores mark with the total store count by the year end standing at 724.

Our focus

Despite the macro-economic headwinds in Turkey, the business has continued to invest in technology. The new website launched in both Turkey and Russia is experiencing higher conversion rates. Online delivery system sales reached 61% of delivery sales (up from 52%), resulting from online system sales growth of 36% in Turkey and 113% in Russia. As indicated at the time of the IPO, the business is well positioned in terms of maximising the opportunities arising from the transition to online and mobile ordering.

We also launched the GPS Tracker nationwide in Turkey, which has helped us to offer greater logistics mobility solutions to both our customers and store operators.

Corporate governance

We continue to strive for transparency for shareholders and other stakeholders, with a view to enhancing our corporate culture and governance framework. The corporate governance report set out on pages 52 to 59 provides details on how we are continuing to foster an environment of entrepreneurial leadership and innovation in a framework of responsible governance and risk management.

People

Aslan and his teams in both Turkey and Russia delivered another year of excellent financial and strategic progress. I would like to express appreciation to our employees and all the franchisees for their dedication, commitment and hard work during the year.

Outlook

The Board has been closely monitoring the Group's strategy as well as its financial and operational performance throughout the year. We believe that with a sound management team and with committed franchisees, the Group is well positioned to continue its growth strategy. We thank you for your trust and commitment in the months and years ahead.

Peter Williams
Chairman

1 April 2019

Competitive advantages

DP Eurasia is well positioned to continue delivering against its strategy thanks to its unique competitive advantages.

1. Leading market positions
2. Highly attractive, underpenetrated markets with substantial growth potential in the Group's addressable segments
3. Strong online capabilities underpin DP Eurasia's growth
4. Globally proven business model successfully applied and adapted to DP Eurasia's local markets
5. Simple and scalable, asset-light business model
6. Highly attractive customer proposition and strong brand equity
7. Track record of resilient and profitable growth as well as strong cash conversion
8. Founder-led, experienced management team

Vision and strategy

DP Eurasia has a simple and scalable, asset-light business model, offering globally recognised pizza products at a range of price points, adapted to local tastes.

DP Eurasia's strategy for growth is focused around four main pillars:

Focus on innovation and online ordering to drive like-for-like growth

As the online channel becomes more prominent in the Group's sales mix and continues to drive like-for-like growth, the Group's ordering channel strategy is focused on development of proprietary online ordering platforms for delivery and takeaway.

The Group is seeking to increase its online sales to levels above 70% observed generally across Domino's Pizza master franchisees.

Like-for-like growth

2018	
Russia 16.0%	Turkey 9.3%

Store network growth

The Group plans to capitalise on its strong market positions in its existing markets, where it believes there is significant capacity for further Domino's Pizza store locations. It intends to open new corporate and franchised stores, including "splits" of existing stores where demand supports further profitable growth. The Group evaluates its store locations from the perspective of potential sales, level of competition, number of households and GDP per capita. By pursuing its "castle" strategy, the Group is able to rapidly roll out clusters of complementary corporate and franchised stores, establishing greater area coverage, fulfilling its 30-minute delivery guarantee and building strong local brand awareness.

New stores

2018
+81

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Financial statements
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Additional information

Leveraging scale advantage to further improve profitability

The Group believes that the operating leverage in its business in Turkey can create further value as the store and online footprint continues to increase. The nationwide scale of the Group's operations reinforces brand awareness, making Domino's Pizza a household name in Turkish fast food, thereby further driving sales and the system stores' contribution to the Group's national advertising initiatives.

In Russia, the Group expects to extract similar value from the operating leverage as the Group plans to continue high levels of rollout to grow the franchise part of the business and increase the overall scale of the system.

Adjusted EBITDA as a % of system sales

2018

Russia	Turkey
6.4% ↑0.9%	12.8% ↑0.5%

Potential for further international expansion

While the Group's current focus is on the development of the business in its current markets, the Group may consider acquiring other master franchise licences and expanding to territories currently unpenetrated by the Domino's System. Such international expansion is a discretionary strategy that the Group will consider and pursue on an opportunistic basis should valuations prove attractive.

Message from the CEO

Our performance continues to be strong in both of our main markets. Both Turkey and Russia recorded robust top-line growth, accompanied by an increased adjusted EBITDA margin as a percentage of system sales.

Aslan Saranga
Chief Executive Officer

We are pleased to report another successful year for 2018 despite the macroeconomic volatility we have faced in Turkey. Our performance continues to be strong in both of our main markets. Both Turkey and Russia recorded robust top-line growth accompanied by an increased adjusted EBITDA margin as a percentage of system sales. We've opened 81 stores, the most stores the Company has opened in a calendar year, and we've improved our Russian store opening pace for the fifth year in a row.

Innovation, related to both our products and our technology, continues to be the main driver of our strong performance. We have recently introduced three new pizzas in Turkey, including the chocolate pizza, our first co-branded KitKat® chocolate pizza with Nestlé®, and Dopdolu, a meat-based value pizza. In Russia, we have introduced a new value pizza line as well as several side dishes, including wraps and new desserts. We launched our new websites in both Russia and Turkey as well as the GPS Tracker in Turkey. The new websites are materially increasing our conversion rates and the GPS Tracker has started to introduce labour cost efficiencies.

Our regional and franchise expansion is continuing to develop in Russia. We are now operational in twelve cities across the country and have increased the number of our franchisee partners to 31.

Year-to-date February 2019 started with a 2.5% like-for-like growth in Turkey, where the effects of the macroeconomic volatility impacted consumer spending. We continue to target margin preservation in Turkey. In Russia, like-for-like growth is at 7.7% for the same period. The Board expects the full-year adjusted EBITDA(5) for 2019 to be in line with expectations, with cost control measures compensating for the lower like-for-like expectation in Russia. Cost control measures will include stricter food and labour cost control, headquarters streamlining and logistics productivity increases. Once again, I would like to thank our dedicated team across the Group who have been instrumental in delivering this strong set of results and I look forward to a successful 2019.

Aslan Saranga
Chief Executive Officer

1 April 2019

Key events

Our achievements in 2018 included opening 81 new stores and installing GPS Trackers servicing the Turkish stores.

February

Appointment of joint corporate broker Liberum Capital Limited

July

Announcement of half-year results

29 stores opened in the first half of 2018 (21 in Russia, seven in Turkey and one in Azerbaijan)

Agreement signed to refinance Euro denominated Russian loans by a Rouble denominated loan

September

Launched enhanced website in Turkey

December

Total store numbers reached 724, an increase of 81 stores across the Group over the year, 58 of which were in Russia

January 2019

Launched GPS Tracker ad campaign nationwide in Turkey, servicing the Turkish stores

Business model

Our asset-light and scalable business model allows for continuous investment in our people, our product and our digital platforms, delivering value to all our stakeholders.

Competitive strengths

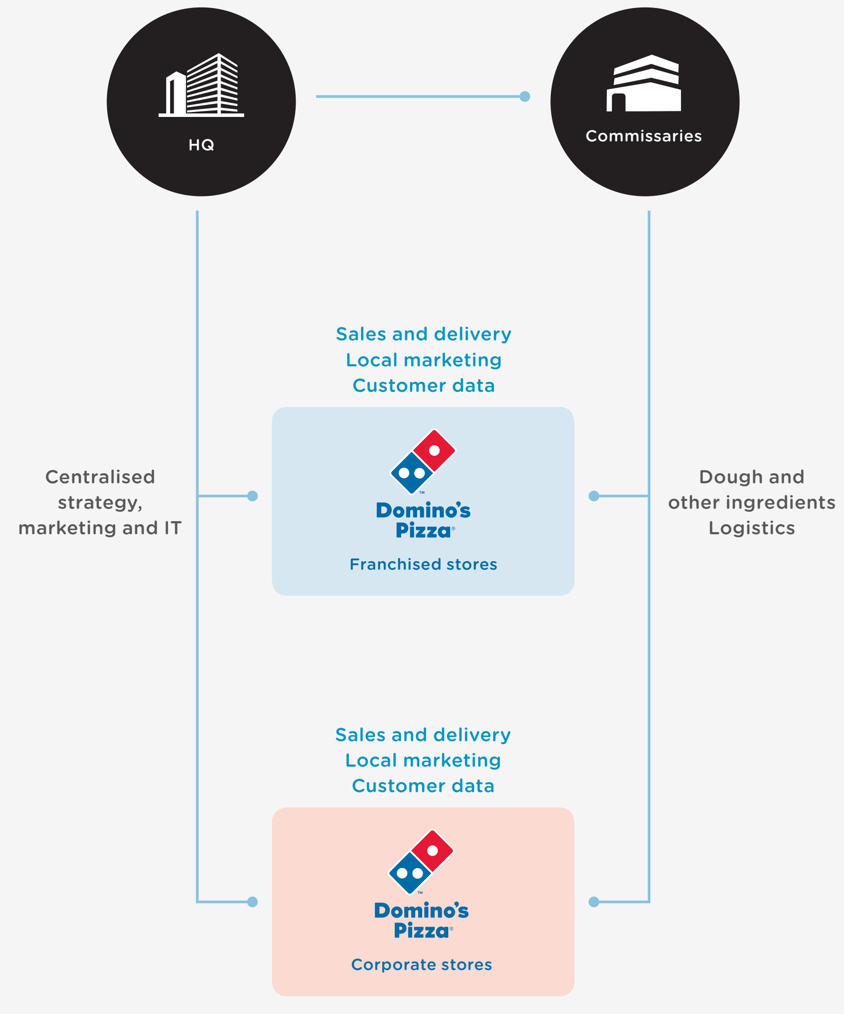
Globally recognised brand

Large-scale network

Low-cost centralised supply chain

Disciplined approach

Business model



Strategic pillars

People
See pages 14 and 15

Product
See pages 16 and 17

Digital
See pages 18 and 19

Stakeholders

Customers

Employees

Shareholders

Community

Franchisees

Suppliers

Underpinned by our culture

Ambition
The Group is committed to improving and demonstrating an eagerness to develop to overcome new challenges in order to contribute to its growth.

Integrity
The Group is dedicated to choosing the path which strengthens its principles of honesty, truth, loyalty, rectitude and justice in the daily conduct of all workers.

Cohesion
The Group aims to guarantee that the ambitious goals it sets are achieved through the contribution of all business units. The Group's experience facilitates the bringing together of necessary resources to overcome new challenges.

Team spirit
The Group operates globally in culturally diverse contexts and encourages, amongst all workers, a sense of belonging, respect for differences, loyalty and reciprocity.

People

DP Eurasia continues to make a difference with its leading industry standards and strong cultural values.

In 2018, DP Eurasia continued to welcome new franchisees and operational leaders in parallel with its expanding store network. We've continued to improve our organisation by integrating our new systems and acting upon our passion of always striving for better.

Talent acquisition and development

The Group communicates its core values both internally and externally to attract people with the right skills that our business needs.

Our entrepreneurial and growth culture, technology-driven proposition, and innovative and fun environment are all included in the social media advertisements and career sites we use to give candidates insight into what life at Domino's is like. All of our new employees go through an onboarding process called Pizza Prep School to learn about our Company and business culture.

Retaining and motivating our best performing employees is our key HR strategy.

We have different development programmes for different target groups of employees, based on technical necessities, personal assessments and specific business needs. Integrated programmes covering a mix of disciplines (mix of e-learning, classroom training, on-the-job training, exams, lectures and other methods) are provided to ensure our core values and processes are effectively communicated across our geographies. We are proud that all of our career and project-based training is delivered in house using internal trainers.

In 2018, 996 managers were trained via these programmes.

The Group attaches importance to employees' loyalty and happiness, organising various events to this end. We collect feedback from our colleagues, which we use to generate deliverable actions, improving the performance and wellbeing of our people. As such, in 2018 employee turnover was kept stable.

Cultural atmosphere

Domino's Pizza spirit

DP Eurasia is made up of passionate employees who think outside the box and who are focused on high performance. Our motto "Sell more pizza, have more fun" is felt at all levels throughout our network.

Pizza passion

At DP Eurasia, our employees are passionate about making pizza. The Fastest Pizza Maker competition is an occasion that has great importance for remembering the reason for existence.

To encourage and inspire colleagues, we hold a similar version of the Fastest Pizza Maker competition for headquarters employees and franchisees.

Agile culture dynamics

Agile culture dynamics such as integration of customer approach into the project outcomes, continuous improvement and generating quick results are inherent in the Group's ongoing working systems.

Our communication platforms also support agile working; project teams and departments hold quick, short-term routine meetings and mobile solutions allow us to carry out operations with increased agility through mutual communication.

Common purpose

Our people have a shared vision of how to achieve the Company's strategic goals.

To ensure all employees are informed on business performance and objectives, we use internal communications including our corporate intranet, newsletters and email lists and we hold a variety of corporate events throughout the year.

Our Domino's Pizza Rally is one of the largest and the most important of our communication events. The big gathering, which is held for franchisees and colleagues across the network, is an opportunity for us to inspire colleagues with spectacular opening shows, surprise stage shows, and guest speakers. We also share our annual strategy plan at this event.

Rewarding

Recognition of significant individual contributions to the Group's development forms the basis of the rewarding strategy. We recognise extraordinary accomplishments such as strong sales performances, operational excellence, high customer service scores, and managers with an attitude embracing and encouraging others to embrace the Domino's Pizza culture.

125 rewards were given in different categories in 2018.

Human rights

We do not discriminate on the basis of gender, colour, ethnicity, religion or disability and provide equal opportunities in all areas of work including employment, wage policy and career development. We recognise these rights in our Code of Conduct document.

Labour safety and working conditions

We aim to create a comfortable working environment for our people through an integrated safety programme, continuously monitoring and improving our labour conditions, as well as accelerating efforts to upgrade work processes. Change in the office working hours of headquarter personnel in Turkey and dress code changes in Russia are just some examples of where we have converted requests from our colleagues into deliverable improvements.

Exceptional Domino's franchisees

Franchisees are integral to our business and our culture at DP Eurasia. Because of the important role they play in our system, in 2018 we organised "a Franchisee School" as an additional process for their onboarding to the system: we request that franchisees with less than one year's experience join this off-site event to acquire the necessary skills to become a winning partner in the Domino's Pizza system.

Parallel to the growing franchise organisation, management roadshows are performed every year to strengthen communication between headquarters and franchises. This year we organised six roadshows in Turkey to get in touch with franchisees.

Recognition of our franchisees is as important as of our employees; as is the case with every local Rally, in 2018, 16 franchisees were rewarded with a Gold Franny having been judged on criteria such as sales growth, store opening and operational performance.

DP Eurasia's entrepreneurial spirit is felt in our franchisee system: the Group supports "homegrowns", franchisees who have worked within the Group previously in a corporate office. Eight homegrowns in Turkey and two homegrowns in Russia realised their dreams by taking ownership of their stores in 2018. We are proud to offer an environment where they can grow as we grow.

Product

The Group's store menu offers globally recognised pizza products, which are tailored to local tastes.








The Group's menu offers globally recognised pizza products, which are tailored to local tastes. It also offers complementary products such as oven-baked sandwiches, chicken, other side dishes and desserts – some of which have been developed by the Group's innovation centre in Istanbul and subsequently adopted by other master franchisees of Domino's Pizza around the world.

The Group maintains a focused menu in all of the countries in which it operates, which is designed to present a value-based, attractive and high-quality offering to customers, while simplifying and expediting the order taking and food preparation processes. The Group believes that its focused menu creates a strong identity for its products among consumers, as well as improving operating efficiency and maintaining food quality and consistency.
The Group's system stores purchase their ingredients (such as pizza dough, sauces and toppings), their supplies (such as beverages) and their materials (such as pizza boxes, menus and uniforms) from the Group's commissaries (other than in Azerbaijan and Georgia where the Group sometimes approves locally sourced substitutes). Thus, the Group seeks to centralise the supply of key ingredients, which gives its products a consistent taste and presentation across all geographies.

The Group adapts its product offering to the various cultures and consumption patterns in the different countries in which it is present. For example, pork products are not used in the system stores in Azerbaijan and Turkey.

The Group believes that its disciplined approach to product innovation is a key differentiator from its competitors and is based on:

- an understanding of customer preferences based on data from the Group's customer relationship management ("CRM") database and direct customer questionnaires in stores;
- strict food cost and ingredient planning in creating new recipes; and
- in-store pilot testing for four to eight weeks before rollout across the system stores.

The Group's system stores offer a variety of side dishes (which use the same oven equipment as pizzas) which expands its total offering and contributes to increased average ticket price. The Group offers soft drinks including Coca-Cola, Fanta, Sprite and Fuse tea and, additionally in Russia, tea, coffee and beer.
The Group's dessert selection features items such as mosaic cakes (which are chocolate bites) and a chocolate soufflé product – another Group innovation which has been adopted in other territories within the worldwide Domino's System.

Digital

DP Eurasia's online capabilities and platform present many tangible benefits, including ease of ordering, higher order frequency, reduced in-store labour cost and increased consumer loyalty and brand awareness.

The Group's online approach is to use a single back end platform for each country in which it operates, thereby driving sales centrally to its stores. Therefore, the digital solutions development process was centralised in Turkey to develop in-house multi-tenant applications with multi-lingual ability, including responsive desktop/mobile website functionality with design trends, striving to offer a superior user experience for all its countries of operation. The new websites for Turkey and Russia were launched in September 2018 and the first quarter, of 2019, respectively.

The Group aims to increase online sales as a proportion of system sales. By growing the volume of orders placed through its online platform, growth in system sales and franchisees' results are expected to become less reliant on the initiatives of the franchisees, enabling them to focus on the operational aspects of their role and allow the Group greater control over features such as pricing and sales across its system stores. Orders placed using the Group's online platform have a higher customer ordering frequency than orders placed offline, mainly due to the convenience associated with the ease of ordering online and more targeted marketing initiatives. The Group's online platform also provides "push" opportunities, both through in-app and web-based browser notifications. These targeted advertising initiatives are more effective than traditional advertising given the impulsive nature of the offering and are less costly to implement and quicker to roll out than the Group's traditional national marketing campaigns.

There are initiatives that the Group has implemented to support its online strategy:

GPS tracker

The GPS system project, "Sıcak Takip" ("Hot Pursuit" in English) was born to use the delivery fleet efficiently and to improve customer satisfaction. "Sıcak Takip" shows the location of drivers and orders to the customers on digital channels. This system is a first in the fast-food delivery sector in Turkey. "Sıcak Takip" was launched in January 2019 at all stores with three main KPIs, Efficiency, Customer Engagement and Safety of Drivers, by developing customer experience, real-time monitoring and reporting applications.

Loyalty strategy

The Group started a loyalty programme in Turkey for delivery via only its mobile apps at the end of 2017 and has since extended this to the websites in February 2018.

Mobile first

Mobile device usage has continued to grow in Turkey in 2018, as seen at Domino's Turkey, where the Group increased its advertising in regard to its mobile apps, resulting in a doubling of the number of users ordering their pizzas via Domino's Pizza applications. This was so successful that Google International published a story on the advertisement campaign and the growth of the usage as a success story. The success of the mobile applications has also led us to design our website based on the experience in the mobile apps.

Information technology

The Group uses its own proprietary information technology software, together with that of Domino's Pizza Inc., to closely monitor its operations.

With the exception of the point-of-sale system, the Group owns all its online ordering platforms and related software, namely its website-based and mobile-based platforms, including its mobile applications and responsive website optimised for mobile devices. The Group uses the Domino's PULSE™ point-of-sale system in all of its system stores. This computerised management information system assists in improving store operating efficiencies, for example by streamlining the process for taking orders and inventory management.

The Group also maintains a CRM database, in line with data protection requirements, containing details of approximately 18 million customers – of which five and a half million are active customers (defined as customers who have placed an order with a system store within the last twelve months). The CRM database is used for direct and segmented customer communication. In 2018 the Group changed its CRM approach from "mass" to "personalised and customised", aiming to reach customers with more relevant and interesting content. This has brought conversion rates from 1–3% to 8–10% per e-mail/SMS campaign.

Strategic review

DP Eurasia achieved robust operational growth in the year, with an all-time high in the number of store openings for the Group and Russia.

System sales (in millions of TRY, unless otherwise indicated)	For the year ended 31 Dec 2018	2017	Change
Group system sales[1]			
Turkey	**736.1**	645.6	14.0%
Russia	**373.5**	205.4	81.8%
Azerbaijan and Georgia	**15.7**	8.7	80.2%
Total	**1,125.3**	859.8	30.9%
Group system sales like-for-like growth[2]			
Turkey	**9.3%**	10.0%	
Russia (based on RUB)	**16.0%**	28.9%	

	As at 31 Dec					
	2018			2017		
Store count	Corporate	Franchised	Total	Corporate	Franchised	Total
Turkey	**137**	**398**	**535**	142	372	514
Russia	**101**	**78**	**179**	99	22	121
Azerbaijan	**—**	**6**	**6**	—	5	5
Georgia	**—**	**4**	**4**	—	3	3
Total	**238**	**486**	**724**	241	402	643

The Group increased its system sales by 30.9% year-on-year, driven by a combination of like-for-like sales growth and store openings.

The Turkish operations' system sales, which represent 65% of Group system sales, increased by 14.0%. This increase was mainly driven by like-for-like sales growth, despite the macroeconomic headwinds experienced in the second half of the year. Our main strategy in response to increased inflation in Turkey was to reflect the internal inflation that we experienced into our prices in an effort to preserve margins. Including Azerbaijan and Georgia, the Turkish segment added 23 stores during the year through splits and opening stores in previously unpenetrated areas. Active management and optimisation of the Turkish estate, which is ordinary course of business for the Group, continued in 2018. 24 stores were transferred from corporate to franchise ownership, with an additional eight transfers in the opposite direction.

The Russian operations' system sales, which represent 33% of Group system sales, increased by 81.8% (48.7% based on RUB). This increase was driven primarily by like-for-like sales growth and store openings. The Russian operations achieved like-for-like sales growth of 16.0% for the period. The Group opened the most stores the Company has ever opened in a calendar year with 58 stores in Russia, continuing the regional expansion outside of Greater Moscow that it embarked on at the end of 2017. In addition to St Petersburg and Krasnodar, the Group has managed to successfully open stores in large Russian cities such as Rostov-on-Don, Voronezh, Samara, Kazan and Yekaterinburg. With the exception of Yekaterinburg, all the new cities are served by the Moscow commissary, which has the capacity to service 250 stores. The Group opened its first dough production facility in late 2018 to serve the Yekaterinburg stores. Russian franchised stores reached 78, increasing by 56 in 2018, and the number of franchise partners reached 31 in 2018 from 13 in 2017. In Russia, corporate to franchise transfers totalled 28 in 2018.

Delivery channel mix and online like-for-like growth

The following table shows the Group's delivery system sales, analysed by ordering channel and by the Group's two largest countries in which it operates, as a percentage of delivery system sales:

	For the year ended 31 Dec					
	2018			2017		
	Turkey	Russia	Total	Turkey	Russia	Total
Store	**42.4%**	**23.9%**	**37.1%**	48.0%	33.3%	45.0%
Online						
– Group's online platform	**30.2%**	**76.1%**	**44.7%**	25.1%	66.7%	34.5%
– Aggregator	**24.2%**	**—**	**16.1%**	22.7%	—	17.3%
– Total online	**54.4%**	**76.1%**	**60.8%**	47.8%	66.7%	51.8%
Call centre	**3.1%**	**—**	**2.1%**	4.2%	—	3.2%
Total(6)	**100%**	**100%**	**100%**	100%	100%	100%

Strategic review continued

The following table shows the Group's online like-for-like growth[2], analysed by the Group's two largest countries in which it operates:

	For the year ended 31 Dec 2018	2017
Group online system sales like-for-like growth[2,7]		
Turkey	**33.7%**	37.7%
Russia (based on RUB)	**43.5%**	78.5%

The Group's like-for-like growth has been driven mainly by the performance of its online ordering platforms. Online delivery system sales as a share of delivery system sales was 60.8% for the period. This represented a 9.0 percentage point increase compared to 2017.

In Turkey, online system sales like-for-like growth for the period was 33.7%, as a result of which online delivery system sales as a share of delivery system sales reached 54.4% for the period, a 6.6 percentage point increase from 2017.

In Russia, online system sales like-for-like growth for the period was 43.5%, as a result of which online delivery system sales as a share of delivery system sales reached 76.1% for the period, a 9.4 percentage point increase from 2017.

Online system sales continued to outpace the overall system sales growth at 59.6% for the Group. Turkish online system sales grew by 36.4%, while Russian online system sales grew by 112.8% (74.0% based on RUB).

Financial review

(in millions of TRY, unless otherwise indicated)	For the year ended 31 Dec 2018	Restated[8] 2017	Change
Revenue	**856.9**	626.5	36.8%
Cost of sales	**(566.3)**	(398.7)	42.0%
Gross profit	**290.6**	227.8	27.6%
General administrative expenses	**(136.1)**	(108.7)	25.3%
Marketing and selling expenses	**(104.3)**	(82.6)	26.2%
Other operating expenses, net	**3.1**	(3.6)	n.m.
Operating profit	**53.3**	32.8	62.3%
Foreign exchange (losses)/gains	**(18.8)**	(11.7)	60.9%
Financial income	**5.5**	1.2	355.6%
Financial expense	**(43.9)**	(21.6)	103.0%
(Loss)/Profit before income tax	**(3.9)**	0.7	n.m.
Tax expense	**(7.2)**	(0.6)	n.m.
(Loss)/Profit after tax	**(11.1)**	0.1	n.m.
Turkey adjusted EBITDA[3]	**96.5**	80.9	19.4%
Russia adjusted EBITDA[3]	**23.9**	11.2	112.2%
Adjusted EBITDA[3]	**110.6**	90.8	21.8%
Adjusted net income[4]	**(6.7)**	16.9	n.m.
Adjusted net debt[5]	**154.6**	106.7	44.9%

Revenue

Group revenue grew by 36.8% to TRY 856.9 million during the twelve-month period. Turkish segment revenue grew by 15.2% to TRY 484.7 million, while Russian segment revenue grew by 80.8% to reach TRY 372.2 million.

Gross profit

Group gross profit increased by 27.6% to TRY 290.6 million during 2018. The main contributor to the growth in the gross profit was strong top line performance of the business. Gross margin as a percentage of system sales decreased to 25.8% in 2018 from 26.5% in 2017. The main reason for the decrease was the mix effect as Russia's portion in the system sales increased from 24% in 2017 to 33% in 2018.

Adjusted EBITDA

The Board maintains that adjusted EBITDA is the most relevant indicator of the Group's profitability at this stage of its development.

The Group's adjusted EBITDA grew by 21.8% to TRY 110.6 million. Adjusted EBITDA for the Turkish segment, which includes the Azerbaijani and Georgian businesses, was TRY 96.5 million, a year-on-year increase of 19.4%, and adjusted EBITDA for the Russian segment was TRY 23.9 million, a year-on-year increase of 112.2% (73.5% based on RUB). Additionally, costs relating to our Dutch corporate expenses (excluding those that relate to our initial public offering) reduced adjusted EBITDA by TRY 9.8 million in 2018. The comparable adverse effect of this item was TRY 1.3 million in 2017 as the Group listed at the half-year mark of 2017. 2018 also saw a devaluation of the Turkish Lira against the Euro and Pound Sterling, which are the main currencies of the Dutch corporate expenses.

In 2018, IFRS 15 became effective and the Group adopted the new standard using the full retrospective method and has restated comparatives for the 2017 financial year. The main accounting effect of IFRS 15 is that it required the Group to record opening fees from sub-franchisees over the life of the sub-franchisee contract whereas in the past the Group recorded these fees in the period that the sub-franchisee agreement was executed. The Group also applied the same methodology for the opening fees it pays the master franchisor with respect to its new stores. This new standard had an adverse effect of TRY 6.3 million and TRY 6.0 million for 2018 and 2017, respectively, on the Group's adjusted EBITDA.

For the year ended 31 December 2018, the Group's adjusted EBITDA margin as a percentage of system sales was 9.8% compared to 10.6% over the same period in 2017. The main reasons for the decrease were the increase in Dutch corporate expenses and the mix effect associated with the Russia segment becoming a larger part of the business. Adjusted EBITDA margin as a percentage of system sales for the Turkish (including Azerbaijan and Georgia as the revenues from these franchisees are booked at the Turkish subsidiaries) and Russian segments both increased compared to the previous year and were 12.8% (12.4% in 2017) and 6.4% (5.5% in 2017), respectively.

Strategic review continued

Adjusted net income

For the year ended 31 December 2018, adjusted net income was a loss of TRY 6.7 million. The reduction in adjusted net income was primarily driven by the movement of the Russian Rouble against the Euro prior to the Group's refinancing of its Euro denominated bank loans in Russia with a Rouble facility and increased bank loan interest rates in both Turkey and Russia. As a result, the Group's foreign exchange loss increased to TRY 18.8 million from TRY 11.7 million and its financial expense increased to TRY 43.9 million from TRY 21.6 million. In the coming years, management expects foreign exchange results will be less volatile due to the fact that the Group no longer has any hard currency bank borrowings.

Capital expenditures and cash conversion

The Group incurred TRY 79.0 million of capital expenditures in 2018. The Turkish segment capital expenditures amounted to TRY 36.8 million and the Russian segment capital expenditures amounted to TRY 42.2 million (RUB 555 million).

The Group's capital expenditures were higher than management expectations in 2018 as management took advantage of additional growth opportunities. In the Turkish segment, the Group saw an opportunity to acquire some franchise stores and to open corporate stores. In the Russian segment, the Group opened additional corporate stores compared to the management guidance.

Cash conversion (defined as (adjusted EBITDA – capital expenditure)/adjusted EBITDA) for the year was 28.6% for the Group and 61.9% for the Turkish segment. The Russian segment had negative cash conversion as it is in a period of rapid expansion relative to its size.

Adjusted net debt and leverage

The Group's adjusted net debt as at 31 December 2018 was TRY 154.6 million and it had gross borrowings of TRY 215.6 million. Following the refinancing of its Euro denominated loans in Russia with a Rouble denominated bank facility with a 9.7% fixed interest rate in July 2018, the Group does not carry any hard currency denominated loans on its balance sheet; 12.7% of the Group's gross borrowings is denominated in Turkish Liras and 87.3% is denominated in Roubles. In Turkey, bank loan interest rates peaked in the low 30% range in September following the onset of macroeconomic volatility. As a result, the Group made a conscious effort to minimise its bank loans in Turkey and the gross borrowings in the Turkish segment decreased to TRY 27.4 million as of 31 December 2018. Despite the interest rates decreasing to the low 20% range at the end of 2018, the Group is planning to continue its efforts to eliminate its TRY denominated borrowings fully in 2019.

The Group continues its prudent and conservative approach to debt and its leverage ratio (defined as adjusted net debt/ adjusted EBITDA) of the Group was 1.4x as of 31 December 2018.

Current trading

System sales growth and like-for-like growth for the first two months of 2019 were as follows:

Group system sales growth[1]	For the two months ended 28 Feb 2019
Turkey	5.0%
Russia	64.2%
Azerbaijan and Georgia	74.7%
Total	**22.8%**
Group system sales like-for-like growth[2]	
Turkey	2.5%
Russia (based on RUB)	7.7%

During the first two months of 2019, the Group opened net three stores (2018: two). The Board is confident in the store opening pipeline for the remainder of the year, where we expect to open between 25 – 30 stores in Turkey and between 40 – 60 in Russia. We maintain our medium-term guidance for like-for-like growth to be high single digit in Turkey and low-to-mid teens in Russia. We expect to hit medium-term guidance in Turkey this year and we are already seeing an improving trend with like-for-like growth for the first three weeks of March 2019 at 8.4%; however, our expectation for Russia in 2019 is high single digit due to like-for-like growth rates averaging over 30% for the last four years and increased competition in Moscow. With the expanding overall pizza market and the newly opened regional stores entering the like-for-like basket, we are confident that Russia will revert to the medium-term guidance in 2020.

Outlook

The management guidance for store openings and like-for-like growth for the medium term and capital expenditure for 2019 is as follows:

	Turkey	Russia
Net store openings per year	25–30	40–60
Annual like-for-like growth	High single digit	Low-to-mid teens
2019 capital expenditure	TRY 30 million	RUB 450 million

Notes

(1) System sales are sales generated by the Group's corporate and franchised stores to external customers and do not represent revenue of the Group.

(2) Like-for-like growth is a comparison of sales between two periods that compares system sales of existing system stores. The Group's system stores that are included in like-for-like system sales comparisons are those that have operated for at least 52 weeks preceding the beginning of the first month of the period used in the like-for-like comparisons for a certain reporting period, assuming the relevant system store has not subsequently closed or been "split" (which involves the Group opening an additional store within the same map of an existing store or in an overlapping area).

(3) EBITDA, adjusted EBITDA and non-recurring and non-trade income/expenses are not defined by IFRS. These items are determined by the principles defined by the Group management and comprise income/expenses which are assumed by the Group management to not be part of the normal course of business and are non-trading items. These items which are not defined by IFRS are disclosed by the Group management separately for a better understanding and measurement of the sustainable performance of the Group. Please refer to Note 3 in the Consolidated Financial statements for a reconciliation of these items with IFRS.

(4) Adjusted net income is not defined by IFRS. Adjusted net income excludes income and expenses which are not part of the normal course of business and are non-recurring items. Management uses this measurement basis to focus on core trading activities of the business segments and to assist it in evaluating underlying business performance. Please refer to Note 17 in the Consolidated Financial statements for a reconciliation of this item with IFRS.

(5) Net debt and adjusted net debt are not defined by IFRS. Adjusted net debt includes cash deposits used as a loan guarantee and cash paid, but not collected during the non-working day at the year end. Management uses these numbers to focus on net debt including deposits not otherwise considered cash and cash equivalents under IFRS. Please refer to Note 3 in the Consolidated Financial statements for a reconciliation of these items with IFRS.

(6) Delivery system sales are system sales of the Group generated through the Group's delivery distribution channel.

(7) Online system sales are system sales of the Group generated through its online ordering channel.

(8) Please refer to Note 2.3 in the Consolidated Financial statements for the details of the restatement due to IFRS 15 adoption.

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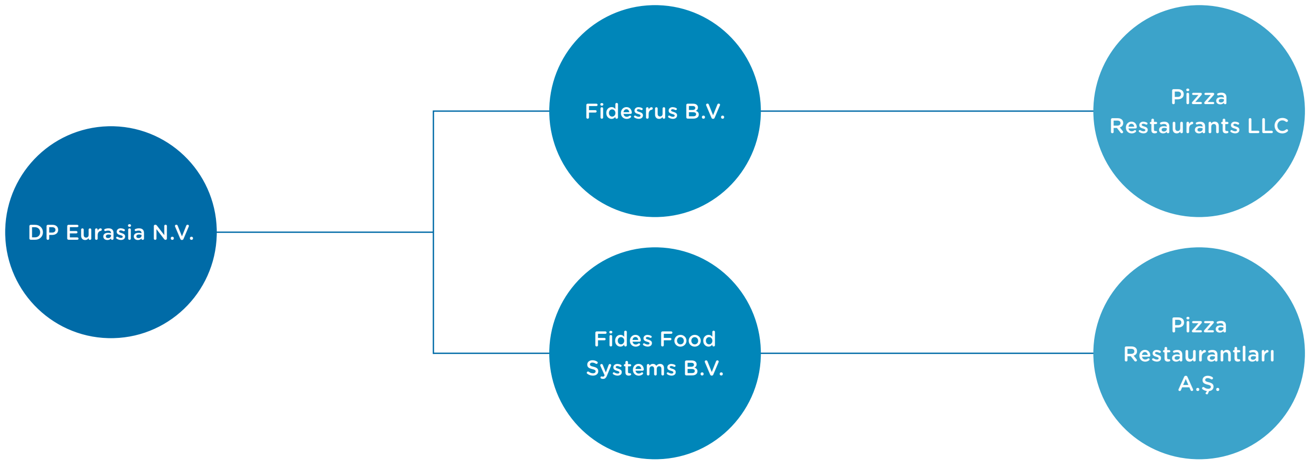
Management report

DP Eurasia is committed to conducting all of its business and relationships with dedication, commitment, professionalism and integrity.

The business ethics of the Group are based on compliance with criteria which promote the values, culture and management model of DP Eurasia, encouraging respect for individuals and their rights.

Structure



Group and subsidiaries

Group's organisation and nature of activities

DP Eurasia N.V. is a limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands on 18 October 2016. The principal activity of DP Eurasia consists of acting as a holding company.

DP Eurasia operates corporate stores and franchised stores in Turkey and Russia, including provision of technical support, control and consultancy services to the franchisees.

As at 31 December 2018, the Group operated 724 stores (486 franchised stores including six in Azerbaijan and four in Georgia and 238 corporate stores).

Subsidiaries

DP Eurasia has a total of four fully owned subsidiaries. The entities included in the scope of the consolidated financial information and nature of their business are as follows:

Subsidiaries	2018 Effective ownership (%)	2017 Effective ownership (%)	Registered country	Nature of business
Fides Group Gida Üretim Restaurant İşletmeciliği A.Ş. ("Fides Turkey")	–	100	Turkey	Food delivery
Pizza Restaurantları A.Ş. ("Domino's Turkey")	100	100	Turkey	Food delivery
Pizza Restaurants LLC ("Domino's Russia")	100	100	Russia	Food delivery
Fidesrus B.V. ("Fidesrus")	100	100	The Netherlands	Investment company
Fides Food Systems B.V. ("Fides Food")	100	100	The Netherlands	Investment company

Management report continued

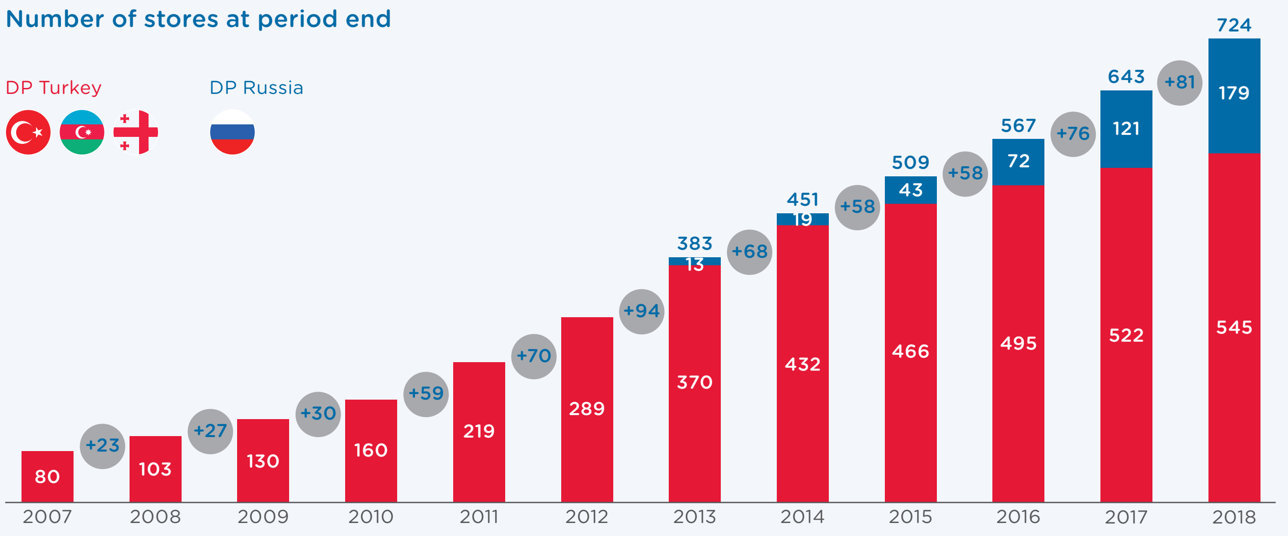
Markets

Turkey
The Group was founded in Turkey, with its first store opening in Istanbul in 1996. Since then the Group has expanded rapidly, opening its 100th store in Istanbul in 2008. The Group is the largest pizza delivery company in Turkey in terms of system sales and number of stores. As at 31 December 2018, based on the Group's data on competition, the Group's store network in Turkey was more than four times larger than the next largest chained competitor in the pizza sub-segment, and larger than the next seven chained pizza competitors combined, with 535 stores.

Russia
Russia is the Group's second largest market. The Group has improved its market position since acquiring the exclusive master franchise rights in 2012. As at 31 December 2018, the Group had the third-largest store network in the chained pizza sub-segment in Russia with 179 stores, representing a more than nine times increase in the number of its stores since 2014 (based on the Group's data on competition). In Moscow and the Greater Moscow region, the Group estimates that it was the largest player by number of stores as at 31 December 2018. The Group started to expand outside of Greater Moscow in December 2017.

Azerbaijan and Georgia
The Group was granted the exclusive master franchise of the Domino's System for Azerbaijan and Georgia and has since gone on to open six and four stores, respectively.

Continuous and significant store rollout



Source: Company information

Sustainability

Food safety

Our Supply Chain Centres (commissaries) are certified on food safety.

- In Domino's Pizza Russia ("DPR"), the Moscow commissary and stores have become certified to HACCP(1) (Hazard Analysis and Critical Control Point).
- In Domino's Pizza Turkey ("DPT"), all four commissaries have become certified to ISO 2200(2).

The Group's commissaries are annually audited by Domino's Pizza International in terms of quality, food safety and occupational health and safety. The results of the 2018 DPT and DPR commissary audits were over 96% in compliance with Domino's Pizza International standards which is scored with 5 stars "Superior".

Environment and energy

The Group continuously works on energy efficiency and environmental projects to support sustainability activities. Domino's Pizza Turkey has implemented various projects which Domino's Pizza Russia will follow.

In Domino's Pizza Turkey, energy efficiency KPIs have been set up and are monitored monthly by the Supply Chain Centre management team. For each equipment or infrastructure investment, energy efficiency is one of the main drivers in the project approval process. Supply Chain Centres are fully compliant with regulations and we are working with environmental consultants to ensure "zero environmental issue" for all sites.

Projects in energy efficiency and environment:

- **Fast bake upgrade for pizza ovens:** 85% of ovens used in stores have been upgraded with a fast bake finger system which is engineered specifically for the Turkish market, alongside a menu to decrease pizza baking time by 30%. As a result, energy consumption decreased by 2kW of electricity and 3.4m^3 gas per store per day of which equates to a reduction in up to 370,000kW of electricity and 545,000m^3 gas per year.
- **Production efficiency projects** have decreased production waste by 8.7% in 2017 versus 2016 and 9.4% in 2018 versus 2017.

Methods used for decreasing production waste of main sources:

- **Recycling of packaging material**: all waste packaging materials derived from warehouse and picking operations are sent to licensed recycling companies. Contaminated packaging is sent to a separate hazardous waste treatment company that is capable of recycling them.
- **Waste water treatment**: waste water is collected and sent to a water treatment facility. Municipality waste water parameters are achieved before discharge.
- **System for reduction in mileage**: routing is centrally managed in each Supply Chain Centre to optimise the distance covered by our delivery fleet. For the cold chain truck fleet, dynamic routing software has been used to maximise truck utilisation and reduce fuel consumption since 2015. All orders are consolidated and loads are simulated in the system before being sent to warehouse teams. Routes change every day for maximum efficiency according to demand fluctuations and changing store locations (if any). Truck fill rate is monitored for Supply Chain Centres to eliminate inefficient deliveries on a monthly basis. A specific online GPS tracking system is used to ensure trucks are on the route determined by the routing system.

2019 sustainability plans

Domino's Pizza Turkey is planning to implement the projects listed below:

- Implementation of solar energy systems to at least two commissaries to support electricity and hot water consumption.
- Establishing an on-site water treatment facility in our Gebze commissary to minimise waste water discharge.

(1) HACCP is an internationally recognised system for reducing the risk of safety hazards in food.
(2) ISO 22000 is a food safety management system.

Remuneration report

Statement from the Chairman of the Remuneration Committee

Dear Shareholder

At last year's Annual General Meeting (the "2018 AGM"), we sought shareholder approval for a new Directors' remuneration policy (the "Remuneration Policy"). I am delighted that we received overwhelming shareholder support, with over 97% of shareholders approving the Remuneration Policy.

In this remuneration report, we provide details of how we implemented the Remuneration Policy in 2018 and how we intend to do so in 2019. I have highlighted below some of the key decisions that the Remuneration Committee has made during the past year.

2018 pay decisions

In spite of a year of abnormally high economic volatility in Turkey, the Group has continued to grow strongly. During 2018, the Group has delivered strong top line growth driven by network expansion, online growth and our continuous focus on innovation. System sales have grown by 30.9%, revenue has grown by 36.8% and the Group increased its store count by 81, reaching 724 total stores and with a strong pipeline for 2019.

The Chief Executive Officer's annual bonus for 2018 was based on adjusted EBITDA growth measured on a pre-IFRS 15 basis. This provided consistency with the basis on which adjusted EBITDA targets were set by the Remuneration Committee at the start of the year. 2018 adjusted EBITDA of TRY 115.8 million (excluding the effect of IFRS 15) represents annual growth of 19.6% and resulted in a formulaic bonus payout of 38.9% of salary. The Remuneration Committee reviewed the appropriateness of this formulaic outcome and concluded that it fairly reflected Group and individual performance during the year.

Remuneration report continued

Implementation of the Remuneration Policy in 2019

Our strategy in 2019 will be to continue to place emphasis on innovation and online growth, store growth, improved profitability and international expansion. The Chief Executive Officer's remuneration framework also remains broadly unchanged in 2019, with the only alterations being as follows:

- **Base salary:** the Chief Executive Officer's salary was set in 2018 at TRY 2,000,000 comprising an amount of TRY 1,858,465 paid by the Turkish business and a separate amount of EUR 25,000 paid by the Dutch holding company. The element of salary paid in Turkish Lira has been reviewed by reference to the salary settlement for other employees based in Turkey and Turkish inflation. Following this review, the element of the Chief Executive Officer's salary paid in Turkish Lira for 2019 will be TRY 2,137,235 – an increase of 15% in line with the average increase for other Turkish employees. The element of salary paid in Euro remains unchanged. I would highlight that, due primarily to the depreciation of the Turkish Lira, the Chief Executive Officer's 2019 salary is currently worth 13% less in Pound Sterling than his salary was when set at the start of 2018.
- **LTIP award:** the Chief Executive Officer will receive an LTIP award in 2019 over shares worth 100% of salary (2018: 150% of salary). As with the 2018 award, this award will vest based on stretching three-year EBITDA targets that are consistent with delivery of the significant growth potential that was outlined in our IPO prospectus.

  This LTIP award will vest on the third anniversary of grant. The Non-Executive Directors considered whether it should be subject to an additional two-year holding period after vesting. Given the requirement under the Remuneration Policy for the Chief Executive Officer to hold at least 5,000,000 shares (based on our share price as at 31 December 2018, this represents a holding worth more than 17.7 times his salary), the Non-Executive Directors concluded he is already firmly aligned with other long-term shareholders and that it was unnecessary to add a further layer of alignment in the form of a holding period.

Corporate Governance Codes

As a Dutch incorporated company, our remuneration practices, disclosure and governance are compliant with Dutch law and the Dutch Corporate Governance Code. However, we recognise that many of our shareholders are UK-based and accordingly we also aim to comply with UK best practice. During the year, the Board received presentations on the new UK Corporate Governance Code and the Remuneration Committee will be considering its implications for DP Eurasia's remuneration arrangements.

Summary

We value all feedback from shareholders and look forward to receiving your support at the forthcoming AGM where there will be a vote to approve our annual remuneration report (pages 42 to 47). Although this vote is not currently required under Dutch law, we believe that it is appropriate that shareholders should have this formal opportunity to provide their feedback on our remuneration practices.

Tom Singer
Chairman of the Remuneration Committee

1 April 2019

Directors' remuneration policy

DP Eurasia's Directors' remuneration policy was approved at the 2018 AGM with over 97% support from shareholders.

DP Eurasia's Directors' remuneration policy (the "Remuneration Policy") was approved at the 2018 AGM with over 97% support from shareholders. It is intended that the Remuneration Policy will apply for three years, although the Board may seek approval for a new Remuneration Policy at an earlier point, if it is considered appropriate.

Remuneration principles

The aim of DP Eurasia is to attract, retain and motivate the best talent to help ensure continued growth and success in the listed company environment.

The Remuneration Policy aims to align the interests of the Executive Directors to the long-term interests of shareholders and supports a high-performance culture with appropriate reward for superior performance without creating incentives that will encourage excessive risk taking or unsustainable performance. The Remuneration Policy also sets out the remuneration structure of the Non-Executive Directors.

In accordance with Dutch corporate governance, the remuneration of:

(a) the Executive Directors shall be determined by the Non-Executive Directors with due observance of the Remuneration Policy; and

(b) the Non-Executive Directors shall be determined by the General Meeting upon a proposal by the Board with due observance of the Remuneration Policy;

each at a level that is considered by the Remuneration Committee to be appropriate for the size and nature of the business, in order to ensure that the policies and remuneration structure are appropriate for the listed company environment.

The Remuneration Committee will review annually the remuneration arrangements for the Executive Directors and key senior employees by taking into consideration:

- business strategy over the period;
- overall corporate performance;
- market conditions affecting the Group;
- the recruitment market and the remuneration of the overall employee population;
- changing practice in the markets where the Group competes for talent;
- the pay ratios within the Group; and
- views of institutional shareholders and their representative bodies.

Remuneration components

The remuneration structure for the Executive Directors can consist of: (a) base salary; (b) benefits; (c) pension; (d) annual and deferred bonus; and (e) long-term incentive. To support this aim, the Board has adopted two incentive plans: the annual and deferred bonus plan (the "ADBP") and the long-term incentive plan (the "LTIP"). The remuneration structure of the Non-Executive Directors will consist of a fixed fee.

Directors' remuneration policy continued

Remuneration Policy table for Executive Directors

Component	Purpose and link to strategy	Operation
Base salary	Core element of remuneration set at a level to attract and retain Executive Directors with the experience and expertise needed to develop and implement DP Eurasia's long-term strategy.	An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Non-Executive Directors consider: • the individual Executive Director's role, experience and performance; • the general operational performance of the Group and individual performance (if applicable); • the economic environment and the sustainable development of the Group; • remuneration structures in companies that are comparable in terms of business activities, complexity and size; • any change in scope, role and responsibilities; and • remuneration practices within DP Eurasia. Individuals recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.
Benefits	To provide market-competitive benefits.	Benefits are role specific and take into account local market practice. The Executive Directors are eligible to receive benefits (or an equivalent cash allowance) including private health cover, medical disability insurance, life assurance, education, communication and IT allowances, mobility allowance or a company car. Executive Directors are entitled to reimbursement of reasonable expenses. The Non-Executive Directors recognise the need to maintain suitable flexibility in the benefits provided to ensure they support the objective of attracting and retaining high-calibre personnel. Additional benefits may therefore be offered, such as reasonable tax advice/support, relocation allowances on recruitment and other reasonable costs incurred by an individual in relation to their appointment.
Pension	To provide market-competitive retirement benefits.	Executive Directors are eligible to receive a contribution to their personal pension arrangements or direct to their pension plans. Alternatively, Executive Directors may receive a cash allowance in lieu of pension.
LTIP	To link reward to the achievement of long-term performance and strategic objectives of DP Eurasia and to retain Executive Directors	The Executive Directors may receive LTIP awards which will usually be made in the form of a contingent award of shares or nil-cost options (and may also be granted as share options or settled in cash). Vesting of the award is dependent on the achievement of performance targets, typically measured over a three-year period. The Non-Executive Directors have the discretion to apply a holding period of two years post-vesting. An additional payment (in the form of cash or shares) may be made in respect of vested shares to reflect the value of dividends which would have been paid on those shares during the period since award (this payment may assume that dividends had been reinvested in DP Eurasia shares on a cumulative basis).

Maximum	Performance framework
To avoid setting the expectations of Executive Directors and other employees, there is no overall maximum salary for Executive Directors under the Remuneration Policy. Any increase in salaries will be determined by the Non-Executive Directors, taking into account the factors stated in this table and the following principles: • salary increases for Executive Directors will typically be in line with the average salary increase (in percentage of salary terms) for other permanent employees in the country in which the Executive Director is resident; • increases may be made above this in certain circumstances, such as: – progression within the role; – increase in scope and responsibility of the role; – increase in experience where an individual has been recruited on a lower salary initially; and – increase in size and complexity of the Group.	None
There is no overall maximum level, but benefits are set at an appropriate level for the specific nature of the role and depend on the annual cost of providing individual benefits.	None
The Chief Executive Officer receives no pension provision and the Company Secretary receives a cash allowance of 36% of base salary. For any future Executive Director appointment, pension provision would be capped at 20% of base salary. This limit would also apply if the current Chief Executive Officer were to receive pension provision.	None
Normal maximum value of 100% of annual base salary based on the market value at the date of grant. In exceptional circumstances, an award worth up to 150% of annual base salary may be granted.	Vesting of LTIP awards is dependent on the achievement of key financial, strategic and/or operational measures determined by the Non-Executive Directors ahead of each award. For achieving a "threshold" level of performance against a performance measure, no more than 25% of the award will vest. Vesting then increases on a sliding scale to 100% for achieving a stretching maximum performance target.

Directors' remuneration policy continued

Remuneration Policy table for Executive Directors continued

Component	Purpose and link to strategy	Operation
Annual and deferred bonus ("ADBP")	To link reward to the achievement of key business objectives of DP Eurasia for the year.	The Executive Directors may participate in the ADBP which is reviewed annually to ensure bonus opportunity, performance measures and targets and objectives remain appropriate. The Non-Executive Directors determine the level of bonus to be awarded at their discretion, taking into account the extent to which the targets have been met and overall business and personal performance. The Non-Executive Directors have discretion to deliver part of the annual bonus in shares which will usually be deferred for three years. Deferred awards are usually granted in the form of a contingent award of shares or nil-cost options (and may also be settled in cash). An additional payment (in the form of cash or shares) may be made in respect of shares which vest under deferred awards to reflect the value of dividends which would have been paid on those shares during the deferral period (this payment may assume that dividends had been reinvested in DP Eurasia shares on a cumulative basis).
Shareholding guideline	To provide long-term alignment with shareholder interests.	For the duration of this Remuneration Policy, the current Chief Executive Officer will be required to retain a minimum of 5,000,000 shares.

Fee arrangements for Non-Executive Directors

Purpose and link to strategy	Operation
Provides a level of fees to support recruitment and retention of high calibre Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring DP Eurasia's strategic objectives.	Shareholder approval was taken at the 2018 AGM for a fee structure that will apply to all Non-Executive Directors. The Chairman of the Board will receive an all-inclusive fee. Other Non-Executive Directors, apart from representatives of Fides Food Systems, will receive a basic Board fee and an additional fee for acting as the Senior Independent Director or for chairmanship of a Board Committee. Expenses incurred by the Non-Executive Directors reasonably required for the performance of their duties may be reimbursed. Non-Executive Directors do not participate in any variable remuneration arrangements and will not be awarded remuneration in the form of shares and/or rights to shares.

Maximum	Performance framework
The maximum annual bonus potential is 80% of base salary. Levels of bonus payout for achieving threshold and on-target performance will be set each year by the Non-Executive Directors taking into account the degree of stretch in the performance targets.	The bonus is based on performance assessed over one year using appropriate financial and strategic performance measures that are closely aligned with DP Eurasia's strategy and the creation of value for shareholders. The majority of the bonus will be determined by measure(s) of financial performance.
Not applicable	Not applicable

Maximum
Fees are set at an appropriate level that is market competitive and reflective of the responsibilities and time commitment associated with specific roles.

Directors' remuneration policy continued

Discretion

Non-Executive Directors will operate the ADBP and LTIP according to their respective rules, including flexibility in a number of regards. These include:

- when to make awards and payments;
- how to determine the size of an award or a payment, or when and how much of an award should vest;
- who receives an award or payment;
- how to deal with a change of control or restructuring of the Group;
- whether a participant is a good/bad leaver for incentive plan purposes, and whether and what proportion of awards vest and timing of delivery;
- how and whether an award (or an award of shares outlined in this Remuneration Policy that is yet to be granted) may be adjusted in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- what the weighting, measures and targets should be for the ADBP and LTIP from year to year.

If an event occurs which causes the Non-Executive Directors to determine that a performance condition is no longer appropriate, the Non-Executive Directors have discretion under the rules of the ADBP and LTIP to substitute or vary that performance condition in such manner as is reasonable in the circumstances and produces a fairer measure of performance that is not materially less difficult to satisfy than if the event had not occurred.

The Non-Executive Directors may make minor amendments to the Remuneration Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Legacy awards

The Non-Executive Directors reserve the right to make any remuneration payments notwithstanding that they are not in line with this Remuneration Policy where the terms of the payment were agreed: (i) before this Remuneration Policy came into effect, provided that the terms of the payment were consistent with the approved Remuneration Policy at the time they were agreed; or (ii) at a time when the relevant individual was not an Executive Director of DP Eurasia and, in the opinion of the Non-Executive Directors, the payment was not in consideration for the individual becoming an Executive Director of DP Eurasia. For these purposes, "payments" includes the Non-Executive Directors satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Choice of performance measures and approach to target setting

Non-Executive Directors set performance metrics under both the ADBP and the LTIP which are clearly aligned to DP Eurasia's strategy and are usually part of its KPIs. Any personal objective performance measures within the ADBP are also directly linked to key strategic objectives.

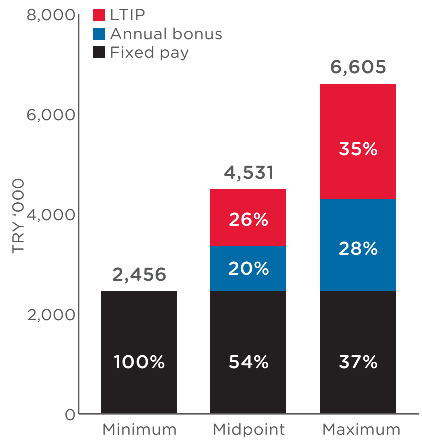
Targets are set at the start of each performance period by the Non-Executive Directors taking into account relevant internal and external reference points and are designed to be appropriately stretching.

Remuneration scenarios

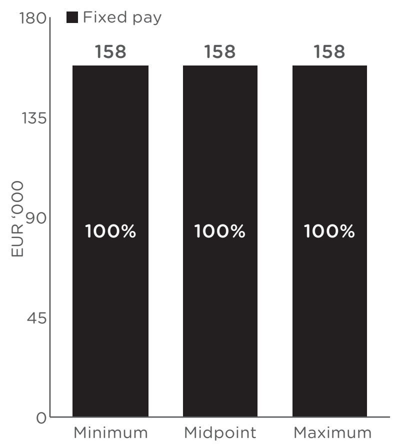
The charts below show hypothetical values of the remuneration package for the current Executive Directors in the Remuneration Policy under three assumed performance scenarios.

The Remuneration Committee regularly reviews the impact of different performance scenarios on the potential reward opportunity and payouts to be received by Executive Directors and the alignment of these with long-term value creation for shareholders. The Remuneration Committee believes that the level of remuneration that can be delivered in the various scenarios is appropriate for the level of performance delivered and the value that would be delivered to shareholders.

Aslan Saranga



Frederieke Slot



Assumptions

Fixed pay

- Salary: as at 1 January 2019: Aslan Saranga TRY 2,137,235 plus EUR 25,000; Frederieke Slot EUR 100,000.
- Pension: Frederieke Slot 36% of base salary.
- Benefits: estimate based on 2018 reported taxable benefits

Variable pay

- ADBP: maximum of 80% of base salary for Aslan Saranga (assumed half of maximum paid as midpoint); Frederieke Slot will not participate in the ADBP in 2019.
- LTIP: maximum award of 100% of base salary for Aslan Saranga; (assumed half of maximum vests as midpoint); Frederieke Slot will not receive an LTIP award in 2019.
- No share price growth or dividend accrual considered.

New appointments

In the event of appointing a new Executive Director to the Board, the Non-Executive Directors will generally align their remuneration package with the Remuneration Policy table set out in this Remuneration Policy. Where appropriate, the Non-Executive Directors may apply their discretion in the following regards:

- ADBP – in the first year of employment, different performance measures and targets may be set to those of the other Executive Directors, depending on the timing and scope of any appointment. In order to facilitate the recruitment, the Non-Executive Directors may deem it necessary to guarantee a level of bonus, in compensation for any bonus forgone at their current employer. This guarantee will be limited to the bonus in relation to the first year of employment;
- LTIP – in the first year of employment, different performance measures and targets may be set for the LTIP to those of the other Executive Directors, depending on the timing and scope of any appointment;
- buy-out awards – to potentially facilitate the recruitment through the buy-out of existing awards and compensation arrangements that are forfeited on cessation of employment from their current employer, the Non-Executive Directors will retain the ability to make a one-off buy-out award. In doing so, the Non-Executive Directors will take account of all relevant factors, including any performance conditions attached to incentive awards, the likelihood of those conditions being met, the proportion of the vesting/ performance period remaining and the form of the award (e.g. cash or shares). The overriding principle will be that any replacement buy-out award should be of comparable commercial value to the compensation which has been forfeited. Shareholders will be informed of any such payments at the time of appointment;
- in the case of internal appointments or appointments following the Group's acquisition of or merger with another company or business, any variable pay element or legacy arrangements in respect of the prior role would normally be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment; and
- in the event that a Non-Executive Director is required to temporarily take on the role of an Executive Director, their remuneration may include any of the elements listed in the Remuneration Policy table for Executive Directors.

In the event of the appointment of a new Non-Executive Director, their fee will be set in accordance with the fee arrangements for Non-Executive Directors as approved by the General Meeting.

Malus and clawback

Pursuant to Dutch law and best practice UK corporate governance, the Non-Executive Directors have the right to reduce payments that are not yet paid out and to reclaim payments pertaining to these events that have already been paid out. The Non-Executive Directors may furthermore adjust the variable remuneration to an appropriate level if payment thereof is unacceptable according to the requirements of reasonableness and fairness.

The ADBP and the LTIP include best practice malus and clawback provisions. Malus is the adjustment of unpaid bonus and deferred share awards under the ADBP and outstanding LTIP awards. The adjustment may result in the value being reduced to nil. Clawback is the recovery of payments or vested awards under the ADBP and vested LTIP awards. Malus and clawback can be enacted as a result of the occurrence of the following events:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any performance condition or condition in respect of an ADBP and LTIP award was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the cash payment under the ADBP or the number of shares subject to an ADBP or LTIP award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct; or

Directors' remuneration policy continued

Malus and clawback continued

- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.

Clawback may apply to all or part of a participant's award and may be affected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

Payment for loss of office

Executive Directors will, under their contract, not normally be entitled to be paid a severance payment upon termination that exceeds one year's annual base salary (the fixed remuneration) in the preceding financial year. No contractual severance payment will be awarded in the event of seriously culpable or negligent behaviour on the part of the Executive Director. Aslan Saranga's contract provides for an additional compensation payment of one year's annual base salary payable only in the event that termination of his employment is due to him being unable to work because of a health condition. This is a legacy clause in Mr Saranga's Turkish contract which will not be replicated in any future Executive Director's contract.

Where a contract is to be terminated, the Non-Executive Directors will determine such mitigation (if required) as they consider fair and reasonable in each case. The Non-Executive Directors reserve the right to make additional payments where such payments are made in good faith in discharge of an existing statutory or legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment. Any such payments may include, but are not limited to, paying statutory severance compensation, any fees for outplacement assistance and/or the Executive Director's legal and/or professional advice fees in connection with his or her cessation of office or employment. Payment would also be made for any outstanding vacation days unused at the date of cessation of employment.

The incentive schemes, the ADBP and the LTIP, are subject to standard good/bad leaver terms. A good leaver reason is defined as cessation in the following circumstances: death, ill-health, injury or disability, retirement, redundancy, employing company ceasing to be a Group company, transfer of employment to a company which is not a Group company or at the discretion of the Non-Executive Directors.

The table below provides a summary of the treatment of incentive remuneration in the event of cessation of employment or a change of control before awards vest or become exercisable (full details are contained in the ADBP and LTIP plan rules). Cessation of employment or a change of control during an award's holding period does not affect an individual's right to that award.

Plan	Treatment for good leaver	Treatment for any other leaver	Treatment on a change of control/voluntary winding up/demerger
ADBP – cash bonus	Performance conditions will be measured at the bonus measurement date. Bonus will be pro-rated for the period worked during the financial year unless the Non-Executive Directors, at their discretion, determine otherwise.	No bonus payable in relation to year of cessation.	The Non-Executive Directors have discretion to determine the bonus taking into account such factors as they consider appropriate, including the extent to which any applicable performance conditions have been satisfied. Bonus will be pro-rated for the period of the financial year elapsed unless the Non-Executive Directors, at their discretion, determine otherwise.
ADBP – deferred share bonus and LTIP	Awards will usually vest on a time-apportioned basis on the normal vesting date subject to any relevant performance condition(s) measured over the full performance period. However, in the event of death, or at the Non-Executive Directors' discretion, awards may vest early taking into account such factors as they consider appropriate including the extent to which any applicable performance conditions have been satisfied. The Non-Executive Directors have the discretion, acting fairly and reasonably, to dis-apply time apportionment.	Outstanding awards lapse.	The Non-Executive Directors have the discretion to determine the proportion of the award which vests taking into account, among other factors, the period of time the award has been held by the Executive Director and the extent to which any applicable performance conditions have been satisfied.

The Non-Executive Directors will apply discretion where there is an appropriate business case, which will be explained in full to shareholders. Payments in the event of a change of control will be subject to applicable law in force at the time of the change of control.

All Non-Executive Directors have an agreement with DP Eurasia ending at the end of the AGM in the third year following their appointment to the Board. No compensation is payable on termination, except for fees and expenses accrued to date.

Differences in remuneration between Executive Directors and other employees

The overall remuneration package for the Chief Executive Officer is structured so that the variable performance-related pay element forms a more significant portion compared to pay for other employees. This Remuneration Policy is to ensure there is a clear link between the individual and corporate performance achieved, the value this creates for shareholders and overall reward. The weighting of variable pay will vary based on the seniority of the individual, the role and specific responsibilities. Whilst annual bonuses are offered to a large number of employees, LTIP awards are targeted at individuals with roles that have the most influence on overall value creation.

Internal pay ratio 2018

The internal pay ratio between the average pay of DP Eurasia employees vis-à-vis the average pay of the Group CEO and the Executive Directors is calculated based on the average 2018 remuneration (base salary and bonus) of the Group vis-à-vis the 2018 base salary and bonus of the Group CEO and average base salary and bonus of the Executive Directors.

The pay ratio is 65:1 (2017: 65:1) for the Group CEO Aslan Saranga and 39:1 (2017: 38:1) for the Executive Directors.

Please note that since Frederieke Slot has been working from June 2017, her seven months' salary is proportioned to the full year in 2017.

Consideration of conditions elsewhere in DP Eurasia

Although there is no active consultation with employees on matters relating to the Directors' remuneration, the Remuneration Committee and other Non-Executive Directors are kept informed of employee pay and employment conditions and this is factored into deliberations when setting the Remuneration Policy for Executive Directors. The Group-wide salary increase budget and the proposed increase for employees of such country within which the Executive Directors operate or reside, will be considered by the Non-Executive Directors when determining any basic salary increase for Executive Directors.

Consideration of shareholder views

DP Eurasia's major shareholder, Fides Food Systems Coöperatief U.A. ("Fides Food Systems"), had representatives at the Remuneration Committee; accordingly, the structure of this Remuneration Policy has been subject to significant consultation with them. In addition, this Remuneration Policy has been structured with regard to the views of major institutional shareholders and leading advisory bodies.

Annual remuneration report

The annual remuneration report sets out how DP Eurasia's Remuneration Policy (pages 35 to 41) will be implemented in 2019 and how the existing Remuneration Policy was implemented in 2018.

Implementation of the Remuneration Policy in 2019

Executive Directors

DP Eurasia has two Executive Directors: the Chief Executive Officer (Aslan Saranga) and the Company Secretary (Frederieke Slot). Aslan Saranga has a remuneration package comprising a mixture of fixed pay and variable pay; Frederieke Slot solely receives fixed pay.

As described in the Statement from the Chairman of the Remuneration Committee, the Remuneration Committee reviewed Aslan Saranga's remuneration taking into consideration economic conditions in Turkey. Frederieke Slot's remuneration will remain unchanged in 2019.

Base salary

	Base salary	
Executive Director	**2019**	2018
Aslan Saranga	**TRY 2,137,235**	TRY 2,000,000
	+EUR 25,000	
Frederieke Slot	**EUR 100,000**	EUR 100,000

Pension and benefits

Frederieke Slot, whose remuneration solely comprises fixed pay, receives a pension allowance worth 36% of base salary; Aslan Saranga receives no pension allowance. They will additionally both receive other benefits consistent with those received in 2018.

ADBP

In 2019, Aslan Saranga will be able to receive an annual cash bonus of up to 80% of salary based on adjusted Group EBITDA. Frederieke Slot will not participate in the ADBP in 2019.

The EBITDA targets are currently commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in the next remuneration report to the extent that they do not remain commercially sensitive at that time.

The Remuneration Committee has discretion to override the formulaic outturn of the ADBP where such an approach is felt to be appropriate taking into account all relevant factors.

Clawback may be applied to a cash bonus up to three years from the determination of the bonus.

LTIP

As indicated in last year's remuneration report, Aslan Saranga will receive a standard level of LTIP award (100% of salary) in 2019. Frederieke Slot will not receive an LTIP award in 2019.

The award will vest on the third anniversary of grant subject to adjusted EBITDA growth targets measured over the period 2019–2021. The selection of stretching EBITDA targets is consistent with our strategic goal of delivering the significant growth potential and long-term value creation that was outlined in our IPO prospectus.

	Cumulative adjusted EBITDA for 2019–2021 (TRY m)	Proportion vesting
Threshold	434	0%
Maximum	482	100%

A sliding vesting scale will operate for performance between the threshold and maximum target.

The Remuneration Committee has discretion to override the formulaic outturn of the LTIP where such an approach is felt to be appropriate taking into account all relevant factors.

Malus and clawback may be applied to LTIP awards up to two years following the vesting date.

Non-Executive Directors

Non-Executive Director fees were determined by the General Meeting upon proposal of the Board. Shareholders approved at the 2018 AGM the fee table set out below which would be effective from 1 January 2018.

	Annual fee (GBP)
Chairman of the Board	**150,000**
Basic Non-Executive Director fee	**47,500**
Audit Committee Chairman additional fee	**7,500**
Remuneration Committee Chairman additional fee	**7,500**
Senior Independent Director additional fee	**7,000**

In addition, the Non-Executive Directors are reimbursed for expenses that are reasonably required for the performance of their duties.

No fee is paid to Seymur Tarı, İzzet Talu and Aksel Şahin.

Total remuneration

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for the years 2017 and 2018. Frederieke Slot joined the Board in June 2017 and Peter Williams and Tom Singer joined the Board in July 2017. Their figures for 2017 in the table are part-year and relate only to the portion of 2017 that they were Board members.

	Year ending 31 December 2018						
	Base salary and fees (TRY)	Benefits (TRY)	Pension (TRY)	Annual bonus (TRY)	Long-term incentives (TRY)	Total (TRY)	Total (local currency)
Executive Directors							
Aslan Saranga	**2,000,000**	**150,599**	**—**	**778,667**	**—**	**2,929,266**	**₺2,929,266**
Frederieke Slot	**566,140**	**130,212**	**200,414**	**—**	**—**	**896,765**	**€158,400**
Non-Executive Directors							
Peter Williams	**957,765**	**—**	**—**	**—**	**—**	**957,765**	**£150,000**
Tom Singer	**443,764**	**—**	**—**	**—**	**—**	**443,764**	**£69,500**
Seymur Tarı	**—**	**—**	**—**	**—**	**—**	**—**	**—**
İzzet Talu	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Aksel Şahin	**—**	**—**	**—**	**—**	**—**	**—**	**—**

	Year ending 31 December 2017						
	Base salary and fees (TRY)	Benefits (TRY)	Pension (TRY)	Annual bonus (TRY)	Long-term incentives (TRY)	Total (TRY)	Total (local currency)
Executive Directors							
Aslan Saranga	1,446,953	117,369	—	780,000	—	2,344,322	₺2,344,322
Frederieke Slot	217,711	67,110	77,708	—	—	362,529	€88,080
Non-Executive Directors							
Peter Williams	367,380	—	—	—	—	367,380	£75,000
Tom Singer	140,405	—	—	—	—	140,405	£28,884
Seymur Tarı	—	—	—	—	—	—	—
İzzet Talu	—	—	—	—	—	—	—
Aksel Şahin	—	—	—	—	—	—	—

Annual remuneration report continued

Total remuneration continued

Notes to the table on page 43 – methodology

Base salary/fees

This represents the cash paid or receivable in respect of the financial year. In local currency, Frederieke Slot's salary is €100,000, Peter Williams' fee as Chairman is £150,000 and Tom Singer's fee is £69,500 (including additional fees for his positions as Senior Independent Director, Audit Committee Chairman and Remuneration Committee Chairman).

Benefits

This represents the taxable value of all benefits paid or receivable in respect of the relevant financial year. Aslan Saranga's benefits included private health cover and company car. Frederieke Slot's benefits included medical disability allowance, mobility allowance and education, communication and IT allowances.

Pension

Aslan Saranga receives no pension provision; Frederieke Slot receives a pension allowance worth 36% of base salary.

Annual bonus

This represents the total bonus payable for the relevant financial year under the ADBP.

Long-term incentive

This column relates to the value of LTIP awards whose performance period ends in the period under review. No LTIP awards have been vested to Executive Directors. As a result, this column has a zero figure in the table. Please note that the amount disclosed for the LTIP awards in note 14 of the financial statements is the expense recognised during the period in accordance with IFRS.

Local currency totals

Part of Aslan Saranga's remuneration and the whole of Frederieke Slot's remuneration are paid in Euros and Peter Williams and Tom Singer's remuneration is wholly paid in Pound Sterling. Total amounts received by each individual in local currency are recorded in the final column of the above table. In the other columns of the table, remuneration has been converted into Turkish Lira for consistency with the financial statements.

Additional disclosures in respect of the total remuneration table

Annual bonus

During 2018, Aslan Saranga participated in the ADBP and received a cash bonus of 38.9% of base salary (TRY 778,667) out of a maximum opportunity of 80% of base salary. Details of the bonus are set out below:

At the beginning of 2018, it was agreed that Aslan Saranga's ADBP should be based on the following adjusted Group EBITDA performance targets excluding the impact of IFRS 15. For consistency, actual performance was also assessed excluding the impact of IFRS 15.

Performance measure	Threshold performance	Maximum performance	Actual performance	% of salary payable
Adjusted EBITDA (excluding IFRS 15 effect)	TRY 107.1m	TRY 124.9m	TRY 115.8m	38.9%
	Zero payout	80% of salary		

The Remuneration Committee reviewed the appropriateness of this formulaic outcome and concluded that it fairly reflected Group and individual performance during the year.

Payments to past Directors and payments for loss of office

There were no payments to past Directors nor payments for loss of office to Directors during the year ended 31 December 2018.

Statement of Directors' shareholdings and share interests

The tables below show the Directors' share ownership as at 31 December 2018.

For the duration of the Remuneration Policy, the Chief Executive Officer is required to retain a minimum of 5,000,000 shares. He is currently compliant with this requirement. As the Company Secretary does not currently participate in the ADBP or LTIP, she is not currently subject to a shareholding guideline.

Director	Shares owned outright at 31 Dec 2018 (number of shares)
Aslan Saranga	**8,106,310**(1)
Frederieke Slot	–
Peter Williams	**81,776**
Tom Singer	**50,000**
Seymur Tarı	–
İzzet Talu	–
Aksel Şahin	–

(1) Aslan Saranga owns shares through his wholly owned entity Vision Lovemark Coöperatief U.A.

Between 31 December 2018 and the date of this report, there were no changes in the shareholdings outlined in the above table.

Additionally, on 8 May 2018, Aslan Saranga was granted an LTIP award which will vest in May 2021 subject to achievement of an EBITDA growth target. Full details of the award (which were previously disclosed in last year's remuneration report) are set out below.

Aslan Saranga	Date of grant	Maximum number of shares	Face value(1) (TRY)	Face value (% of salary)	Performance condition	End of performance period
Conditional share award	8 May 2018	279,322	3,000,000	150%	0%–100% vests for cumulative adjusted EBITDA in 2018–2020 of TRY 390m –TRY 453m	31 Dec 2020

(1) The maximum number of shares that could be awarded has been calculated using the share price of GBP 1.878 (closing share price on 4 May 2018) and an exchange rate of GBP 1: TRY 5.719 (4 May 2018) and excludes any additional shares that may be awarded in relation to dividends accruing during the vesting period.

Annual remuneration report continued

Performance graph and Chief Executive Officer remuneration table

The chart compares the total shareholder return ("TSR") performance of DP Eurasia during the period since IPO to the FTSE All-Share Index. This index has been chosen because it is a recognised equity market index of which DP Eurasia is a member.

DP Eurasia's total shareholder return compared to total shareholder return of the FTSE All-Share Index since IPO on 3 July 2017

The table below shows the total remuneration payable to the Chief Executive Officer as a percentage of the maximum opportunity.

	Year ended 31 Dec 2017	**Year ended 31 Dec 2018**
Chief Executive Officer total remuneration	TRY 2,344,322	**TRY 2,929,266**
ADBP payout (% of maximum)	67%	**49%**
LTIP vesting	n/a (no award vested during 2017)	**n/a (no award vested during 2018)**

Percentage change in remuneration of the Chief Executive Officer

The table below illustrates the percentage change in annual salary, benefits and bonus between 2017 and 2018 for the CEO and the average for all other Turkish headquarters employees. This analysis provides a comparison between employees whose remuneration has been determined subject to a common economic environment. All figures relate to movement in remuneration expressed in Turkish Lira.

	Salary change (2017 to 2018)	Benefits change (2017 to 2018)	Annual bonus change (2017 to 2018)
CEO(1)	+38%	+28%	0%
Average for all Turkish headquarters employees	+15%	+33%	-12%

(1) As disclosed in last year's remuneration report, the CEO's salary was set, post-IPO, at a level (TRY 2,000,000) that the Non-Executive Directors consider appropriate for the Chief Executive Officer of a UK-listed Small Cap company.

Relative importance of the spend on pay

The table below illustrates the total expenditure on pay for all of the Group's employees compared to dividends payable to shareholders in respect of the year ending 31 December 2018. A 2017 comparative figure is also provided.

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
Total staff costs (further details are provided in Note 5 to the consolidated financial statements (page 100))	**TRY 193.3m**	TRY 144.2m
Total dividends	**–**	–

Consideration by Directors of matters relating to Directors' remuneration

The Remuneration Committee is responsible for reviewing and making recommendations to the Board regarding the Remuneration Policy and for reviewing compliance with the Remuneration Policy. During the year ending 31 December 2018, the Remuneration Committee consisted of Tom Singer (Chairman) and Peter Williams. The Remuneration Committee met on five occasions during the period between 1 January 2018 and 31 December 2018.

Internal advice

The Chief Executive Officer, the Chief Executive Officer of Russian Operations, the Human Resources Director and representatives of Fides Food Systems (Seymur Tarı, İzzet Talu and Aksel Şahin) joined Remuneration Committee meetings to provide valuable input. The Company Secretary acted as secretary to the Remuneration Committee. No individual was present when their own remuneration was being discussed.

External advice

Following IPO, Deloitte LLP was appointed by DP Eurasia to provide advice on executive remuneration matters and it continued during 2018. The Remuneration Committee received independent and objective advice from Deloitte, principally on the preparation of the first year's remuneration report and LTIP award design plus documentation. Deloitte also joined Remuneration Committee meetings by phone. Deloitte was paid £59,050 in fees during the period ending 31 December 2018 for these services to the Remuneration Committee (charged on a time plus expenses basis). Deloitte is a founding member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. In addition, Deloitte assisted DP Eurasia during the year with the UK Corporate Governance Code changes.

External Board appointments

Executive Directors are normally entitled to accept external appointments outside DP Eurasia with the consent of the Non-Executive Directors. Any fees received may be retained by the Executive Director. As at the date of this report, none of the Executive Directors held an external appointment for which they received a fee.

Shareholder voting on remuneration report resolutions at 2018 AGM

	Votes for	Votes against	Votes withheld
Approval of the Directors' Remuneration Policy			
2018 AGM	120,581,673 (96.7%)	2,926,837 (2.3%)	1,130,312
Approval of the Annual Report on Remuneration			
2018 AGM	121,729,975 (97.7%)	2,908,847 (2.3%)	0
Approval of the Remuneration for Non-Executive Directors			
2018 AGM	124,638,822 (100%)	0 (–)	0

On behalf of the Board

Tom Singer
Remuneration Committee Chairman

1 April 2019

Board

The Board aims to represent all stakeholders and to provide leadership and control in order to ensure the growth and development of a successful business.

Peter Williams

Chairman and Independent Non-Executive Director

Year of birth: 1953

Nationality: British

Appointed: July 2017

Mr Williams has spent over 30 years in both executive and non-executive positions in consumer-facing businesses comprising retail, leisure, media and consumer products. Mr Williams also serves as Chairman of the following companies: Mister Spex (an online eyewear retailer based in Berlin) and U and I Group plc (a property regeneration company). He is also currently senior independent director at Rightmove plc (a UK property portal). Mr Williams recently stepped down as Chairman of boohoo.com plc (an online fashion retailer). For eight years to December 2013, he was the senior independent director at ASOS plc (an online fashion retailer). Previous to this, for 13 years up to 2004, Mr Williams served as chief financial officer and then as chief executive of Selfridges. Amongst others, Mr Williams has served on the boards of Cineworld Group plc, Blacks Leisure Group plc and JJB Sports plc. He is also a chartered accountant and has a bachelors degree in Mathematics from Bristol University.

Committees

AC RC SAC

Aslan Saranga

Chief Executive Officer and Executive Director

Year of birth: 1969

Nationality: Turkish

Appointed: June 2017

Mr Saranga is the Chief Executive Officer, having been appointed as the founding chief executive officer of the exclusive master franchisee of the Domino's System in Turkey on its inception in 1996. He also serves as the Chief Executive Officer of the Turkish Operations as well as the Chairman of the Domino's Russia Board of Directors. He currently sits as a board member of the Food Retailers Association, a leading industry group in Turkey, and is a member of Domino's Pizza General Management Council, which is comprised of the CEOs of the top ten countries in the global Domino's Pizza network. Mr Saranga has a masters degree in Finance from the University of Istanbul.

İzzet Talu

Non-Executive Director

Year of birth: 1975

Nationality: Turkish

Appointed: June 2017

Mr Talu was appointed a Non-Executive Director in June 2017. He served as a Non-Executive Director of the Turkish subsidiaries of the Group between 2010 and June 2017 and of the Russian subsidiaries of the Group between 2012 and May 2017. Mr Talu serves as a principal (which is the equivalent of an investment director) at Turkven. Prior to joining Turkven in 2008, he worked at UBS and Creditanstalt Investment Bank, where he was involved in numerous mergers and acquisitions and equity capital market transactions. Mr Talu holds an MBA from RSM Erasmus University and a bachelors degree in Business Administration from Koç University.

Committees

SAC

Aksel Şahin

Non-Executive Director

Year of birth: 1980

Nationality: Turkish

Appointed: June 2017

Ms Şahin was appointed a Non-Executive Director in June 2017. She served as a Non-Executive Director of the Russian subsidiaries of the Group between 2012 and June 2017. She is currently a principal (which is the equivalent of an investment director) at Turkven. She was formerly with Koç Holding in Istanbul focusing on mergers and acquisitions and portfolio strategy in the energy sector. Ms Şahin has an MBA from Harvard Business School and a degree in Economics from Koç University.

Frederieke Slot

Company Secretary and Executive Director

Year of birth: 1982

Nationality: Dutch

Appointed: July 2017

Ms Slot served as senior legal counsel of USG People between 2014 and 2017 (a large HR service provider that was listed on the Amsterdam Stock Exchange until June 2016). She spent the early part of her career as an attorney-at-law with various large Dutch law firms advising on restructuring, mergers and acquisitions and advising national and international companies on a wide range of strategic legal issues, corporate governance matters and legal and regulatory responsibilities. Ms Slot has a degree in Law from the University of Leiden.

Seymur Tarı

Non-Executive Director

Year of birth: 1969

Nationality: Turkish

Appointed: June 2017

Mr Tarı was appointed a Non-Executive Director in June 2017. He served as the Chairman of the Turkish subsidiaries of the Group between 2010 and June 2017. He has served as the chief executive officer of Turkven since 2000. Mr Tarı was formerly with McKinsey & Company in Istanbul focusing on corporate portfolio strategy and at Caterpillar Inc. in Geneva as a product manager with responsibility for the EMEA and CIS regions. Mr Tarı also serves as the Chairman of Mavi and Vice-Chair on the boards of Medical Park, Flo and Koton.
He has an MBA from INSEAD and a masters degree in Mechanical Engineering and Robotics from ETH Zurich.

Thomas Singer

Senior Independent Non-Executive Director

Year of birth: 1963

Nationality: British

Appointed: July 2017

Mr Singer served as the chief financial officer of onefinestay (a registered trademark of Lifealike Limited) between 2015 and 2016 (a home rentals business), as well as InterContinental Hotels Group PLC between 2011 and 2013. Mr Singer has also been a group finance director at the international healthcare group BUPA, and chief operating officer and finance director of William Hill plc. He is a chartered accountant and spent the early part of his career in professional services with PricewaterhouseCoopers and McKinsey & Company working for international clients in the financial services, media and transportation sectors. Mr Singer has a degree in Economics & Accounting from the University of Bristol.

Committees

AC RC SAC

AC Audit Committee

RC Remuneration Committee

SAC Selection and Appointment Committee

Leadership team

Aslan Saranga

Chief Executive Officer and Head of Leadership

See biography on page 48.

Neval Korucu Alpagut

Chief Financial Officer

Ms Alpagut became Chief Financial Officer in 2017. Since 2006 she has been, and continues to be, the Chief Financial Officer of the Turkish Operations. Prior to joining the Group in 2006, Ms Alpagut worked for ten years at Volkswagen Elektrik Sistemleri as a finance and accounting manager. Ms Alpagut has a degree in Business Administration from İstanbul University (Turkey).

Selim Kender

Chief Strategy Officer and Head of Investor Relations

Mr Kender joined the Group in 2017. Prior to this he acted as an adviser to the Group's Board of Directors in both Turkey and Russia. He also spent ten years at Turkven and spent five years at both NTL Inc. and CoreComm Limited concurrently, in corporate development and investor relation roles. Mr Kender has an MBA from Columbia Business School and a degree in Mechanical Engineering from the University of Texas.

Güvenç Dönmez

Chief Executive Officer of Russian Operations

Mr Dönmez has been the Chief Executive Officer of the Russian Operations since 2015. Prior to joining the Group, Mr Dönmez worked for two years at Samsung Russia as its chief marketing officer. He also spent six years in senior marketing roles at Procter & Gamble in Russia and Europe and 13 years with Procter & Gamble overall. Mr Dönmez obtained a degree in Industrial Engineering from Bogazici University (Turkey).

Mustafa Özgül

Chief Financial Officer of Russian Operations

Mr Özgül has been the Chief Financial Officer of the Russian Operations since 2014. Prior to joining the Group, Mr Özgül worked for two years at Ramstore Kazakhstan LLC as its chief financial officer and for three years at Bechtel Inc. in Kazakhstan as its accounting and finance manager and seven years at Betchel Inc. overall. Mr Özgül obtained a degree in Management from Istanbul Technical University (Turkey).

Kerem Ciritci

Chief Growth Officer

Mr Ciritci became Chief Growth Officer in 2018. Since 2010 he has been Business Development, Franchise Operations and International Development Director of the Turkish Operations. Prior to joining the Group in 2006, Mr Ciritci worked for Ritz Carlton, Alarko Tourism Group. Mr Ciritci has a degree in Tourism Administration from Boğaziçi University (Turkey).

Gökhan Süderbay

Chief Technology Officer

Mr Süderbay has been Group Chief Technology Officer since August 2018. Mr Süderbay had worked as CIO and Executive Committee Member at different companies in the 10 years before joining the Group. He spent a total of 21 years at Yapı Kredi Technology, Garanti Technology, Aviva Insurance, AvivaSA, Liberty Mutual Insurance and Hedef Fleet Leasing. Mr Süderbay has an MBA from Gebze Institute of Technology and a BSc. in Computer Engineering from Hacettepe University.

Board composition, roles and attendance

Shareholders
181 shareholders as at 18 December 2018

Board

Selection and Appointment Committee

Responsible for Board appointments, succession planning and reviewing the structure, size and composition of the Board. The Selection and Appointment Committee also ensures that there is a healthy balance of skills, knowledge, experience and diversity on the Board.

See Committee report on page 55

Audit Committee

Monitors the integrity and quality of the Group's external reporting and provides oversight and governance over the Group's internal controls, the effectiveness of the Group's risk management and the relationship with the external auditors.

See Committee report on pages 53 and 54

Remuneration Committee

Responsible for setting the remuneration policy and individual compensation for Executive Directors and senior management so that it is in line with the long-term interests of the Group.

See Committee report on pages 54 and 55

Executive team

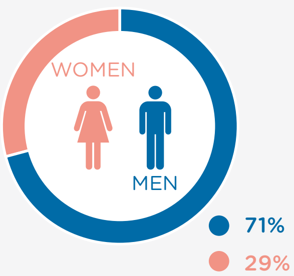
Chief Executive Officer

- Chief Financial Officer
- Chief Strategy Officer & Head of IR
- Chief Growth Officer
- Chief Technology Officer
- CEO Russia
- CFO Russia
- Company Secretary

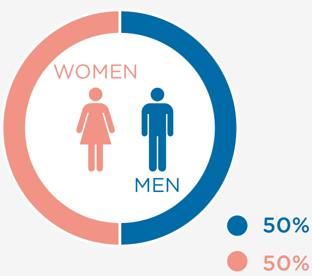
	Date of possible re-appointment	Duration of unexpired term of appointment	Attendance at planned Board meetings	Attendance site visits	Attendance at meetings of the Audit and Remuneration Committees	Attendance at meetings of the Selection and Appointment Committee
Peter Williams	2020	1 year, 1 month	5/5	3/3	9/9	2/2
Aslan Saranga	2020	1 year, 1 month	5/5	3/3		
Frederieke Slot	2020	1 year, 1 month	5/5	3/3		
Seymur Tari	2020	1 year, 0 months	4/5	3/3		
Izzet Talu	2020	1 year, 0 months	5/5	3/3		2/2
Aksel Şahin	2020	1 year, 0 months	4/5	3/3		
Thomas Singer	2020	1 year, 1 month	5/5	3/3	9/9	2/2

Board diversity

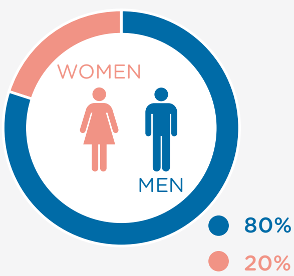
Board of Directors



Executive Directors



Non-Executive Directors



International experience

Corporate governance report

The Board is committed to maintaining a governance framework that is appropriate to the business, supports effective decision making and promotes decisions focused on the long-term success of the Group.

Corporate Governance

DP Eurasia is a limited liability company incorporated under the laws of the Netherlands. DP Eurasia has a premium listing of ordinary shares on the London Stock Exchange. The Company has a one-tier board structure.

The following sections explain how the Company applies the main provisions set out in the UK Corporate Governance Code and the Dutch Corporate Governance Code and have been prepared in line with the UK Listing Authority Listing Rules (the "Listing Rules").

This part of the Annual Report and Accounts covers:

- the structure and role of the Board and its committees;
- relations with the Company's shareholders and the Annual General Meeting ("AGM");
- the reports of the Audit Committee, the Remuneration Committee and Selection and Appointment Committee; and
- information that needs to be included pursuant to the Listing Rules, if not included in the consolidated financial statements, the remuneration report (payment for loss of office) and the Shares and shareholders paragraph (Relationship Agreement and the controlling shareholder).

The Board

Role and responsibilities

The Board is a one-tier board and the Directors have joint powers and responsibilities. The Directors share responsibility for all decisions, resolutions and acts of the Board and for the acts of each Director. Each Director has a duty towards the Company to properly perform the duties assigned to him or her. Furthermore, each Director has a duty to act in the interest of the Company and its business. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees and other stakeholders.

At any time, the Board, as a whole, is entitled to represent and act on behalf of the Company. Additionally, the Chief Executive Officer and another Executive Director acting jointly are authorised to represent and act on behalf of the Company. The majority of the Directors are Non-Executive Directors who essentially have a supervisory role. A list of our Directors, their role on the Board, their dates of appointment and their other major appointments are set out on pages 48 to 51.

The Board is responsible for the management, general affairs, strategy and operations of the Company. The Board may perform all acts necessary or useful for achieving the Company's corporate objectives, except for actions and resolutions expressly attributed to the General Meeting as a matter of Dutch law or pursuant to the Company's articles of association.

Appointment, dismissal and suspension

Pursuant to the Company's articles of association, the Board must consist of at least one Executive Director and one Non-Executive Director. The Board determines the total number of Directors. The General Meeting appoints, suspends and dismisses each Director. For so long as there is a controlling shareholder (for the purposes of the Listing Rules), the Board rules allow for the election or re-election of any independent Director to be approved by separate resolutions of: (i) the Company's shareholders; and (ii) the Company's shareholders excluding any controlling shareholder. If either of the resolutions is defeated, the Company may propose a further resolution to elect or re-elect the proposed independent Director, which (a) may be voted on within a period commencing 90 days and ending 120 days from the original vote, and (b) may be passed by a vote of the shareholders of the Company voting as a single class.

Each Executive Director may at any time be suspended by the Board.

The General Meeting determines the term of appointment for each Director, which may not end sooner than immediately after the AGM held in the first year after the year of the Director's appointment and not later than immediately after the AGM held in the fourth year after the year of the Director's appointment. The Board Rules provide that Directors will be appointed for no more than three years.

A Director's appointment may be renewed by the General Meetings of shareholders ("General Meetings"). with due observance to the rules and regulations as applicable to the Company. A resolution of the General Meeting to appoint, suspend or dismiss a Director requires an absolute majority of the votes cast. The General Meeting can suspend or dismiss a Director at any time. Board resolutions to suspend or dismiss an Executive Director require an absolute majority of the votes cast.

Fides Food Systems will be able to nominate for appointment up to three Non-Executive Directors to the Board, for so long as it and its associates are entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of shareholders ("General Meetings"). More information relating to the nomination rights of Fides Food Systems can be found on page 57 and 58.

Executive Directors

The Board has delegated the operational running of the Group to the Executive Directors with the exception of the following matters which are reserved for the full Board: structural and constitutional matters; corporate governance matters; dividend proposals; developing and approval of the overall strategy and decisions on managing the corporate portfolio; approval of the business plan and budget; oversight of the operational and financial performance of the business; review and approval of any publication by the Company of any information required by applicable laws and regulations; approval of significant transactions or arrangements in relation to mergers, acquisitions, joint ventures and disposals; approval of changes made to franchise agreements or other significant agreements; settlement of material litigation issues, significant financial injections and capital expenditures; and approval of material changes to pension liabilities.

Non-Executive Directors

The Non-Executive Directors share full responsibility for the execution of the Board's duties. Within this broad responsibility, the Non-Executive Directors are essentially supervising and advising the Board and the management regarding the strategy, the implementation of the strategy and the principal risks associated with it and focus on the effectiveness of the Company's internal risk management and control systems and the integrity and quality of the financial reporting.

Further, the Non-Executive Directors scrutinise the performance of management in meeting the agreed goals and objectives and supervise the relations with shareholders. The Board acknowledges that it is important that the Non-Executive Directors develop an understanding of the views of major shareholders about the Company. In relation herewith, the Non-Executive Directors are regularly provided with analysts' updates and briefings and are invited to join meetings with major shareholders. In carrying out their duties, the Non-Executive Directors are guided by the Dutch Civil Code, the Dutch Corporate Governance Code, the UK Corporate Governance Code, the Company's articles of association, and the overall interests of the Group, its business and stakeholders.

Committees

The Company has established three committees: an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee. These committees each have written terms of reference, and are currently composed as described below. The members of each of these three committees are appointed from among the Non-Executive Directors. From time to time, separate committees may be established by the Board to consider specific issues when the need arises.

Audit Committee

The Audit Committee operates pursuant to the terms of reference approved by the Board. The Audit Committee's role is to undertake preparatory work for the Board's decision-making regarding the supervision of the integrity and quality of the Company's audit, accounting and financial reporting processes and the effectiveness of the Company's internal risk management and control systems.

Among other things, it focuses on monitoring the Board with regard to: (a) relations with, and compliance with recommendations and following up of comments by, the internal and external auditors; (b) the funding of the Company; and (c) the application of information and communication technology by the Company, including risks relating to cybersecurity.

The Audit Committee will meet not less than four times a year.

The Audit Committee is chaired by Mr Singer and its other member is Mr Williams. Members of the Audit Committee shall be appointed by the Board. The UK Corporate Governance Code recommends that all members of the Audit Committee be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement and the Dutch Corporate Governance Code requires that all members of the Audit Committee be Non-Executive Directors and that more than half of the members should be independent. The Board considers that the Company complies with the requirements of the UK Corporate Governance Code and the Dutch Corporate Governance Code as to the composition of the Audit Committee, because the Audit Committee comprises two independent Non-Executive Directors.

The Audit Committee convened four times in 2018. The meetings of the Audit Committee were attended by the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and PricewaterhouseCoopers Accountants N.V. ("PwC"). At the end of each meeting, it was chosen to discuss matters without management being present. The Chief Strategy Officer and Head of Investor Relations joined the meetings during which the press releases regarding annual and half-year results were discussed. Other members of the Board and senior management were invited when necessary or appropriate.

Corporate governance report continued

Audit Committee continued

The Audit Committee's focus in 2018 was, among other things, on overseeing the integrity and quality of the Group's financial reporting, the effectiveness of the internal risk and control systems and the implementation of the revised/new IFRS standards 9, 15 and 16. The Audit Committee reviewed the Company's annual and interim financial statements, including non-financial information, the quarterly results and related press releases, as well as the outcomes of the year-end audit. The Audit Committee discussed relevant accounting principles and reviewed new accounting standards for financial instruments under IFRS 9, revenue recognition under IFRS 15 and lease accounting under IFRS 16.

Furthermore, the Audit Committee reviewed and approved the audit plans of the internal and external auditors, with a focus on scoping, materiality and key risks. The Audit Committee monitored the progress of the internal and external audit activities, including a review of observations identified as a result of the internal audit activities during the quarter, quarterly procedures performed by the external auditor and the audit performed at year end by the external auditor. The Audit Committee oversaw follow-up by management on the recommendations made in the internal and external Board reports.

The Audit Committee extensively discussed the effectiveness of the internal control framework. Each quarter, the agenda includes a discussion on current control topics, including internal audit findings and the external auditor's reflections on the control framework. These discussions guided management and internal audit to focus on the right priorities throughout the year and to build a relevant internal audit plan for 2019.

The Audit Committee has reviewed the independence, effectiveness and objectivity of the external auditor, PwC, and considers that PwC possesses the skill and experience required to fulfil its duties effectively and efficiently. The Audit Committee's review of the effectiveness of PwC as the external auditor is based on discussions with the senior finance team, discussions with the lead audit partner and his team and the quality of reporting to the Audit Committee.

PwC has monitored their compliance with external standards, the PwC Global Independence Policy and DP Eurasia's independence policy with respect to services provided in 2018 and confirmed that they have been and are compliant with these independence requirements. The Audit Committee has held meetings with the external auditor without management and there is regular dialogue with the audit partner.

With respect to the external auditor's board report about the 2018 financial year, the Audit Committee confirms that the Board report contained no significant items that need to be mentioned in this report.

The Company was incorporated on 18 October 2016 and listed its shares through DP Eurasia N.V. on the London Stock Exchange as of 3 July 2017. As a consequence, PricewaterhouseCoopers Accountants N.V. was appointed as the statutory auditor of the listed entity. Prior to the listing PwC Turkey was already the statutory auditor of the consolidated financial information of all the operating entities. The shareholders acknowledged the appointment of PwC during the AGM on 24 May 2018.

The Audit Committee agrees the fees for the external auditor and has agreed strict rules regarding the provision of non-audit services by the external auditor. These include specific pre-approvals for proposed non-audit work.

Remuneration Committee

The Remuneration Committee operates pursuant to terms of reference approved by the Board. The Remuneration Committee prepares the Board's decision-making regarding the determination of remuneration and assists the Board in reviewing and monitoring overall remuneration packages for senior management. The Remuneration Committee submits proposals to the Board concerning the remuneration of individual Directors and variable remuneration schemes for other employees. Such proposals are drawn up in accordance with the Remuneration Policy that has been adopted by the General Meeting and covers, in any event, the remuneration structure, the ratio between the fixed and variable components, the performance criteria used, the scenario analyses that are carried out and the pay ratios within the Company and its affiliated enterprise.

The Remuneration Committee is chaired by Mr Singer and its other member is Mr Williams. Members of the Remuneration Committee are appointed by the Board. The UK Corporate Governance Code recommends that all members of the Remuneration Committee be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement.

The Dutch Corporate Governance Code requires that all members of the Remuneration Committee be Non-Executive Directors and that more than half of the members be independent. The Board considers that the Company complies with the requirements of the UK Corporate Governance Code and the Dutch Corporate Governance Code as to the composition of the Remuneration Committee because the Remuneration Committee comprises two independent Non-Executive Directors.

The Remuneration Committee convened five times in 2018. The meetings of the Remuneration Committee were attended by the Chief Executive Officer and the Human Resources Director (by phone and in person). Other members of the Board and senior management were invited when necessary or appropriate. In the case of topics concerning the remuneration of the Chief Executive Officer, it was chosen to discuss matters without the Chief Executive Officer being present. The Remuneration Committee discussed the new Remuneration Policy 2018–2020 and discussed the bonus payouts for the Group's senior management. Furthermore, the Remuneration Committee proposed the targets for the LTIP. The Remuneration Committee dedicated considerable time on the adjustments to the Remuneration Policy 2018–2020 as outlined in the remuneration report. These adjustments will apply to the Executive Board.

Selection and Appointment Committee

The Selection and Appointment Committee operates pursuant to terms of reference approved by the Board. The Selection and Appointment Committee prepares the Board's decision-making and reports to the Board on its deliberations and findings. The Selection and Appointment Committee, among other things, focuses on: (a) drawing up selection criteria and appointment procedures for Directors; (b) periodically assessing the size and composition of the Board, and making a proposal for a composition profile of the Board; (c) periodically assessing the functioning of individual Directors, and reporting on this to the Board; (d) drawing up a plan for the succession of Directors; (e) making proposals for appointments and re-appointments; and (f) supervising the policy of the Board regarding the selection criteria and appointment procedures for senior management.

The Selection and Appointment Committee is chaired by Mr Williams and its other members are Messrs Singer and Talu. Members of the Selection and Appointment Committee are appointed by the Board. The UK Corporate Governance Code recommends that a majority of the Selection and Appointment Committee be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement, and the Dutch Corporate Governance Code requires that all members of the Selection and Appointment Committee be Non-Executive Directors and that more than half of the members be independent.

The Board considers that the Company complies with the requirements of the UK Corporate Governance Code and the requirements of the Dutch Corporate Governance Code as to the composition of the Selection and Appointment Committee because the Selection and Appointment Committee comprises two independent Non-Executive Directors and one non-independent Non-Executive Director.

The Selection and Appointment Committee convened twice in 2018. The meetings of the Selection and Appointment Committee were attended by the Chief Executive Officer. The Selection and Appointment Committee discussed the possible succession planning of Executive Directors, Non-Executive Directors and the executives in Turkey and Russia. The Selection and Appointment Committee also discussed the Board's approach to its first annual self-assessment on Board effectiveness.

The respective rules of these committees can be found on the Company's website, including attendance at meetings in 2018, which can be found on page 51.

Board effectiveness

Activities of the Board

A minimum of four face-to-face meetings are planned throughout the calendar year to consider, for example, the half-year and full-year results announcements of the Group and the strategy of the Group. Meetings of the Board are held in Amsterdam, with three to four site visits in Moscow and Istanbul a year. The Chairman sets the Board's agenda, ensures the Directors receive accurate, timely and clear information, and promotes effective relationships and open communication between the Executive and Non-Executive Directors.

These physical meetings were held in Amsterdam with all the Directors being present. Throughout the year, the Chairman and other Non-Executive Directors had regular contact with the Chief Executive Officer. None of the Non-Executive Directors were frequently absent. The table showing the attendance of Directors at Board meetings in 2018 can be found on page 51.

At each Board meeting and with respect to any proposed resolution submitted to the Board, each Director holds the right to cast one vote provided that such Director does not have a conflict of interest with respect to the proposed resolution. Where the articles of association or the Board Rules do not prescribe a larger majority, all resolutions submitted to a Board meeting may only be adopted by a majority of the votes cast in such a meeting. In the event of a tie, the proposed resolution will be deemed to have been rejected.

The meetings addressed routine commercial, operational and financial matters and focused on key resource levels and strategy implementation. Next to routine tasks the Non-Executive Directors paid particular attention to the activities regarding investors.

Corporate governance report continued

Board effectiveness continued

Activities of the Board continued

Main matters discussed during the year's Board meetings:

- developing and approval of the overall strategy;
- implementation of the progress on the overall strategy;
- long-term value creation and the strategy for realisation;
- budget for 2019;
- oversight of the operational and financial performance of the business;
- review of risks and internal risk management and control systems;
- potential acquisition opportunities;
- investor relations activities;
- capital structure;
- significant human resources matters;
- major capital investments;
- innovation; and
- the half-year results, including the announcement and investor presentations of these half-year results.

Board evaluation

The Board is required to assess its own effectiveness. This is a healthy process for the Board as a whole, the committees, and the individual Directors. The evaluation operates on a three-year cycle, with two subsequent years of internal evaluations followed by one externally led evaluation. The Board decided that, since it had only been in function in full as of the IPO, it would assess its own functioning in 2018 for the first time. This 2018 internal valuation was performed by means of a questionnaire. The main conclusions of the evaluation were collectively discussed by the Board at its meeting in December.

The evaluation concluded that the Board felt its work and performance during the year had been positive; the Board is involved in major developments in the business in the right level of detail and at the right time, the Non-Executive Directors take an independent view of management and the time and the commitment of the Non-Executive Directors to fulfil their responsibilities are appreciated. Key points of attention resulting from the evaluation in 2018 included enhanced focus on the profile and composition of the Board, improving the effectiveness of discussions in the boardroom and the succession planning for key Board members and senior executives. Reflecting on the lessons learnt, the Board agreed, in particular, in the evaluation discussions:

- that the Chairman and CEO will schedule a call before the Board meeting to improve the effectiveness of discussions in the boardroom; and
- to closely monitor the succession planning for key Board members and senior management to ensure that it is closely aligned to the Group's requirements and strategy.

The Board attaches great value to these evaluations. They ensure continuous focus on the quality of the activities, composition and functioning of the Board and its committees.

The internal control procedures are described in more detail on pages 60 to 63 of this report. The Board is of the opinion that these fulfil the needs of the Group.

Non-Executive Director meetings

The Non-Executive Directors meet as a group, without the Executive Directors present, to consider specific agenda items set by them at least once a year. The Chairman, or in his absence the Senior Independent Director, chairs such meetings.

Composition of the Board

The composition of the Board, including the Non-Executive Directors, can be found on pages 48 and 49.

The Board has a diverse composition in terms of educational background, professional expertise, age and nationality. In this respect, DP Eurasia's ambition is to have a blend of industry knowledge and financial, legal, executive and non-executive expertise. The target for a balanced Board composition is a minimum of 30% male and female representatives. This target is currently met by DP Eurasia for the Executive Directors (50%), but not for the Non-Executive Directors (20%). DP Eurasia, however, regards the full Board as being well balanced (28.6%). The Board will strive for a diverse composition in the process of appointing and re-appointing members to the Board in the future. In view of the objective to achieve gender balance, the Board aims at appointing a female Board member when it has to fill the first vacancy that arises. At the same time, necessary knowledge of the Company, franchise, digital retail and the Company's key market areas will stay as key appointment criteria.

The Board endeavours to ensure that the composition of the Board is such that its members are able to act critically and independently of one another, the Executive Board and any particular interest.

The Board has determined that Messrs Williams and Singer are independent Non-Executive Directors within the meaning of the UK Corporate Governance Code and best practice provisions 2.1.8 and 2.1.9 (for Mr Williams only) of the Dutch Corporate Governance Code. Messrs Tari and Talu and Ms Sahin are appointed as Non-Executive Directors upon the nomination of Fides Food Systems, and are considered non-independent within the meaning of best practice provision 2.1.8 of the Dutch Corporate Governance Code.

Director induction

All the new Directors participated in an induction programme when they joined the Board. The Chairman ensures that ongoing training is provided for Directors by way of site visits and presentations.

Indemnification

The terms of the indemnification granted to the Directors are set out in the Company's articles of association. An excess Directors' and Officers' Liability and Corporate Reimbursement Insurance and an excess Public Offering of Securities Insurance were in place for all Directors in 2018 upon IPO and are both currently in force.

Conflicts of interest

Any conflict of interest by a member of the Board shall immediately be reported to the Board. In the event that a Director is uncertain whether or not he has a conflict of interest, he may request the Chairman to have the Non-Executive Directors determine whether there is a conflict of interest. A Director may not participate in the deliberation and decision-making process if he or she has a conflict of interest. In 2018, no transactions were reported under which a Director had a conflict of interest which was of material significance to the Company or to the individual Director.

Insider dealing code

The Board has adopted a code of securities dealings in relation to the shares and a policy with respect to the entry into of transactions with persons related to the Group. The code is based on the rules of the EU Market Abuse Regulation and will apply to the Directors and other relevant employees of the Group. The policy is based on the mandatory provisions of the Listing Rules which apply to the Group.

Accountability: UK and Dutch Corporate Governance Codes

UK Corporate Governance Code

The Company complies with and, except in the case of any future deviation, subject to explanation thereof at the relevant time, intends to continue to comply with the relevant recommendations of the UK Corporate Governance Code. The UK Corporate Governance Code contains 18 main principles, which are expanded on in supporting principles and detailed provisions. Together, these set out the key components of effective Board practice and corporate governance, and we explain in this report how we have applied these during the year.

The Company is taking on board the provisions of the new UK Corporate Governance Code in preparation for 2020 and will look to see how the new provisions are consistent with Company strategy, resources, stage of development and Dutch requirements over the course of 2019.

Fides Food Systems is the largest holder of shares in the Company and a subsidiary of Turkish Private Equity Fund II L.P. ("TPEF II"), the ultimate parent company. The Company will continue to represent a significant investment for Fides Food Systems. For this reason, and as a result of the Company constituting a small listed company which is not for the time being eligible for inclusion in the FTSE 350, the composition of the Board follows the recommendation of the UK Corporate Governance Code that at least two members of the Board should be independent Non-Executive Directors. The Board and Fides Food Systems are mindful of the need to consider the interests of the Company's new minority investors and the Group believes the composition of the Board and the committees, with the independent Chairman (being Mr Peter Williams) and the independent Non-Executive Director (being Mr Thomas Singer), will provide the appropriate corporate governance balance in light of the size of the Company and the interests of both Fides Food Systems and new minority shareholders.

The Board intends to achieve full compliance with those recommendations of the UK Corporate Governance Code which apply to companies eligible for inclusion in the FTSE 350 as the Group grows over time.

Pursuant to the Relationship Agreement (see page 72), Fides Food Systems will be able to nominate three Non-Executive Directors to the Board for so long as it and its associates are entitled to exercise or to control the exercise of 30% or more of the votes able to be cast on all, or substantially all, matters at General Meetings; two Non-Executive Directors for so long as it and its associates are entitled to exercise or control the exercise of 20% or more; and one Non-Executive Director for so long as it and its associates are entitled to exercise or control the exercise of 10% or more. The first such appointees were Mr Seymur Tarı, Mr İzzet Talu and Ms Aksel Şahin. The UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List of the FCA should appoint one of the non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of chairman or executive directors has failed to resolve or for which such contact is inappropriate. Mr Thomas Singer has been appointed as Senior Independent Director.

The Board will follow the recommendation of the UK Corporate Governance Code that an Executive Director is expected to build up a shareholding worth 100% or a significant amount of their salary. Pursuant to the Remuneration Policy 2018–2020, the Chief Executive Officer will be required to retain a minimum of 5,000,000 shares (based on the Group's share price as at 31 December 2018, this equates to a value of c.£5.2 million) subject to remaining as an employee.

Corporate governance report continued

Accountability: UK and Dutch Corporate Governance Codes continued

Dutch Corporate Governance Code

The Dutch Corporate Governance Code, dated 8 December 2016, became effective on 1 January 2017 and has its statutory basis in Book 2 of the Dutch Civil Code. Dutch companies whose shares are listed on a regulated market (such as the London Stock Exchange) are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Corporate Governance Code and, in the event that they do not apply a certain provision, to explain the reasons why. The Board has reviewed the Dutch Corporate Governance Code and supports the best practice provisions thereof. Therefore, except: (i) where the Dutch Corporate Governance Code cannot be reconciled to the UK Corporate Governance Code; (ii) as noted below; or (iii) in the case of any future deviation, subject to explanation thereof at the relevant time, the Company intends to comply with the relevant best practice provisions of the Dutch Corporate Governance Code (publicly available at www.mccg.nl).

The Company has not applied a limited number of principles and best practice provisions from the Dutch Corporate Governance Code. The Company will not comply with the following principles and best practice provisions of the Dutch Corporate Governance Code:

Best practice provision 2.1.7 ("Independence of the Supervisory Board")

The Company does not comply with best practice provision 2.1.7, which determines, inter alia, that more than half of the total number of Non-Executive Directors should meet the independence criteria as defined in the Dutch Corporate Governance Code. As long as Fides Food Systems holds at least 30% of the shares, it shall have the right to nominate three of the five Non-Executive Directors, and the nominees do not need to be "independent".

The Company believes this deviation is justified by Fides Food Systems' shareholding in the Company since IPO and the specific knowledge and experience of the business of the Company held by these Directors.

Best practice provision 2.7.5 ("Accountability regarding transactions: majority shareholders")

The Company does not comply with best practice provision 2.7.5, which determines, inter alia, that all transactions between the Company and legal or natural persons who hold at least 10% of the shares must be agreed on terms that are customary in the market and require the approval of the Supervisory Board (or the Non-Executive Directors in a one-tier board). The Company will alternatively comply with Listing Rule 11, which requires shareholder approval for related party transactions which, by value, exceed a de minimis threshold. The Company believes this deviation is justified because the Listing Rules requirements are mandatory.

Best practice provision 3.1.2 ("Remuneration policy")

The Company does not comply with best practice provision 3.1.2 (vi), which determines that shares should be held for at least five years after they are awarded.
The Company felt it important to demonstrate to the executive team that the scheme would deliver value in the first three years to build confidence in this unfamiliar type of arrangement for Turkish and Russian executives. Having a five-year delay in getting any benefits would reduce its effectiveness. However, for the duration of the 2018–2020 Remuneration Policy, the Chief Executive Officer will be required to retain a minimum of 5,000,000 shares. The Company believes that a further two-year holding period provides little additional incentive given the size of his minimum shareholding, subject to remaining an employee. The Company believes that with the current Remuneration Policy, it ensured an alignment with the interests of the shareholders.

Best practice provision 3.2.3 ("Severance payments")

The Company does not comply with best practice provision 3.2.3, which determines, inter alia, that remuneration in the event of dismissal of employees should not exceed one year's salary. Although, in the Company's case, the Executive Directors will normally under their contracts not be entitled to be paid a severance payment upon termination that exceeds one year's annual base salary (the fixed remuneration) in the preceding financial year and no contractual severance payment will be awarded in the event of seriously culpable or negligent behaviour on the part of the Executive Director, Mr Saranga's contract provides for an additional compensation payment of one year's annual base salary payable only in the event that termination of his employment is due to him being unable to work because of a health condition. Where a contract is terminated, the Company reserves the right to make additional payments where such payments are made in good faith in discharge of an existing statutory or legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment. Any such payments may include, but are not limited to, paying statutory severance compensation, any fees for outplacement assistance and/or the Executive Director's legal and/or professional advice fees in connection with his or her cessation of office or employment. Payment would also be made for any outstanding vacation days unused at the date of cessation of employment.

Peter Williams
Chairman

1 April 2019

How we manage risk

Non-financial statement

The DP Eurasia Risk Management and Control Framework is based on the COSO 2013 framework, supported by various control models and best practices.

The risk management and control implementation process is explained in the DP Eurasia Risk Management and Control Framework:

DP Eurasia Risk Management and Control Framework

The Board, Audit Committee and management are dedicated to monitoring the Group's risks as an integral part of strategic decision making.

Corporate policies

- Code of Ethics and Business Conduct
- Anti-Corruption and Anti-Bribery Policy
- Whistleblower Policy
- Diversity Policy for the Board Composition
- Policy on Bilateral Contacts with Shareholders
- Remuneration Policy

The DP Eurasia Risk Management and Control Framework is based on the COSO 2013 framework, supported by various control models and best practices. COSO 2013 is a global control framework providing guidance on enterprise risk management, internal control and fraud deterrence.

As a key element of a robust risk management and control framework, the internal audit functions are carried out by the DP Eurasia Internal Audit, Risk and Compliance Department, which directly reports to the Audit Committee and has full access to all Group entities. The DP Eurasia Internal Audit, Risk and Compliance Department provides reasonable assurance to the Audit Committee and the Board on the design and effectiveness of the business processes and internal controls.

The DP Eurasia Internal Audit Charter and Internal Audit Policy explaining the audit methodology and responsibilities are in line with the International Internal Audit Standards.

The DP Eurasia Internal Audit, Risk and Compliance Department conducts its activities on a risk-based approach. A risk-based annual audit plan reflecting assessment of business units and strategic priorities for each Group company is prepared with the input of management and approved by the Audit Committee. The DP Eurasia Internal Audit, Risk and Compliance Department conducts planned and ad hoc Business & IT Process Audits, special investigations and periodic controls based on financial, operational and compliance risks. The significant risk areas, audit issues and effectiveness of management action plans are periodically reported to the Audit Committee.

The Audit Committee and management monitor the risk management, effectiveness and timely implementation of the internal controls and provide guidance for prioritisation and further improvement.

Ethics and compliance culture

The Board has adopted a set of corporate governance policies including the Code of Ethics and Business Conduct, Anti-Corruption and Anti-Bribery Policy, Whistleblower Policy and Audit Committee Charter to define the corporate governance responsibilities.

The Group's values and "doing the right thing" principle determine its culture. The Group sets the "Tone at the Top" as a reflection of its values, code of conduct and corporate governance policies which lead the behaviour it expects from its employees.

Code of Conduct

The Code of Ethics and Business Conduct mainly defines the general rules on relations with and between workers, relations with the market and other stakeholders and relations with the community.

The Code strictly highlights that the Group respects and promotes human rights in all the cultural, socioeconomic and geographic contexts in which it operates, respecting the traditions and cultures of, and providing support for, local communities in accordance with specific interests in each region. Also, the Group prohibits any situation involving or pertaining to child or forced labour.

The Group's employees are informed about Code ofConduct compliance requirements when they join the Group. Also, refresher training is conducted to increase awareness and ensure that its values and the Code of Conduct are part of the daily operations of the Group's employees.

Anti-Bribery

The DP Eurasia Anti-Corruption and Anti-Bribery Policy emphasises that any form of bribes or inappropriate advantages are prohibited by the Group and should be reported immediately, and that the gift receiving and giving rules should be followed.

Whistleblowing

The DP Eurasia Whistleblower Policy details the process to be followed when a violation of the Code of Ethics and Business Conduct occurs. The Group has an ethics hotline in each Group company which can be reached via a telephone hotline and email. Both employees and external parties can report Code of Ethics and Business Conduct violations or suspicious incidents to this independent channel, operated by an external call centre, assuring full protection and anonymity of the reporting person.

The cases reported through the ethics hotline are thoroughly reviewed and investigated by the DP Eurasia Internal Audit, Risk and Compliance Department. The cases are assessed by the Ethics Committee when required. The Group received and resolved 175 cases in 2018. Mitigating controls and disciplinary action were taken accordingly. The ethics cases are periodically reported to the Audit Committee.

How we manage risk continued

Non-financial statement continued

The Group's risk register

The Group categorises risks in four types:

- **Strategic risks:** the Group is willing to take a certain level of risk by assessing a risk/return approach when doing business;
- **Operational risks:** the Group has a responsible approach to operational risk management. High quality products, customer satisfaction and continuity of production are the prioritised areas;
- **Financial risks:** the Group continuously assesses its financial risks and seeks for the mitigations to minimise the potential risk impact; and
- **Compliance risks:** compliance with laws and regulations is essential for the Group, which does not tolerate non-compliance with laws.

The updated risk register is presented in this Annual Report. Risks mentioned in the 2017 Annual Report are reassessed, and descriptions and mitigating actions are updated.

Strategic

Business dependency on Master Franchise Agreements ("MFAs")

Group risk

- Expiration or termination of an MFA due to a breach of the agreement or store franchise agreements may affect the Group's business operationally and financially.

Mitigation

- The Group has strong relations with Domino's Pizza International.
- Since the Group's ability to renew the MFAs is dependent upon the good standing of the Group with respect to its contractual relationships with the Master Franchisors (including under the store franchise agreements) and its ability to agree a revised development plan in the relevant country, the KPIs are monitored very closely by management and the Board, and required actions are taken in order to address risky areas.

Operations and growth strategy dependency on the success of the sub-franchisees

Group risk

- The Group is reliant on the performance of sub-franchisees in successfully opening and operating franchised stores and paying for supplies, royalties and other fees to the Group on a timely basis.
- Franchise system risks are failure of sub-franchisees to make payments to the Group, sub-franchisee independence that may result in conflicts with Group standards or financial performance issues going undetected, non-renewal of a store franchise agreement with sub-franchisees, etc.

Mitigation

- The Group spends significant efforts on pricing strategies to increase profitability of the franchised stores.
- The franchised stores' financial and operating performance is continually monitored.
- The payment performance of the stores is monitored by management and remediation actions are taken to boost the low-performing stores.
- Stores are regularly audited to prevent or detect any compliance issues or financial risks.

Growth strategy dependency on opening profitable new system stores

Group risk

- Failure to identify key geographical areas to open stores may result in failure to meet future expectations.
- Market saturation may become significant in the future and could adversely affect system store sales growth.

Mitigation

- The Group spends significant efforts on obtaining and training sub-franchisees and personnel, creating customer awareness by advertising and marketing activities to mitigate this risk.
- The Board continuously monitors the pipeline of proposed store openings.
- Franchisee development programmes are continuously improving to support the franchised stores.
- The Group works on improving the premise assessment and rental process.

The Group's dependency on infrastructure and internal systems to support the Group's planned growth and strategy

Group risk

- Failure to enhance the Group's existing internal systems and controls, distribution and delivery networks and information technology systems may adversely affect the planned expansion.
- Failure to locate, hire, train and retain management and operating personnel may result in not responding on a timely basis to the changing demands of the Group, operating the existing business less effectively.

Mitigation

- The Group has transformed the desktop and mobile web platforms into a unique web platform in 2018. These applications run on the Microsoft Azure Cloud environment which provides security, scalability, availability, performance, and consequently serves the growth.
- In Domino's Pizza Turkey, as of the beginning of 2018, all applications except online platforms were relocated to the IBM Data Centre which enables a sustainable and secure infrastructure.
- The DP Eurasia Internal Audit, Risk and Compliance Department conducts business process audits, performs risk assessments, and evaluates the design and effectiveness of the process controls. They monitor the remediation actions in terms of preventive/detective and manual/system controls, and provide consultancy services to standardise the processes in order to mitigate the risks.
- The Group has launched the Workflow and Document Management Platform which will enable business process standardisation, preventive and detective control implementation to the business processes and significant risk mitigation. Business processes to be implemented to this platform are subject to risk-based prioritisation and best practice benchmarks.
- As part of the system security actions, a SAP ERP System Access Management Project has been carried out in Turkey. The aim of the project was to ensure segregation of duties principle is complied with and the access rights management process contains the critical key controls preventing unauthorised transactions and securing financial transactions. In Russia, we have planned the ERP Access Management Project in 2019.
- The SAP Success Factors Tool has been launched in Turkey as part of the employee hiring process improvement actions.

Reliance on successful marketing initiatives

Group risk

- Failure to succeed in marketing initiatives may result in not generating higher sales.
- The Group's spending of significant time and resources in product innovation, advertising campaigns and store designs and refurbishments may not generate increased sales or profits.

Mitigation

- The Group has an agile and responsive working model as a retailer.
- Closely monitoring the competitors and adopting best practice benchmarks enables the Group to implement new opportunities quickly and maximise the benefit from the marketing and product innovation efforts.
- The Group continuously works on new product innovation projects and performs pilot tests to enhance and expand the product portfolio, consequently increasing sales.

How we manage risk continued

Non-financial statement continued

Strategic continued

The Domino's Pizza brand and the Group's reputation are critical to its business and success

Group risk

- The Group's business could be negatively affected if brand or reputation is harmed.
- Any negative incident that affects consumer loyalty to the brand could significantly reduce its value and damage the Group's business, such as:
  - food safety concerns, including food tampering or contamination;
  - incidents of food-borne illness;
  - the quality of the ingredients and food products;
  - employee or customer injury, including driver accidents causing serious injury;
  - employment-related claims relating to alleged employment discrimination, wage and hour violations, labour standards or healthcare and benefit issues.

Mitigation

- The Group conducts random audits in stores and on the supplier sites, monitors the results and takes the required actions.
- Commissaries are annually audited by Domino's Pizza International in terms of quality, food safety, and occupational health and safety. The results of the 2018 Domino's Pizza Turkey and Domino's Pizza Russia commissary audits were over 96% in compliance with Domino's Pizza International standards, which is scored with 5 stars.
- In Domino's Pizza Russia, Moscow commissary and stores have become certified to HACCP (Hazard Analysis and Critical Control Point). HACCP is an internationally recognised system for reducing the risk of safety hazards in food.
- In Domino's Pizza Turkey, four commissaries have become certified to ISO 22000. ISO 22000 is a food safety management system.
- The Group monitors the health and safety compliance requirements in the corporate stores and premises, and takes preventive/detective actions accordingly.
- As of 2019, Domino's Pizza will start to perform surprise store audits in both corporate and franchise stores in Domino's Pizza Turkey to assess compliance with standards and requirements.

Competition from other pizza chains and fast-food restaurant chains may adversely affect the Group's business

Group risk

- Increased presence and competition from aggregators (which provide a food ordering and delivery platform by offering access to multiple delivery restaurants through a single online portal) supplying food ordering platforms could lead to an increased level of competition for the Group, as they improve access to delivery food options for consumers.

Mitigation

- The Group closely monitors its competitors and markets to prioritise significant challenges, and focuses on increasing the positive impact of the marketing, product innovation, online channels and suitable store location efforts accordingly.
- The increase in the Group's online presence in different channels and better customer experience on online ordering platforms distinctly improve access to consumers and penetration.

Changes in consumer preferences

Group risk

- The fast-food restaurant market is affected by consumer preferences and perceptions, and changes in these preferences and perceptions may reduce the demand for the Group's products.

Mitigation

- The Group consistently works on enhancing and diversifying the products and menu in order to meet customer preferences (e.g. launching the sandwich project "Ekmek Arası" as a new product).
- Qualitative and quantitative marketing tests are commonly used tools for improvement.

The Group's dependency on key members of its senior management

Group risk

- The Group's successful implementation of its strategy is dependent on its ability to recruit, retain and motivate high-quality senior management and other personnel with extensive knowledge in the fast-food restaurant industry.
- The loss of the services of any of the Group's senior managers could have a material adverse effect on its business plans, product development, growth strategy, marketing and other plans.

Mitigation

- The Group has the Selection and Appointment Committee focusing on drawing up selection criteria and appointment procedures for its Directors and senior managers.
- The Selection and Appointment Committee periodically assesses the size and composition of the Board, and makes a proposal for a composition profile of the Board; periodically assesses the functioning of individual senior managers, and reports on this to the Board.
- The Selection and Appointment Committee draws up a plan for the succession of Directors and senior managers, makes proposals for appointments and re-appointments and supervises the policy of the Board regarding the selection criteria and appointment procedures for Directors and senior managers to improve employee retention and mitigate the risk of losing services of the Directors and/or senior managers.

Economic and political developments

Group risk

Political developments in Turkey, Russia and the other jurisdictions in which the Group operates may negatively affect the Group's business, results of operations, financial condition, cash flows and prospects.

- The Group's operations are located in Turkey, Russia, Azerbaijan and Georgia, which are generally categorised as emerging markets. Emerging markets are generally subject to greater risk of being perceived negatively by investors based upon external events than more-developed markets, and financial turmoil in any emerging market (or global markets generally) could disrupt the business environment of the jurisdictions in which the Group operates.
- Financial or political turmoil in one emerging market country tends to adversely affect prices in credit, equity and foreign exchange markets in other emerging market countries, as investors move their money to more stable and developed markets.

Mitigation

- Political changes are closely monitored by the Group in order to mitigate or eliminate the potential effects by implementing business continuity planning and crisis management, and incorporating those risks into the Group's business strategies.

Operational

Reliance on suppliers for raw materials

Group risk

Reliance on third-party suppliers and service providers may result in shortages or interruptions in the supply of raw materials, ingredients or complementary products.

- The Group's and its sub-franchisees' business is dependent on frequent deliveries from third-party suppliers of raw materials, ingredients and complementary products that meet the Group's specifications. Suppliers may fail to provide necessary products on a timely basis or to the agreed-upon standard, may discontinue or limit their products or may seek to charge the Group higher prices.
- Shortages or interruptions from suppliers may be caused by unanticipated demand, problems in production or distribution, inclement weather or other conditions.

Mitigation

- The Group periodically seeks alternative suppliers for critical materials to prevent any material shortages in case of a disruption in our principal suppliers' operations.
- The Group also has emergency plans in place in the event of a disruption of operations at our commissaries or suppliers.
- A critical materials and alternative suppliers management process has been reviewed during the Purchase to Pay Process Audit in 2018 for both Domino's Pizza Turkey and Domino's Pizza Russia. The enhancement areas and action plans are periodically monitored by the Audit Committee and management to ensure improvement.

Overview
Management report
Financial statements
Other information
Additional information

How we manage risk continued

Non-financial statement continued

Operational continued

Labour shortages

Group risk

Labour shortages or increased labour costs would negatively affect the Group's business.

- Labour is a significant component in the cost of operating the Group's corporate stores. If the Group faces labour shortages or increased labour costs because of increases in competition for employees, employee turnover, employee benefits costs, minimum wage raises or changes in employment law requirements in the countries in which the Group operates, its operating expenses could increase and the Group's growth and profitability could be adversely affected.

Mitigation

- The Group is spending efforts on different engagement activities to decrease employee turnover and to attract, motivate and retain qualified employees.
- The Group also closely monitors and anticipates governmental laws and government incentives in order to offset or mitigate the potential labour cost increases.

Financial

Increase in food cost and other supplies

Group risk

Increased costs of food and other supplies could decrease the Group's operating margins or cause the Group to limit or otherwise modify its product variety.

- The Group's profitability depends in part on its ability to manage changes in the price and availability of food and other commodities including dairy, meat, poultry, flour and cardboard. Prices may be affected by market movements, seasonality, increased competition, the general risk of inflation, shortages or interruptions in supply due to the weather, disease or other conditions beyond the Group's control.
- These events, combined with other more general economic and demographic conditions, could impact the Group's pricing and negatively affect the Group's system sales, the Group's commissary sales and operating margins.

Mitigation

The Group continually looks for ways to partially offset inflation and other changes in the costs of core raw materials by:

- applying efficient purchasing practices;
- productivity improvements;
- greater economies of scale; and
- gradually increasing certain product prices.

Exchange rate fluctuations

Group risk

Exchange rate fluctuations could have an adverse effect on the Group.

- The Group's results of operations and financial condition have been, and will continue to be, affected by changes in the value of the Turkish Lira (the Group's presentation currency) against the Russian Rouble or Euro and between the Euro and the Russian Rouble, because a portion of the Group's revenue and costs is linked to these currencies.

Mitigation

- The Group mitigates this risk by agreeing fixed exchange rates with its suppliers, wherever possible.
- The Group controls exposure to the exchange rate fluctuations by minimising the foreign currency nominated borrowing.
- In 2018, the hard currency debt was eliminated as part of risk elimination actions.

Compliance

Risk of litigations from customers, sub-franchisees, employees and others in the ordinary course of business

Group risk

Risk of litigation from customers, sub-franchisees, employees and others in the ordinary course of business, which diverts financial and management resources.

- Claims of illness or injury relating to food quality or food handling are common in the food service industry. In addition, class action lawsuits have been filed, and may continue to be filed, against various fast-food restaurants alleging, among other things, that fast-food restaurants have engaged in deceptive advertising, sales and promotions which encourage obesity.
- Further, the Group may be subject to employee, sub-franchisee and other claims in the future based on, among other things, discrimination, harassment, wrongful termination, wages and overtime compensation as well as rest break and meal break issues. Such claims and disputes may divert management resources, create adverse publicity and could lead to an adverse judgement against the Group, which could adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.

Mitigation

- The Group continuously works on improving its operational controls and processes in order to prevent/detect food quality issues by different methods (e.g. store audits, quality audits, mystery customer audits, etc.).
- The Group has an independent hotline enabling internal and external parties to report code of conduct conflicts such as potential monetary frauds, quality concerns, wrongful termination, wages issues, etc. The cases are investigated by the Internal Audit, Risk and Compliance Department and preventive/detective actions are taken in order to enhance business processes and prevent repetition of these cases.
- Both Domino's Pizza Turkey and Domino's Pizza Russia have in-house lawyers on top of external law firms to work closely with business units and mitigate litigation cases.

Violation of data protection laws

Group risk

Violations of data protection laws carry fines and expose the Group and its employees to criminal sanctions and civil suits.

- Non-compliance with data protection laws could expose the Group to regulatory investigations, which could result in fines and penalties.
- Regulators may issue orders to stop processing personal data in addition to imposing fines, which could disrupt operations.
- The Group could be subject to litigation from persons or corporations allegedly affected by data protection violations.
- Any violation of these laws could harm the Group's reputation, which could have a material adverse effect on the Group's earnings, cash flows and financial condition.

Mitigation

- The Group periodically uses consultancy services in order to assess compliance with the data protection laws and takes the stated actions to meet the legal requirements.
- In 2018, Domino's Pizza Turkey carried out a personal data protection law compliance project. The internal Audit, Risk and Compliance Department is closely working with the business units in order to monitor remediation actions and ensure compliance with the law.

How we manage risk continued

Non-financial statement continued

Compliance continued

Reliance on information technology and risk of security breaches or failures

Group risk

- The Group is heavily reliant, as part of its online strategy, on information systems, including for online ordering platforms, point-of-sale processing in its system stores, management of its supply chain, accounting, payment of obligations, collection of cash, processing of credit and debit card transactions and other processes and procedures.
- Breaches of the Group's cyber security measures could result in unauthorised access to the Group's systems, misappropriation of information or data, including personal information, deletion or modification of user information, or a denial-of-service or other interruption to the Group's business operations.
- As techniques used to obtain unauthorised access to, or sabotage, systems change frequently and may not be known until launched against the Group or the Group's third-party service providers, the Group may be unable to anticipate, or implement adequate measures to protect against, these attacks.

Mitigation

- Domino's Pizza Turkey continuously takes various actions to prevent/detect cybersecurity incidents. Some of the examples are listed below. Security requirements will be prioritised and implemented as part of the 2019 IT Business Plan for Domino's Pizza Russia.
  - A third-party system provider provides security services (SOC – Security Operation Centre system access logs management, NOC – Network Access Control – etc.) to develop security measures against breaches and ensure continuous monitoring of services to prevent and detect the attacks.
  - Denial-of-service and web application firewall services are provided from a cloud platform in order to prevent potential attacks to online ordering platforms.
  - Also, a data leakage prevention system is used for prevention and detection of the data leakages in enterprise business applications.
- The Group has started cybersecurity tests with a cybersecurity consultant.
- The Group is in the process of hiring a Cyber Security Officer to ensure effective and close management of security requirements.

Impact of Brexit on the Group

Group risk

- The Group is subject to "shared jurisdiction" between the UK and the Netherlands with respect to takeover offers. The concept of the shared jurisdictions rules was introduced by the EU Takeover Directive. Shared jurisdiction applies where the target (in this instance DP Eurasia) has its registered office in one EEA Member State (the Netherlands) and its shares are admitted to trading on a regulated market (such as the main market of London Stock Exchange) in another EEA Member State (but not also in the Member State where it has its registered office).
- Based on this Takeover Directive, the Dutch takeover rules will no longer be applicable if the UK is no longer an EEA Member State.
- Based on the draft set of regulations (Takeovers (Amendment) (EU Exit) Regulations 2019 (Takeovers Regulations)) and a Consultation Paper (Panel Consultation Paper on the United Kingdom's withdrawal from the European Union (PCP 2018/2)) which sets out the framework of how the UK takeover rules will apply post-Brexit, the UK Panel on Takeovers and Mergers will delete the shared jurisdiction rules from the UK Code. This means that also the UK takeover rules may also no longer be applicable for the Company.

Mitigation

- Due to Fides' shares in the current shareholder structure, the Group is not at risk.
- Related regulation updates are closely followed up to take required actions and mitigate any potential risk.

Conclusion

In 2018, no major failings in the risk management and control systems were identified. The Group will continue to identify and monitor the risks and implement mitigation actions to minimise or eliminate the potential impact.

Board declaration

The Board of DP Eurasia N.V. hereby declares, in accordance with article 5:25c of the Dutch Act on Financial Supervision and best practice provision 1.4.3 of the Dutch Corporate Governance Code, that to the best of its knowledge:

- the financial statements as included on pages 74 to 128 of the Annual Report, provide a true and fair view of the assets, liabilities and financial position as at 31 December 2018 as well as the profit or loss of DP Eurasia N.V. and all the business undertakings included in the consolidation in accordance with IFRS as adopted in the European Union and Part 9 of Book 2 of the Dutch Civil Code;
- the management report included in this Annual Report provides a true and fair view of the condition on the balance sheet date and of the business performance during the financial year of DP Eurasia N.V. and the companies associated with it whose details are included in the financial statements, together with a description of the main risks DP Eurasia N.V. faces. It should be noted that the above does not imply that the internal risk management and control systems provide certainty as to the realisation of operational and financial business objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non-compliances with rules and regulations;
- the Board is responsible for preparing the Annual Report in accordance with applicable laws and regulations and the Board considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- based on their assessment of prospects and viability, the Board confirms it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next twelve months;
- the management report included in this Annual Report provides sufficient insights into any failings and the effectiveness of the internal risk management and control systems, whose systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- the management report included in this Annual Report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of this management report.

By order of:

Aslan Saranga
(Chief Executive Officer)

Frederieke Slot
(Executive Director)

Peter Williams
(Non-Executive Director)

Seymur Tari
(Non-Executive Director)

Izzet Talu
(Non-Executive Director)

Aksel Sahin
(Non-Executive Director)

Thomas Singer
(Non-Executive Director)

1 April 2019

Shares and shareholders

Shares

Our shares

The shares that are traded on the London Stock Exchange are traded under the symbol DPEU with ISIN code NL0012328801. DP Eurasia is included in the FTSE SmallCap and FTSE All-Share indices.

The authorised capital of the Company comprises a single class of registered shares. Shares that are traded via the CREST system, the paperless settlement system of the London Stock Exchange, are registered under the name and address of Link Market Services Trustee Limited (the "Depositary"). All issued shares are fully paid-up and each share confers the right to cast a single vote in the General Meeting. DP Eurasia's issued share capital on 31 December 2018 was €17,444,689.68 consisting of 145,372,414 ordinary shares of €0.12 each.

In the General Meeting of DP Eurasia on 24 May 2018 the General Meeting designated the Board as the corporate body authorised to issue shares or to grant rights to subscribe for shares limited to a maximum of one-third of the issued share capital of the Company as at 24 May 2018 and to restrict or exclude pre-emptive rights accruing to shareholders of the Company (i) in connection with the issuance of shares limited to a maximum of 5% of the issued share capital as at 24 May 2018 but so that such authorisation may be used only for general corporate purposes and (ii) in connection with the issuance of shares limited to a maximum of 5% of the issued share capital as at 24 May 2018, but so that such authorisation may be used only for the purposes of financing (or refinancing, if the authorisation is to be used within six months after the original transaction) a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the UK Pre-Emption Group prior to the date of the 2018 General Meeting. By virtue of its authorisation by the General Meeting, the Board is also authorised to acquire fully paid-up shares in the capital of the Company, up to a maximum of 10% of the issued share capital, provided that the Company will not hold more shares in its own capital than a maximum of 50% of the issued capital of the Company, either through a purchase on a stock exchange or otherwise, the repurchase can take place for a minimal price, excluding expenses, of the nominal value of the shares and a maximum price of the higher of (i) an amount equal to 5% above the average of the middle market quotations for the shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such shares are contracted to be purchased, and (ii) the highest current independent bid on the London Stock Exchange Daily Official List at the time that the purchase is carried out as stipulated by the Commission – adopted Regulatory Technical Standards pursuant to Article 5 paragraph 6 of the Market Abuse Regulation.

These designations and authorisations have been given for a period of 15 months ending on the earlier of the conclusion of the 2019 AGM of DP Eurasia or the close of business on 24 August 2019. Such authorities are renewed annually and authority will be sought at the Company's 2019 AGM.

Dividend policy

The Group does not expect to declare any dividends in 2019. In future years, the Group will consider the payout of dividends, taking into account the amount of profits, the need for cash for capital expenditure and further expansion and its debt profile.

As such, while the Group's policy is to eventually pay out dividends in the appropriate circumstances, there is no immediate prospect of dividends being paid out, nor can there be any assurance as to when and in what amount any dividends may be eventually paid out.

Shareholders

Major shareholders

In the IPO, shares were offered to institutional investors in the UK and certain other jurisdictions. The listing significantly broadened the Company's shareholder base, and the Company's shares are widely spread over a large number of shareholders in various countries.

Shareholder structure

Under Dutch law, shareholders must disclose percentage holdings in the capital and/or voting rights in the Company when such holding reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Such disclosure must be made to the Dutch Authority for the Financial Markets ("AFM") without delay. The Group's major shareholdings are included in the Substantial Holdings register of the AFM.

According to the register kept by the AFM, the following shareholders have disclosed that they own 3% or more of DP Eurasia's total share capital as at 14 March 2019.

14 March 2019	Share %	Amount
Turk Ventures Partners II Limited(1)	32.81	47,697,882
Ruane, Cunniff & Goldfarb L.P.	6.02	8,745,000
Mr Saranga	5.57	8,106,310
Wellington Management Company	3.72	5,410,424
Charlemagne Capital IOM	4.90	7,117,652
Jupiter Asset Management	3.57	5,187,851
Arisaig Africa Consumer Fund Limited(2)	3.38	4,920,472
Schroders PLC(3)	3.09	4,491,906

(1) Indirectly held by Turkish Private Equity Fund II L.P. All shares are directly held by Fides Food Systems Coöperatief U.A.

(2) Voting rights are indirectly held by Skye Partners Limited on behalf of Arisaig Partners (Asia) Pte Ltd.

(3) Indirectly held by Schroders PLC. 4,491,538 shares are directly held by Schroder Investment Management Limited and 3,680 shares are directly held by Schroder Investment Management North America Limited.

General Meeting

The Company will organise a General Meeting at least once a year. The agenda with notes, the annexes and the registration process are published with the notice convening the meeting and are available on the Company's website. The annexes contain all relevant information with regard to the resolutions on the agenda. Each shareholder may attend General Meetings, address the General Meeting and exercise voting rights pro rata to his shareholding, either in person or by proxy. Shareholders may exercise these rights, if they are the holders of shares on the record date, which is the 28th day before the day of the General Meeting, and they or their proxy have notified the Company of their intention to attend the General Meeting. The Company shall give shareholders and other persons entitled to vote the possibility of issuing voting proxies or voting instructions, respectively, to an independent third party.

The Company's articles of association set out in detail the power of the General Meeting. Resolutions requiring the prior approval of the General Meeting are, amongst others:

- adoption of the Company's annual accounts;
- amendments to the articles of association;
- deciding on the remuneration policy of the Board;
- appointment and dismissal of Board members;
- declaration of dividend;
- appointing the external auditor;
- transferring the Company or virtually the entire Company to a third party; and
- dissolution of the Company.

Subject to certain exceptions as set forth by law or the articles of association, resolutions of the General Meeting are passed by an absolute majority of the votes cast.

Draft minutes of the meeting will be released within three months of the meeting and will be available for comments for three months thereafter. The final minutes will be published on the Company's website. This year, the AGM is scheduled to be held on 29 May 2019 in Amsterdam, the Netherlands.

Controlling shareholder

For so long as there is a controlling shareholder (defined in the Listing Rules as any person who exercises or controls on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast on all or substantially all matters at general meetings of a company), the articles of association allow for the election or re-election of any independent Director to be approved by separate resolutions of: (i) the Company's shareholders; and (ii) the Company's shareholders excluding any controlling shareholder. If either of the resolutions is defeated, the Company may propose a further resolution to elect or re-elect the proposed independent Director, which: (a) may be voted on within a period commencing 90 days and ending 120 days from the original vote; and (b) may be passed by a vote of the shareholders of the Company voting as a single class.

Shares and shareholders continued

Controlling shareholder continued

Furthermore, in the event that the Company wishes the FCA to cancel the listing of the shares on the premium listing segment of the Official List or transfer the shares to the standard listing segment of the Official List, the Company must obtain at a General Meeting prior approval of: (y) a majority of not less than 75% of the votes attaching to the shares voted on the resolution; and (z) a majority of the votes attaching to the shares voted on the resolution excluding any shares voted by a controlling shareholder. In all other circumstances, controlling shareholders have and will have the same voting rights attached to the shares as all other shareholders.

Relationship Agreement and the controlling shareholder

The Company considers that TPEF II, through its subsidiary Fides Food Systems, exercises or controls on its own, or together with any person with whom it is acting in concert, more than 30% of the votes to be cast on all or substantially all matters at General Meetings. In order to ensure that the Company can carry on an independent business as its main activity, on 28 June 2017, the Company and Fides Food Systems entered into a relationship agreement which regulates the ongoing relationship between the Company and Fides Food Systems and its associates, including TPEF II (the "Relationship Agreement").

The Relationship Agreement contains, among others, undertakings from Fides Food Systems that: (i) transactions and arrangements with it (and/or any of its associates (including TPEF II)) will be conducted at arm's length and on normal commercial terms; (ii) neither it nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; (iii) neither it nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules; (iv) neither Fides Food Systems nor any of its associates will take any action that would affect the ability of the Company to carry on its business independently of Fides Food Systems; and (v) it will not cause or authorise to be done anything which would prejudice either the Company's status as a company whose shares are admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities or its suitability for listing (the "Independence Provisions").

The Relationship Agreement will continue for so long as: (a) the shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange's main market for listed securities; and (b) Fides Food Systems, together with its associates, is entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all, or substantially all, matters at General Meetings. The Group believes that the terms of the Relationship Agreement will enable the Group to carry on its business independently of TPEF II.

Furthermore, Fides Food Systems has agreed to procure the compliance of its associates (including TPEF II) with the Independence Provisions.

The Company has complied with, and so far as the Company is aware, Fides Food Systems has complied with, sub-paragraphs (i), (ii) and (iii) of the Independence Provisions set out above.

Conflicts of interest

Save as set out below (and above under "Relationship Agreement and the controlling shareholder"), there are no potential conflicts of interest between any duties owed by the Directors or senior managers to the Company and their private interests or other duties. Fides Food Systems and Vision Lovemark (the "Founding Shareholders") have agreed with certain members of senior management (but not any Director) to pay to them an incentivisation bonus in connection with future sales by these shareholders in accordance with a special option scheme. Certain other employees are also entitled to cash payments from the Founding Shareholders upon future share sales by the Founding Shareholders, determined with reference to monthly salaries and the proportionate of a sale by the Founding Shareholders. Total payments to members of senior management and employees in connection with these arrangements could constitute a multiple of their annual compensation, should the Founding Shareholders dispose of their entire interest in the Company, and is dependent on the prices realised in connection with such sales.

The members of senior management entitled to receive the incentive payments are the Chief Financial Officer, the Chief Financial Officer of the Russian Operations and, with respect to the Turkish Operations, the Franchise Operations and Business Development Director, the Corporate Operations Director and the Human Resources Director.

The Company believes that the private interests of those members of senior management in potentially wishing to maximise the price of the shares, including through the performance of the Company, will likely be aligned with the interests of the Company and the shareholders as a whole. However, there is a potential conflict between the interest of those members of senior management and the longer-term interests of the Company. The Company believes that any such risk will be mitigated through the Board's oversight of the Company and the procedures imposed through the Board Rules and the authorities delegated throughout the Group which reserve material decision-making power to the Board (such as matters relating to governance, dividend policy, strategy, the incurrence of capital expenditure or the entering into of commercial contracts in each case in an amount exceeding €1,000,000).

Investor relations policy

The Company is committed to maintaining an open and constructive dialogue with the investment community. The Company is aiming to keep its shareholders updated by informing them equally, simultaneously, clearly and accurately about the Company's strategy, performance and other Company matters and developments that could be relevant to investors' decisions.

The Company will act in accordance with applicable rules and regulations, including provisions on price-sensitive information, fair and non-selective disclosure an equal treatment of shareholders that are in the same position.

The Company communicates with all of its investors and analysts through organising or attending meetings such as the AGM, roadshows, broker conferences and capital market days. Furthermore, the Company publishes annual reports, half-year reports and trading updates.

Meetings

Briefings are given to update the market after each quarterly announcement via group meetings or teleconference and are accessible by telephone or through the internet. Meetings with investors (bilateral and general) are held regularly to ensure that the investment community receives a balanced and complete view of the Company's performance and the issues faced by the business, while always observing applicable rules concerning selective disclosure, equal treatment of shareholders and insider trading.

Analysts' reports and valuations are not assessed, commented upon or corrected, other than factually, by the Company. DP Eurasia does not pay any fee(s) to parties for carrying out research for analysts' reports or for the production or publication of analysts' reports. Contacts with the capital markets are dealt with by the Chief Executive Officer, the Chief Strategy Officer and Head of Investor Relations and, from time to time, certain Non-Executive Directors.

The AGM will be held on 29 May 2019.

Consolidated statement of comprehensive income

For the years ended 31 December 2018 and 2017

	Notes	31 Dec 2018	Restated[1] 31 Dec 2017
Revenue	4	**856,874**	626,469
Cost of sales	4	**(566,250)**	(398,717)
Gross profit	4	**290,624**	227,752
General administrative expenses		**(136,145)**	(108,654)
Marketing and selling expenses		**(104,294)**	(82,630)
Other operating income	6	**10,466**	3,807
Other operating expense	6	**(7,361)**	(7,444)
Operating profit		**53,290**	32,831
Foreign exchange losses	7	**(18,770)**	(11,666)
Financial income	7	**5,508**	1,209
Financial expense	7	**(43,927)**	(21,636)
(Loss)/profit before income tax		**(3,899)**	738
Tax expense	20	**(7,194)**	(646)
Income tax expense		**(11,579)**	(8,270)
Deferred tax income		**4,385**	7,624
Result for the period		**(11,093)**	92
Other comprehensive income/(expense)		**10,013**	(3,086)
Items that will not be reclassified to profit or loss			
– Remeasurements of post-employment benefit obligations, net of tax		**(291)**	(266)
Items that may be reclassified to profit or loss			
– Currency translation differences		**10,304**	(2,820)
Total comprehensive loss		**(1,080)**	(2,994)
Earnings/(loss) per share[2]	8	**(0.0763)**	0.0012

(1) Prior year comparatives are restated following the implementation of IFRS 15. Please refer to Note 2.4 for further details.

(2) Amounts represent the basic and diluted earnings per share.

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

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Consolidated statement of financial position

At 31 December 2018

	Notes	31 Dec 2018	Restated(1) 31 Dec 2017	Restated(1) 1 Jan 2017
Assets				
Trade receivables	13	20,761	14,949	9,611
Property and equipment	9	136,041	128,396	97,848
Intangible assets	10	48,514	40,331	34,043
Goodwill	11	45,195	44,209	43,560
Deferred tax assets	20	12,187	7,943	–
Other non-current assets	16	25,389	34,314	28,415
Non-current assets		288,087	270,142	213,477
Cash and cash equivalents	12	28,444	76,128	19,502
Trade receivables	13	69,959	65,236	54,676
Due from related parties		20	15	1,259
Inventories	15	77,619	56,259	42,025
Other current assets	16	45,584	28,113	22,260
Current assets		221,626	225,751	139,722
Total assets		509,713	495,893	353,199
Equity				
Paid in share capital	22	36,353	36,353	120
Share premium		119,286	119,286	63,757
Contribution from shareholders	21	20,697	18,183	16,666
Other comprehensive income/expense not to be reclassified to profit or loss				
– Remeasurements of post-employment benefit obligations		(2,484)	(2,193)	(1,927)
Other comprehensive income/expense to be reclassified to profit or loss				
– Currency translation differences		(689)	(10,993)	(8,173)
Retained earnings		(34,714)	(23,623)	(23,715)
Total equity		138,449	137,013	46,728
Financial liabilities	17	171,276	85,753	80,594
Deferred tax liability	20	565	2,014	2,115
Other non-current liabilities	16	30,038	23,816	17,585
Non-current liabilities		201,879	111,583	100,294
Liabilities				
Financial liabilities	17	44,330	142,152	118,907
Trade payables	13	74,148	60,070	39,356
Current income tax liabilities	20	6,971	2,181	2,317
Provisions	18	9,224	7,692	4,864
Other current liabilities	16	34,712	35,202	40,733
Current liabilities		169,385	247,297	206,177
Total liabilities		371,264	358,880	306,471
Total liabilities and equity		509,713	495,893	353,199

(1) Prior year comparatives are restated following the implementation of IFRS 15. Please refer to Note 2.4 for further details.

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

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Share capital	Share premium	Contribution from shareholders	Remeasurement of post-employment benefit obligations	Currency translation differences	Retained earnings	Total equity
Previously reported	120	63,757	16,666	(1,927)	(8,081)	(11,062)	59,473
Impact from application of new IFRSs	—	—	—	—	(92)	(12,653)	(12,745)
Balances at 1 January 2017	120	63,757	16,666	(1,927)	(8,173)	(23,715)	46,728
Capital increased (Note 22)	4,994	89,138	—	—	—	—	94,132
Transfers (Note 22)	31,239	(31,239)	—	—	—	—	—
Remeasurements of post-employment benefit obligations, net	—	—	—	(266)	—	—	(266)
Currency translation adjustments	—	—	—	—	(2,820)	—	(2,820)
Total income for the period	—	—	—	—	—	92	92
Total comprehensive loss	—	—	—	*(266)*	*(2,820)*	*92*	*(2,994)*
Share-based incentive plans (Note 21)	—	—	1,517	—	—	—	1,517
Transaction costs: IPO	—	(2,370)	—	—	—	—	(2,370)
Balances at 31 December 2017	36,353	119,286	18,183	(2,193)	(10,993)	(23,623)	137,013
Balances at 1 January 2018	36,353	119,286	18,183	(2,193)	(10,993)	(23,623)	137,013
Remeasurements of post-employment benefit obligations, net	**—**	**—**	**—**	**(291)**	**—**	**—**	**(291)**
Currency translation adjustments	**—**	**—**	**—**	**—**	**10,304**	**—**	**10,304**
Total loss for the period	**—**	**—**	**—**	**—**	**—**	**(11,093)**	**(11,093)**
Total comprehensive loss	**—**	**—**	**—**	***(291)***	***10,304***	***(11,093)***	***(1,080)***
Share-based incentive plans (Note 21)	**—**	**—**	**2,514**	**—**	**—**	**—**	**2,514**
Balances at 31 December 2018	**36,353**	**119,286**	**20,697**	**(2,484)**	**(689)**	**(34,716)**	**138,449**

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

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Consolidated statement of cash flows

For the year ended 31 December 2018

	Notes	2018	2017
(Loss)/profit before income tax		**(3,899)**	738
Adjustments for			
Depreciation	9	**37,018**	29,274
Amortisation	10	**16,250**	11,850
Gains/(losses) on sale of property and equipment	6	**(4,054)**	1,445
Provision for performance bonus	18	**7,408**	5,576
Non-cash employee benefits expense – share-based payments	21	**2,514**	1,517
Interest income	7	**(5,508)**	(1,209)
Interest expense	7	**41,512**	20,565
Unrealised foreign exchange losses on borrowings		**11,473**	10,400
Changes in operating assets and liabilities			
Changes in trade receivables		**(10,535)**	(15,898)
Changes in other receivables and assets		**(2,156)**	(10,647)
Changes in inventories		**(21,360)**	(14,234)
Changes in contract assets		**(1,650)**	26
Changes in contract liabilities		**8,722**	6,135
Changes in trade payables		**14,078**	20,714
Changes in other payables and liabilities		**(8,194)**	(5,271)
Taxes paid	20	**(6,788)**	(8,406)
Performance bonuses paid	18	**(5,876)**	(3,244)
Cash flows generated from operating activities		**68,955**	49,331
Purchases of property and equipment	9	**(49,324)**	(50,450)
Purchases of intangible assets	10	**(24,036)**	(17,891)
Disposals from sale of tangible and intangible assets		**25,987**	6,156
Cash flows used in investing activities		**(47,373)**	(62,185)
Interest paid		**(37,353)**	(18,283)
Interest received		**5,508**	1,209
Loans obtained		**1,230,363**	527,231
Loans paid	17	**(1,275,472)**	(528,511)
Financial lease payments		**(10,653)**	(8,325)
Transaction cost		**—**	(2,370)
Share capital/share premium		**—**	94,132
Cash flows (used in)/generated from financing activities		**(87,607)**	65,083
Effect of currency translation differences		**18,341**	4,397
Net increase in cash and cash equivalents		**(47,684)**	56,626
Cash and cash equivalents at the beginning of the period	12	**76,128**	19,502
Cash and cash equivalents at the end of the period	12	**28,444**	76,128

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

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements

For the year ended 31 December 2018

Note 1 – The Group's organisation and nature of activities

DP Eurasia N.V. (the "Company"), a public limited company, having its statutory seat in Amsterdam, the Netherlands, was incorporated under the law of the Netherlands on 18 October 2016. The Company has been incorporated by incorporating shares of Fides Food Systems Coöperatief U.A. and Vision Lovemark Coöperatief U.A. in Fidesrus B.V. and Fides Food Systems B.V. The acquisition occurred on 18 October 2016 when the Company acquired Fidesrus and Fides Foods and their subsidiaries and from this point forward the consolidated Group was formed. This was a transaction under common control.

The consolidated financial statements of DP Eurasia N.V. have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated financial statements also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code, as far as applicable.

The Company's registered address is: Herikerbergweg 238, Amsterdam, the Netherlands.

The management report within the meaning of Article 391 of Book 2 of the Dutch Civil Code consists of the following parts of the Annual Report:

- At a glance
- Highlights
- Key financial figures
- Message from CEO
- Strategic review
- Remuneration report
- Corporate governance report
- Risk and risk management
- Consolidated financial statements: Note 3 – Segment reporting
- Consolidated financial statements: Note 23 – Financial instruments and financial risk management

The Company and its subsidiaries (together referred to as the "Group") operate Company and franchise-owned stores in Turkey and the Russian Federation, including providing technical support, control and consultancy services to the franchisees.

As at 31 December 2018, the Group operates 724 stores (486 franchise stores, 238 Company-owned stores) (31 December 2017: 643 stores (402 franchise stores, 241 Company-owned stores).

The consolidated financial statements as at and for the period ended 31 December 2018 have been approved and authorised for issue on 1 April 2019 by authorisation of the Board of Directors. The financial statements are subject to adoption by the AGM of Shareholders.

Subsidiaries

The Company has a total of five fully-owned subsidiaries. These entities and the nature of their business are as follows:

Subsidiaries	2018 Effective ownership (%)	2017 Effective ownership (%)	Registered country	Nature of business
Fides Grup Gıda Restaurant İşletmeciliği A.Ş. ("Fides Turkey")	–	100	Turkey	Food delivery
Pizza Restaurantları A.Ş. ("Domino's Turkey")	100	100	Turkey	Food delivery
Pizza Restaurants LLC ("Domino's Russia")	100	100	Russia	Food delivery
Fidesrus B.V. ("Fidesrus")	100	100	The Netherlands	Investment company
Fides Food Systems B.V. ("Fides Food")	100	100	The Netherlands	Investment company

Pizza Restaurants LLC ("Domino's Russia") is established in the Russian Federation. Domino's Russia is operating a pizza delivery network of Company and franchise-owned stores in the Russian Federation. Domino's Russia has a Master Franchise Agreement (the "MFA Russia") with Domino's Pizza International for the pizza delivery network in Russia until 2030.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Fides Grup Gıda Restaurant İşletmeciliği A.Ş. and Pizza Restaurantları A.Ş. ("Fides Turkey" and "Domino's Turkey", respectively) are established in Turkey. Domino's Turkey is operating a pizza delivery network of Company and franchise-owned stores in Turkey. Fides Turkey is an investment company, which has a Master Franchise Agreement (the "MFA Turkey") with Domino's Pizza International for the pizza delivery network in Turkey until 2032. The rights obtained under the MFA have been reassigned from Fides Turkey to Domino's Turkey in order for it to operate the pizza delivery network. Fides Turkey has been merged with Domino's Turkey with all of its assets and liabilities as of 12 December 2018 through a tax-free legal merger.

Fides Food Systems B.V. and Fidesrus B.V. ("Fides Food Systems" and "Fidesrus", respectively) are established in the Netherlands. Both Fides Food Systems and Fidesrus are acting as investment companies.

Note 2 – Basis of presentation of the consolidated financial statements

2.1 Financial reporting standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by EU") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB") and Title 9 of Book 2 of the Dutch Civil Code. The policies set out below have been consistently applied to all the periods and the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention.

Fides Turkey and Domino's Turkey are registered in Turkey, individually maintain their accounting records in TRY and prepare their statutory financial statements in accordance with the Turkish Financial Reporting Standards (the "TFRS"). The stand-alone financial statements of Fides Turkey and Domino's Turkey are based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS as adopted by EU.

Domino's Russia is registered in the Russian Federation, individually maintains its accounting records in RUB and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting ("RAR") of the Russian Federation. The stand-alone financial statements of Domino's Russia are based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS as adopted by EU.

Going concern assumption

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern on the basis that the Group will be able to realise its assets and discharge its liabilities in the normal course of business. The Board has been closely monitoring the Group's strategy as well as the financial and operational performance throughout the year. Although there was a loss in the current year, the Group's operating profit is constantly growing, and the Group is in a solid position to continue its growth strategy with its sound management team and with committed franchisees. The Group has negative cash flow in 2018, which is reflective of the investments made to support further growth in future. The Group expects solid growth which is expected to result in positive cash flows in the future.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 2 – Basis of presentation of the consolidated financial statements continued

2.2 Principles of consolidation

The consolidated financial statements include the parent company, DP Eurasia N.V. and its subsidiaries for the year ended at 31 December 2018. Subsidiaries are fully consolidated from the date on which control is transferred to the Company (the "Acquisition date").

Basis of consolidation

The consolidated financial statements include the accounts of the Group on the basis set out in the sections below. The financial results of the subsidiaries are fully consolidated from the date on which control is transferred to the Group or deconsolidated from the date that control ceases.

The control is provided with influence on the activities of an entity's financial and operational policies in order to obtain economic benefit from those activities.

Subsidiaries are all companies over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The subsidiaries fully consolidated, the proportion of ownership interest and the effective interest of the Group in these subsidiaries as of 31 December 2018 are disclosed in Note 1.

The result of operations of subsidiaries acquired or sold during the year are included in the consolidated statement of comprehensive income from the date of acquisition or until the date of sale.

The statements of financial position and statements of comprehensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying values of the investment held by the Company and its subsidiaries are eliminated against the related shareholders' equity. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Consolidation of foreign subsidiaries

Financial statements of subsidiaries operating in foreign countries are prepared in the currency of the primary economic environment in which they operate. Assets and liabilities in financial statements prepared according to the Group's accounting policies are translated into the Group's presentation currency, Turkish Lira, from the foreign exchange rate at the statement of financial position date, whereas income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation are included in the "currency translation differences" under shareholders' equity.

The foreign currency exchange rates used in the translation of the foreign operations within the scope of consolidation are as follows:

	31 Dec 2018		31 Dec 2017	
Currency	Period end	Period average	Period end	Period average
Euros	6.0280	5.6751	4.5155	4.1158
Russian Roubles	0.0753	0.0760	0.0650	0.0621

2.3 New and amended International Financial Reporting Standards

New and amended standards adopted by the Group, which are applicable for the financial statements as at 31 December 2018

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9, Financial Instruments: the impact of adoption and the new accounting policies are disclosed in Note 2.4
- IFRS 15, Revenue from Contracts with Customers: the impact of adoption and the new accounting policies are disclosed in Note 2.4

The following standards did not have any impact on Group's accounting policies and did not require retrospective adjustments:

- Amendments to IFRS 4, Insurance Contracts
- Amendment to IAS 40, Investment Property
- Amendment to IFRS 2, Share-based Payments
- IFRIC 22, Foreign currency transactions and advance consideration

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

The new standards, amendments and interpretations, which are issued but not effective for the financial statements as at 31 December 2018:

- Amendment to IFRS 9, Financial Instruments; effective from annual periods beginning on or after 1 January 2019. This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The amendment is not expected to have an impact on the financial position or performance of the Group.
- IFRS 16, Leases was issued in January 2016 and is effective from annual periods beginning on or after 1 January 2019, with earlier application permitted. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  The Group operates as an intermediate lessor for a significant proportion of its leases, resulting in subleases to the franchisees. The Group has evaluated and will classify these subleases as operating leases and financial leases as required in IFRS 16. Where the sublease, which is classified as financial leasing under IFRS 16, is substantially all of the right-of-use head lease, the right-of-use asset from head lease will be derecognised and a lease receivable equal to the net investment in the sublease will be recognised, whereby the difference between the lease receivable and the right-of-use asset will be recognised in the income statement. Where the sublease term does not cover substantially the same term with the head lease, but the sublease has a renewal option that is likely to be used which results in the terms being substantially the same, then the same treatment will be applied to such sublease agreements. For all other subleases, the accounting treatment is not going to change; these remain to be classified as an operational lease as required under IFRS 16.

  The Group will implement the new standard on 1 January 2019, and will apply the modified retrospective method, with right-of-use assets measured at an amount equal to the lease liability, adjusted by the amount of the prepaid or accrued lease payments relating to those leases recognised in the balance sheet immediately before the date of initial application and will not restate prior years.

  The Group has set up a project team which has reviewed all of the Group's leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

  As at the reporting date, the Group has non-cancellable operating lease commitments of TRY 34,624 (Note 19.c). Of these commitments, none of them relate to short-term leases or low-value leases. For the remaining lease commitments, the Group expects to recognise right-of-use assets in the range of TRY 168 to 186 million and trade receivables TRY 63 to 70 million on 1 January 2019, lease liabilities in the range of TRY 231 to TRY 255 million (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred tax assets as at 31 December 2019 in the range of TRY 1.8 to TRY 2.0 million.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 2 – Basis of presentation of the consolidated financial statements continued

2.3 New and amended International Financial Reporting Standards continued

The new standards, amendments and interpretations, which are issued but not effective for the financial statements as at 31 December 2018 continued:

The Group expects that net profit after tax will decrease in the range of TRY 6.9 to TRY 7.6 million for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase in the range of TRY 55 to TRY 60 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase, and financing cash flows decrease in the range of TRY 47 to TRY 52 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

- IFRIC 23, Uncertainty over income tax treatments; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12, Income taxes, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 Provisions, contingent liabilities and contingent assets, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The amendment is not expected to have an impact on the financial position or performance of the Group.
- Amendments to IAS 19, Employee benefits, on plan amendment, curtailment or settlement; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The amendment is not expected to have an impact on the financial position or performance of the Group.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

2.4 Impact of adoption of new standards

IFRS 9, Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group applied IFRS 9 on the transition date of 1 January 2018.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 2.6. The amendments related to IFRS 9 application include the classification and measurement of financial assets and liabilities and the expected credit risk model, which replaces the incurred credit risk model.

We assessed the impact of the IFRS 9 implementation and concluded that this merely impacts the provision for doubtful accounts. We have opted to use the simplified approach to determine the expected credit loss. Based on our assessment the use of the implied approach did not materially impact the provision and therefore no adjustments are needed to comparative numbers or opening retained earnings.

Changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets:

Financial assets	Original classification under IAS 39	New classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost

Financial liabilities	Original classification under IAS 39	New classification under IFRS 9
Borrowings	Amortised cost	Amortised cost
Financial lease liabilities	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost

IFRS 15, Revenue from Contracts with Customers – Impact of adoption

The Group adopted IFRS 15, Revenue from Contracts with Customers as from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. No practical expedient has been used.

In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules using the full retrospective method and has restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018).

The Group introduced a customer loyalty programme in 2018. Since there were no customer loyalty programmes in 2017, there is no impact from IFRS 15 adoption.

(i) Accounting for revenue from franchise contracts

The Group receives a franchise fee from each franchise that joins the Group and operates under the name of Domino’s Pizza. These revenues were previously recognised when a franchisee opened a store for trading. However, the performance obligation of the Group is related to services provided during the agreement. These franchise fee revenues are now deferred over the period of the franchise agreement with the adoption of IFRS 15 and the effect of this transition is included in the other non-current liabilities. The Group has restated comparatives for the 2017 financial year. IFRS 15-related restatement for revenue from franchise contract has resulted in a decrease of TRY 6,513 in the income statement.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 2 – Basis of presentation of the consolidated financial statements continued

2.4 Impact of adoption of new standards continued

IFRS 15 Revenue from Contracts with Customers – Impact of adoption continued

(ii) Accounting for costs to fulfil franchise contracts

The Group incurs certain costs with DP International related to the set up of each franchise contract and IT systems used for recording of franchise revenue. These costs were expensed as they did not qualify for recognition as an asset under any of the other accounting standards. However, the costs relate directly to the franchise contract, generate resources used in satisfying the contract and are expected to be recovered. They are therefore now capitalised as costs to fulfil a contract following the adoption of IFRS 15 and will be expensed over the life of the contract and included in other assets. The Group has restated comparatives for the 2017 financial year.

(iii) Accounting for refunds

When the customer has a right to return the product within a given period, the entity is obliged to refund the purchase price. Revenue was adjusted for the expected value of the returns and cost of sales were adjusted for the value of the corresponding goods expected to be returned. Under IFRS 15, a refund liability for the expected refunds to customers is recognised as an adjustment to revenue in trade and other payables.

(iv) Presentation of assets and liabilities related to contracts with customers

Costs to fulfil a franchise contract are represented as contract assets recognised in relation to franchise contracts whereas deferred revenues from franchise contracts are presented as contract liabilities on the balance sheet.

In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018) and the beginning of the earliest period presented (1 January 2017):

	31 Dec 2016	IFRS 15 measurement	Restated 1 Jan 2017
Assets			
Property and equipment	97,848	—	97,848
Intangible assets	34,043	—	34,043
Goodwill	43,560	—	43,560
Trade receivables	9,611	—	9,611
Deferred tax assets	—	—	—
Other non-current assets(2)	25,980	2,435	28,415
Non-current assets	211,042	2,435	213,477
Cash and cash equivalents	19,502	—	19,502
Trade receivables	54,676	—	54,676
Due from related parties	1,259	—	1,259
Inventories	42,025	—	42,025
Other current assets(2)	22,048	212	22,260
Current assets	139,510	212	139,722
Total assets	350,552	2,647	353,199

(1) Represents the cumulative adjustment related to accounting for revenue from franchise contracts.

(2) Represents the cumulative adjustment related to accounting for cost to fulfil franchise contracts.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

	31 Dec 2016	IFRS 15 measurement	Restated 1 Jan 2017
Equity			
Paid in share capital	120	—	120
Share premium	63,757	—	63,757
Contribution from shareholders	16,666	—	16,666
Other comprehensive income/expense that will not be reclassified to profit or loss	(1,927)	—	(1,927)
Other comprehensive income/expense that may be reclassified to profit or loss	(8,081)	(92)	(8,173)
Retained earnings(4)	(11,062)	(12,653)	(23,715)
Total equity	59,473	(12,745)	46,728
Financial liabilities	80,594	—	80,594
Deferred tax liability(3)	5,193	(3,078)	2,115
Long-term provisions for employee benefits	922	—	922
Other non-current liabilities(1)	—	16,663	16,663
Non-current liabilities	86,709	13,585	100,294
Financial liabilities	118,907	—	118,907
Trade payables	39,742	—	39,356
Current income tax liabilities	2,317	—	2,317
Provisions	4,864	—	4,864
Other current liabilities(1)	38,540	2,193	40,733
Current liabilities	204,370	2,193	206,177
Liabilities	291,079	15,778	306,471
Total liabilities and equity	350,552	3,033	353,199

(1) Represents the cumulative adjustment related to accounting for revenue from franchise contracts.

(2) Represents the cumulative adjustment related to accounting for cost to fulfil franchise contracts.

(3) Represents the deferred tax effects of the adjustments above.

(4) The impact on the Group's retained earnings as at 1 January 2017 is as follows:

	2017
Retained earnings – before IFRS 15 restatement	(11,062)
Recognition of asset for costs to fulfil franchise contracts(1)	2,647
Restatement of contract liability for franchise contracts(2)	(18,470)
Decrease in deferred tax liabilities(3)	3,078
Effect on translation reserve	92
Opening retained earnings 1 January – IFRS 15	(23,715)

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 2 – Basis of presentation of the consolidated financial statements continued

2.4 Impact of adoption of new standards continued

IFRS 15 Revenue from Contracts with Customers – Impact of adoption continued

(iv) Presentation of assets and liabilities related to contracts with customers continued

	31 Dec 2017	IFRS 15 remeasurement	Restated 1 Jan 2018
Revenue[1]	632,982	(6,513)	626,469
Cost of sales	(398,717)	–	(398,717)
Gross profit	234,265	(6,513)	227,752
General administrative expenses[2]	(109,122)	468	(108,654)
Marketing and selling expenses	(82,630)	–	(82,630)
Other operating expense	(3,637)	–	(3,637)
Operating profit	38,876	(6,045)	32,831
Foreign exchange losses	(11,666)	–	(11,666)
Financial income	1,209	–	1,209
Financial expense	(21,636)	–	(21,636)
Profit before income tax	6,783	(6,045)	738
Tax expense	(1,948)	1,302	(646)
Income tax expense[3]	(8,270)	–	(8,270)
Deferred tax income	6,322	1,302	7,624
Profit for the period	4,835	(4,743)	92
Other comprehensive (expense)	(2,987)	25	(3,086)
Items that will not be reclassified to profit or loss			
– Remeasurements of post-employment			
benefit obligations, net of tax	(266)	–	(266)
Items that may be reclassified to profit or loss			
– Currency translation differences	(2,721)	25	(2,820)
Total comprehensive loss	1,848	(4,718)	(2,994)
Earnings/(loss) per share	0.0248	(0.0236)	0.0012

	31 Dec 2017	IFRS 15 remeasurement	Restated 1 Jan 2018
Assets			
Property and equipment	128,396	–	128,396
Intangible assets	40,331	–	40,331
Goodwill	44,209	–	44,209
Trade receivables	14,949	–	14,949
Deferred tax assets[3]	7,883	60	7,943
Other non-current assets[2]	31,954	2,360	34,314
Non-current assets	267,722	2,420	270,142
Cash and cash equivalents	76,128	–	76,128
Trade receivables	65,236	–	65,236
Due from related parties	15	–	15
Inventories	56,259	–	56,259
Other current assets[2]	27,852	261	28,113
Current assets	225,490	261	225,751
Total assets	493,212	2,681	495,893

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

	31 Dec 2017	IFRS 15 measurement	Restated 1 Jan 2018
Equity			
Paid in share capital	36,353	—	36,353
Share premium	119,286	—	119,286
Contribution from shareholders	18,183	—	18,183
Other comprehensive income/expense that will not be reclassified to profit or loss	(2,193)	—	(2,193)
Other comprehensive income/expense that may be reclassified to profit or loss	(10,802)	(191)	(10,993)
Retained earnings[4]	(6,227)	(17,396)	(23,623)
Total equity	154,600	(17,587)	137,013
Financial liabilities	85,753	—	85,753
Deferred tax liability[3]	6,350	(4,336)	2,014
Long-term provisions for employee benefits	1,374	—	1,374
Other non-current liabilities[1]	114	22,328	22,442
Non-current liabilities	93,591	17,992	111,583
Financial liabilities	142,152	—	142,152
Trade payables	60,070	—	60,070
Current income tax liabilities	2,181	—	2,181
Provisions	7,692	—	7,692
Other current liabilities[1]	32,926	2,276	35,202
Current liabilities	245,021	2,276	247,297
Liabilities	**493,212**	**2,681**	**495,893**

(1) Represents the cumulative adjustment related to accounting for revenue from franchise contracts

(2) Represents the cumulative adjustment related to accounting for cost to fulfil franchise contracts

(3) Represents the deferred tax effects of the adjustments above

(4) The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	2018
Retained earnings – after IFRS 15 restatement	**(6,227)**
Recognition of asset for costs to fulfil franchise contracts[1]	**2,621**
Restatement of contract liability for franchise contracts[2]	**(24,604)**
Decrease in deferred tax liabilities[3]	**4,396**
Effect on translation reserve	**191**
Opening retained earnings 1 January – IFRS 15	**(23,623)**

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 2 – Basis of presentation of the consolidated financial statements continued

2.4 Impact of adoption of new standards continued

Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	31 Dec 2018	31 Dec 2017	1 Jan 2017
Current contract assets	438	261	212
Non-current contract assets	3,936	2,360	2,435
Total contract assets	**4,374**	2,621	2,647

	31 Dec 2018	31 Dec 2017	1 Jan 2017
Current contract liabilities	5,727	2,276	1,806
Non-current contract liabilities	27,599	22,328	16,663
Total contract liabilities	**33,326**	24,604	18,469

No impairment losses have been recognised in relation to contract assets. There are no significant changes in contract assets and liabilities during the reporting period.

2.5 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in TRY, which is the Group's presentation currency.

2.6 Summary of significant accounting policies

Revenue recognition

(i) Sale of goods – wholesale

The Group sells raw materials and equipment to franchise-owned stores. Sales are recognised at a point in time when control of the products has transferred, being when the products are delivered to the franchisees, the franchisees have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the franchisees' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the franchisee, and either the franchisees have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Financing component is only taken into consideration when the length of the time between the transfer of services and the related consideration is expected to exceed one year and the effect is material. The Group adjusts the promised amount of consideration for the effects of the time value of money when the timing of payments agreed provides either the customer or the entity with a significant benefit of financing.

(ii) Sale of goods – retail

The Group operates a chain of stores selling and delivering pizzas. Revenue from the sale of goods is recognised at a point in time when the store sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the pizza and the pizza is delivered to the customer.

(iii) Revenue from royalties

Royalties are calculated based on franchise-owned store sales to customers, which are recognised on the same basis as the corporate (retail) sales by the Group. Royalties are recognised in the period the related sale occurs.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

(iv) Sale of goods – customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed or when they expire twelve months after the initial sale.

The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. Other discounts are not considered as they are only given in rare circumstances.

A contract liability is recognised until the points are redeemed or expire.

(v) Revenue from franchise fees

The Group receives a franchise fee from each franchise that joins the Group and operates under the name of Domino's Pizza. However, the performance obligation of the Group is related to the services provided during the agreement. These franchise fee revenues are deferred during the period of the franchise agreement with the adoption of IFRS 15 and the effect of this transition is included in the other non-current liabilities.

Franchise arrangement involves the right to operate in a specific location as well as other goods and services, such as point-of-sale systems, restaurant concept, menus and benefits from national advertising campaigns. Revenue generated from franchise fees is generated in proportion to time passed since the inception of the franchise contract.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

(vi) Costs to fulfil a contract

The Group incurs certain costs with DP International related to the set up of each franchise contract and IT systems used for recording of franchise revenue. The costs relate directly to the franchise contract, generate resources used in satisfying the contract and are expected to be recovered. They are therefore capitalised as costs to fulfil a contract and are expensed over the life of the contract.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, credit card receivables and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Trade receivables

Trade receivables, that are recognised by way of providing goods or services directly to a debtor, are accounted for initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for expected credit losses, if any.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. The allowance for expected credit losses ("ECL") of trade receivables is based on individual assessments of expected non-recoverable receivables as well as on expected credit losses estimated using a provision matrix by reference to past default experience on the trade receivables.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued
For the year ended 31 December 2018

Note 2 – Basis of presentation of the consolidated financial statements continued
2.6 Summary of significant accounting policies continued

Trade and other payables
Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost. Trade payables are classified as current liabilities if payment is due within one year or less, otherwise they are presented as non-current liabilities.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of borrowing using the effective interest rate method.

Inventories
Raw materials and trade goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure; costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Financial investments
Classification and measurement
The Group classifies its financial assets in three categories: financial assets carried at amortised cost, financial assets carried at fair value through profit or loss and financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model, determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

Financial assets measured at amortised cost are non-derivative financial assets that are held as part of a business model that aims to collect contractual cash flows and that have cash flows that include interest payments on principal dates and principal balances on certain dates under contractual terms.

The Group's financial assets which are recognised at amortised cost include "cash and cash equivalents", "trade receivables", "trade payables" and "other receivables". The assets are measured at their fair values in the initial recognition of financial assets and discounted values by using the effective interest rate method in the subsequent accounting. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortised cost are recognised in the consolidated statement of profit and loss.

Financial assets carried at amortised cost
Impairment
The Group has applied a simplified approach for the calculation of impairment on its receivables carried at amortised cost. In accordance with this method, if no provision is provided to the trade receivables because of a specific event, the Group measures expected credit loss from these receivables by the lifetime expected credit loss. The calculation of expected credit loss is performed based on the experience of the Group and its expectation based on the macroeconomic indications.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Financial assets carried at fair value

Assets that are held by management for collection of contractual cash flows and/or for selling the financial assets are measured at their fair value. If management do not plan to dispose of these assets in the twelve months after the balance sheet date, they are classified as non-current assets. The Group makes a choice of the equity instruments during the initial recognition and elects profit or loss or other comprehensive income for the presentation of the fair value gain and loss. The Group has no financial assets carried at fair value in the current financial statements.

(i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognised as an asset when the fair value of the instrument is positive, and as a liability when the fair value of the instrument is negative. The Group's financial instruments consist of currency swaps.

(ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold, the fair value gain or loss classified in other comprehensive income is classified to retained earnings.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the related accounts and any gain or loss resulting from their disposal is included in the statement of income.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset ready for use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. If the asset recognition criteria are met, the expenditures are capitalised as an additional cost of property and equipment.

Except for the construction in progress, depreciation is computed on a straight-line basis over the estimated useful lives. The depreciation terms are as follows:

	Useful life (years)
Machinery and equipment	3–40
Motor vehicles	4–5
Furniture and fixtures	6–10
Leasehold improvements	5

The expected useful life, residual value and amortisation method are evaluated every year for the probable effects of changes arising in the expectations and are accounted for prospectively.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset less the costs of disposal.

Gains or losses on disposals or suspension of property and equipment are determined by sale revenue less net book value and collected amount and are included in the related other income or other expense accounts, as appropriate.

Intangible assets

Key money

Key money comprises payments made to the incumbent tenants to obtain leases for stores. Key money is capitalised as long-lived assets and amortised over five years on a straight line-basis. If, after giving careful consideration to the useful life of the underlying premises, management concludes that the key money has an indefinite life or it can be recovered after the cancellation of the lease contract, it is not amortised but tested for impairment annually.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued
For the year ended 31 December 2018

Note 2 – Basis of presentation of the consolidated financial statements continued
2.6 Summary of significant accounting policies continued

Franchise contracts
Franchise contracts are composed of fees paid for the acquisition of the master franchise for the markets in which the Group operates. These are carried at cost less accumulated amortisation and any impairment loss. The useful economic lives of the assets are ten years and are amortised on a straight-line basis.

Software
Computer software, amongst others for online customer interface and financial reporting, is carried at cost less accumulated amortisation and any impairment loss. Externally acquired computer software and software licences are capitalised at the cost incurred to acquire and bring into use the specific software. Internally developed computer software programmes are capitalised to the extent that costs can be separately identified and attributed to particular software programmes, measured reliably, and that the asset developed can be shown to generate future economic benefits. These assets are considered to have finite useful lives and are amortised on a straight-line basis over the estimated useful economic lives of each of the assets, considered to be between three and five years. Estimated useful lives and the amortisation method are reviewed at the end of each year and the effect of any change in the estimate is accounted for prospectively.

Advertising, promotion and marketing costs are not capitalised and are recognised in the income statement.

Business combinations and goodwill
A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method in accordance with IFRS 3.

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquired business and, in addition, any costs directly attributable to the business combination. The cost of the business combination at the date of the acquisition is adjusted if a business combination contract includes clauses that enable adjustments to the cost of the business combination depending on events after the acquisition date, and the adjustment is measurable more probable than not. Costs of the acquisition are recognised in the related period.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or companies of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.
Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use is the present value of estimated future cash flows expected to arise from the use of an asset and from its disposal at the end of its useful life, while the fair value less cost to sell is the amount that will be collected from the sale of the asset less costs of disposal. Estimated future cash flows are typically based on five-year forecasts and terminal values are considered where the asset has an indefinite useful economic life. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised on the income statement. See Note 2.4 regarding presentation currency.

Lease transactions

Finance leases – the Group as the lessee

Leasing of property and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Financial costs of leasing are distributed over the lease period with a fixed interest rate. The property and equipment acquired under financial leases are depreciated over the useful lives of the assets.

The foreign exchange and interest expenses related to finance leases have been recorded in the income statement. Lease payments have been deducted from leasing debts.

Operating leases – the Group as the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

The Group leases retail stores under non-cancellable operating leases expiring within two to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Provisions, contingent assets and liabilities

Provisions are recognised in the consolidated financial statements when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used to calculate the present value of the provision should be pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted.

A possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group have not been recognised in these consolidated financial statements and are treated as contingent liabilities and contingent assets.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 2 – Basis of presentation of the consolidated financial statements continued

2.6 Summary of significant accounting policies continued

Volume rebate advances

Volume rebates received in advance are recognised as income within cost of sales on an accruals basis on the expected entitlement earned up to the statement of financial position date. Upfront fees received as volume rebates are recognised as a liability in the financial statements.

Performance bonus accruals

Realisation of the performance bonus depends on the financial and non-financial performance of the Group. Performance bonus accrual is recognised when the Group achieves its minimum requirements and is recognised within related payroll expense accounts.

Related parties

Key management personnel, including Directors of the Group and its subsidiaries and members of the senior leadership team, together with their families and companies controlled by or affiliated with them, are considered and referred to as related parties. The Group has determined key management personnel as the Executive Directors, members of the Board of Directors and the leadership team. All transactions between related parties have been made considering an arm's length policy.

Parties are considered related to the Group if directly, or indirectly through one or more intermediaries, the party:

- is an associate of the Group;
- is a joint venture in which the Group is a venture;
- is a member of the key management personnel of the Group or its parent;
- is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to; or
- has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Taxes

Current and deferred tax

Taxes on income for the year comprise current tax and the change in deferred income taxes. Current year tax liability consists of the taxes calculated over the taxable portion of the current year income by reference to corporate income tax rates enacted as of the statement of financial position and adjustments provided for previous years' income tax liabilities.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

The Group recognises tax assets for the tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

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

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Employment termination benefit

Provision for employment termination benefits, as required by the Turkish Labour Law, represents the estimated present value of the total reserve of the future probable obligation of the Group companies operating in Turkey arising in case of the retirement of the employees, termination of employment without due cause or call for military service. The provision is based upon actuarial estimations using the estimated liability method. Actuarial gain and losses arising from experience adjustments and changes in actuarial assumptions are recorded to the income statement and movements through the statement of changes in equity in the period in which they arise.

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave and bonuses are accrued in the year in which the associated services are rendered by the employees. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the unified social tax for its employees in Russian operations.

Unused vacation rights

Unused vacation rights accrued in the consolidated financial statements represent the estimated total liabilities related to employees' unused vacation days as of the statement of financial position date.

Valuation of share-based incentives

Share-based compensation benefits are provided to members of management via various incentive plans. Information relating to the equity-settled incentive schemes is set out in Note 21.

The fair value of options granted under the Phantom Option Scheme and the shares under the CEO Share Incentive Scheme are recognised as a share-based payment expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price); and
- excluding the impact of any service and non-market performance vesting conditions (e.g. remaining an employee of the Group over a specified time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

For the Phantom Option Scheme, when the options are exercised, they are settled in cash by the Group's owners.

For the CEO Share Incentive Scheme, annual awards are recognised as an expense in the income statement, provided the annual vesting conditions are met. New shares are issued from share premium.

For the Russian CEO Share Incentive Scheme and new LTIP Scheme introduced on 7 May 2018, annual vested portions are recognised as an expense in the income statement, provided the annual vesting conditions are met.

LTIP Scheme

A share incentive scheme as put in place at the time of the IPO on 3 July 2017. According to the incentive scheme, an employee was granted an option to acquire 2,700,000 shares. The price payable per share on exercise of the option is GBP 2.00. The shares under the option will vest in equal instalments on each anniversary of the award, with the final instalment vesting on the fifth anniversary of IPO. The option will only vest if the employee has not ceased to be an employee of the Group and is not under notice to terminate his employment with the Group.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 2 – Basis of presentation of the consolidated financial statements continued

2.6 Summary of significant accounting policies continued

Earnings/(loss) per share

Earnings per share disclosed in the consolidated statement of profit or loss is determined by dividing net income/(loss) by the weighted average number of shares circulating during the year concerned.

Statement of cash flows

The Group has used the indirect method to prepare the consolidated statement of cash flows. Cash flows in foreign currencies have been translated at transaction rates.

Subsequent events

The Group adjusts the amounts recognised in the consolidated financial statements to reflect the adjusting events after the statement of financial position date. If non-adjusting events after the statement of financial position date have material influences on the economic decisions of users of the consolidated financial statements, they are disclosed in the notes to the consolidated financial statements.

One-off items

In the presentation of the consolidated income statement, the Group separates one-off items in order to disclose significant non-recurring items. The principal events which may give rise to a one-off item include the restructuring and integration of businesses, material litigation costs/gains, the cost of implementing a cost containment programme, share-based incentive expenses, and income and expenses arising from significant disposals of assets and businesses. Additionally a one-off item includes a material one-time cost or gain, or series of connected costs that is non-recurring, and does not arise in the ordinary course of business, but from circumstances or events. Additionally an one-off item includes a material onetime cost or gain, or series of connected costs that is non-recurring, does not arise in the ordinary course of business, but from circumstances or events. The Group discloses the consolidated income statement in this way as it provides relevant information which is more closely aligned to how management monitors the performance of the Group.

Segment reporting

The Group has two business segments, determined by management according to the information used for the evaluation of performance and the allocation of resources: the Turkish and Russian operations. These segments are managed separately because they are affected by the economic conditions and geographical positions in terms of risks and returns.

IFRS 8 requires operating segments to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the management team, including the Chief Executive Officer, Chief Strategy Officer and Chief Finance Officer.

The Group management assesses the performance of operating segments by the "Earnings Before Interest, Tax Depreciation and Amortisation" ("EBITDA"), adjusted net debt, adjusted net income and adjusted earnings per share figures generated by adjusting the EBITDA, net debt, net income and earnings per share calculated based on the financial statements prepared in accordance with IFRS with necessary adjustments and reclassifications. Those adjustments and reclassifications are adding back the net effect of the time difference and foreign exchange gains and losses generated from commercial operations in accordance with IFRS and the one-off items policy as reflected above. Management primarily uses the adjusted EBITDA measure when making decisions about the Group's activities. As EBITDA and adjusted EBITDA are non-GAAP measures, adjusted EBITDA and adjusted operating profit measures used by other entities may not be calculated in the same way and hence are not directly comparable.

The Group management assesses liquidity and levels of borrowing by "net debt" (total borrowings less cash and cash equivalents) and by additionally removing the effect of long-term guarantee deposits and cash in transit not included in the year-end cash balance to arrive at "adjusted net debt". Management primarily uses the adjusted net debt measure when making decisions about the Group's financing. As net debt and adjusted net debt are non-GAAP measures, adjusted net debt measures used by other entities may not be calculated in the same way and hence are not directly comparable.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

2.7 Significant accounting estimates

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for assets and liabilities at the statement of financial position date, and bases for the contingent assets and liabilities as well as the amounts of income and expenses realised in the reporting period. The Group makes estimates and assumptions concerning the future, which, by definition, may not equate to the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

The areas involving significant estimates or judgements are:

- Impairment tests for goodwill (Note 11)
- Impairment tests for tangible assets (Note 9)
- Deferred income tax assets recognition of Fidesrus (Note 20)

Significant judgements or estimates are disclosed in the related notes.

Note 3 – Segment reporting

The business operations of the Group are organised and managed with respect to geographical positions of its operations. The information regarding the business activities of the Group as of 31 December 2018 and 2017 comprise the performance and the management of its Turkish and Russian operations and head office.

The Group has two business segments, determined by management according to the information used for the evaluation of performance and the allocation of resources: the Turkish and Russian operations. Other operations are composed of corporate expenses of Dutch companies. These segments are managed separately because they are affected by the economic conditions and geographical positions in terms of risks and returns.

The segment analysis for the periods ended 31 December 2018 and 2017 are as follows:

1 January – 31 December 2018	Turkey	Russia	Other	Elimination	Total
Corporate revenue	203,958	277,945	—	—	481,903
Franchise revenue and royalty revenue obtained from franchisees	257,313	43,946	—	—	301,259
Other revenue	23,399	50,313	—	—	73,712
Total revenue	484,670	372,204	—	—	856,874
– At a point in time	482,490	371,543	—	—	854,033
– Over time	2,180	661	—	—	2,841
Operating profit	66,540	(3,173)	(10,077)	—	53,290
Capital expenditures	36,797	42,213	—	—	79,010
Tangible and intangible disposals	(7,317)	(14,616)	—	—	(21,933)
Depreciation and amortisation expenses	(28,910)	(24,358)	—	—	(53,268)

31 December 2018	Turkey	Russia	Other	Elimination	Total
Borrowings					
TRY	27,430	—	—	—	27,430
RUB	—	188,176	—	—	188,176
Total	27,430	188,176	—	—	215,606

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 3 – Segment reporting continued

1 January – 31 December 2017	Turkey	Russia	Other	Elimination	Total
Corporate revenue	183,473	187,197	—	—	370,670
Franchise revenue and royalty revenue obtained from franchisees	218,261	8,363	—	—	226,624
Other revenue	18,882	10,292	—	—	29,174
Total revenue	420,616	205,852	—	—	626,468
– At a point in time	418,815	205,548	—	—	624,363
– Over time	1,801	304	—	—	2,105
Operating profit	51,736	(4,159)	(14,743)	—	32,834
– Capital expenditures	36,740	41,739	—	—	78,479
– Tangible and intangible disposals	(5,683)	(1,916)	—	—	(7,599)
Depreciation and amortisation expenses	(27,106)	(14,017)	—	—	(41,123)

31 December 2017	Turkey	Russia	Other	Elimination	Total
Borrowings					
TRY	56,439	—	—	—	56,439
EUR	29,576	128,521	—	—	158,097
RUB	—	13,369	—	—	13,369
Total	86,015	141,890	—	—	227,905

The reconciliation of adjusted EBITDA as of 31 December 2018 and 2017 is as follows:

Turkey(1)	2018	2017
Adjusted EBITDA(2)	**96,537**	80,884
Non-recurring and non-trade (income)/expenses		
IPO costs	**—**	1,847
One-off non-trading costs	**191**	—
Share-based incentives	**896**	195
EBITDA	**95,450**	78,842
Depreciation and amortisation	**(28,910)**	(27,106)
Operating profit	**66,540**	51,736

Russia(1)	2018	2017
Adjusted EBITDA(2)	**23,853**	11,243
Non-recurring and non-trade (income)/expenses		
IPO costs	**—**	—
One-off non-trading costs	**1,051**	63
Share-based incentives	**1,618**	1,322
EBITDA	**21,185**	9,858
Depreciation and amortisation	**24,358**	14,017
Operating loss	**(3,173)**	(4,159)

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Other[1]	2018	2017
Adjusted EBITDA[2]	**(9,810)**	(1,333)
Non-recurring and non-trade (income)/expenses		
IPO costs	**—**	13,410
One-off non-trading costs	**267**	—
EBITDA	**(10,077)**	(14,743)
Depreciation and amortisation	**—**	—
Operating loss	**(10,077)**	(14,743)

(1) The Group has two business segments, determined by management according to the information used for the evaluation of performance and the allocation of resources: the Turkish and Russian operations. Other operations are composed of corporate expenses of Dutch companies. These segments are managed separately because they are affected by the economic conditions and geographical positions in terms of risks and returns.

(2) EBITDA, adjusted EBITDA and non-recurring and non-trade income/expenses are not defined by IFRS. These items are determined by the principles defined by the Group management and comprise income/expenses which are assumed by the Group management to not be part of the normal course of business and are non-trading items. These items which are not defined by IFRS are disclosed by the Group management separately for a better understanding and measurement of the sustainable performance of the Group.

The reconciliation of adjusted net income as of 31 December 2018 and 2017 is as follows:

	2018	2017
(Loss)/profit for the period as reported	**(11,093)**	92
Non-recurring and non-trade (income)/expenses per Group management[1]		
Share-based incentives	**2,514**	1,517
One-off expenses	**1,840**	—
IPO costs	**—**	15,320
Adjusted net (loss)/profit for the period[1]	**(6,739)**	16,929

(1) Adjusted net income and non-recurring and non-trade income/expenses are not defined by IFRS. Adjusted net income excludes income and expenses which are not part of the normal course of business and are non-recurring items. Management uses this measurement basis to focus on core trading activities of the business segments, and to assist it in evaluating underlying business performance.

The average headcount for the Group is as follows:

31 December 2018	Netherlands	Turkey	Russia
Number of employees	**3**	**2,286**	**1,816**

31 December 2017	Netherlands	Turkey	Russia
Number of employees	3	2,415	1,632

Note 4 – Revenue and cost of sales

	2018	2017
Corporate revenue	**481,903**	370,670
Franchise revenue and royalty revenue obtained from franchisees	**301,259**	226,625
Other revenue	**73,712**	29,174
Revenue	**856,874**	626,469
Cost of sales	**(566,250)**	(398,717)
Gross profit	**290,624**	227,752

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 4 – Revenue and cost of sales continued

Revenue recognised in relation to contract liabilities

The movements of performance obligations and revenue recognised in relation to contract liabilities for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Impact due to the changes in IFRS 15	—	15,822
As of 1 January	**21,983**	15,822
Recognised as revenue	**(2,841)**	(2,105)
Increases due to new franchise agreements entered into	**9,801**	8,266
As of 31 December	**28,943**	21,983

Unsatisfied long-term franchisee contracts

The Group recognised net sales amounting to TRY 4,760 with respect to the performance obligations satisfied at a point in time for the year ended 31 December 2018 (31 December 2017: TRY 2,621).

The amount of performance obligations relating to ongoing contracts of the Group that will be recognised in the future is TRY 31,409. The Group expects that this amount will be recorded as revenue within 15 years.

Note 5 – Expenses by nature

	2018	2017
Personnel expenses	**(193,285)**	(144,180)
Depreciation and amortisation expenses	**(53,268)**	(41,124)

Note 6 – Other operating income and expenses

Other income	31 Dec 2018	31 Dec 2017
Gain from sale of property and equipment	**6,354**	496
Interest income arising from sales with extended terms	**1,748**	906
Foreign exchange gains	**1,651**	1,016
Other	**713**	1,389
	10,466	3,807

Other expense	31 Dec 2018	31 Dec 2017
Foreign exchange losses	**3,295**	1,454
Losses from sale of property and equipment	**2,300**	1,941
Legal and other provision expenses	**821**	982
Other	**945**	3,067
	7,361	7,444

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Note 7 – Financial income and expenses

Foreign exchange losses	31 Dec 2018	31 Dec 2017
Foreign exchange losses, net	18,770	11,666
	18,770	11,666

Financial income	31 Dec 2018	31 Dec 2017
Interest income	5,508	1,209
	5,508	1,209

Financial expense	31 Dec 2018	31 Dec 2017
Interest expense	41,118	20,565
Other	2,809	1,071
	43,927	21,636

Note 8 – Earnings/(loss) per share

	31 Dec 2018	31 Dec 2017
Average number of shares existing during the period	145,372,414	74,565,655
Net (loss)/profit for the period attributable to equity holders of the parent	(11,093)	92
Earnings per share	(0.0763)	0.0012

The reconciliation of adjusted earnings per share as of 31 December 2018 and 2017 is as follows:

	31 Dec 2018	31 Dec 2017
Average number of shares existing during the period	145,372,414	74,565,655
Net (loss)/profit for the period attributable to equity holders of the parent	(11,093)	92
Non-recurring and non-trade expenses per Group management(1)		
IPO costs	—	15,320
Share-based incentives	2,514	1,517
One-off expenses	1,507	—
Adjusted net (loss)/profit for the period attributable to equity holders of the parent	(7,072)	16,929
Adjusted earnings per share(1)	(0.05)	0.23

(1) Please refer to Note 3 for non-GAAP items.

There are no shares or options with a dilutive effect and hence the basic and diluted earnings per share are the same.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 9 – Property and equipment

	1 Jan 2018	Additions	Disposals	Transfers	Currency translation adjustments	31 Dec 2018
Cost						
Machinery and equipment	42,094	16,209	(10,028)	1,882	5,511	**55,668**
Motor vehicles	25,831	5,651	(1,283)	—	2,764	**32,963**
Furniture and fixtures	58,646	12,609	(12,069)	2,652	271	**62,109**
Leasehold improvements	80,470	20,069	(15,169)	206	5,631	**91,207**
Construction in progress	7,240	437	—	(5,260)	607	**3,024**
	214,281	54,975	(38,549)	(520)	14,784	**244,971**
Accumulated depreciation						
Machinery and equipment	(11,494)	(8,167)	2,988	—	(1,302)	**(17,975)**
Motor vehicles	(10,596)	(7,953)	1,143	—	(812)	**(18,218)**
Furniture and fixtures	(26,953)	(7,087)	6,261	—	(69)	**(27,848)**
Leasehold improvements	(36,842)	(13,812)	7,054	—	(1,289)	**(44,889)**
	(85,885)	(37,019)	17,446	—	(3,472)	**(108,930)**
Net book value	128,396					**136,041**

Depreciation expense of TRY 23,311 has been charged in cost of sales and TRY 13,708 has been charged in general administrative expenses.

	1 Jan 2017	Additions	Disposals	Transfers	Currency translation adjustments	31 Dec 2017
Cost						
Machinery and equipment	25,517	12,415	(1,278)	2,273	3,167	42,094
Motor vehicles	15,076	10,138	(1,071)	—	1,688	25,831
Furniture and fixtures	50,942	11,430	(4,112)	226	160	58,646
Leasehold improvements	61,158	19,892	(5,143)	1,414	3,149	80,470
Construction in progress	5,767	6,713	(1,652)	(4,061)	473	7,240
	158,460	60,588	(13,256)	(148)	8,637	214,281
Accumulated depreciation						
Machinery and equipment	(6,070)	(5,189)	454	—	(689)	(11,494)
Motor vehicles	(5,288)	(5,957)	1,104	—	(455)	(10,596)
Furniture and fixtures	(21,998)	(6,640)	1,723	—	(38)	(26,953)
Leasehold improvements	(27,256)	(11,488)	2,567	—	(665)	(36,842)
	(60,612)	(29,274)	5,848	—	(1,847)	(85,885)
Net book value	97,848					128,396

Depreciation expense of TRY 22,726 has been charged in cost of sales and TRY 6,548 has been charged in general administrative expenses.

At 31 December 2018 and 2017, leased assets included in the table above, where the Group is lessee under a finance lease, are as follows:

	31 Dec 2018	31 Dec 2017
Vehicles	**8,415**	11,826
Accumulated depreciation	**(7,953)**	(5,957)
Net book value	**462**	5,869

The Group leases various vehicles and machinery and equipment under non-cancellable finance lease agreements. The lease terms are between three and five years.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Impairment test for tangible assets

In accordance with accounting policies explained in Note 2.5, all property and equipment is initially recorded at cost and recorded at cost less accumulated depreciation and any accumulated impairment loss. The Group assesses its performance separately for each store and decides whether to cease operating a store by reference to its discounted cash flows. For the purpose of assessing impairment, the discounted cash flows, calculated based on the Group's revenue projections for five years, are compared to the carrying value of the stores. The Group has assessed the performance of its stores and has not identified any events or changes in circumstances indicating that the carrying amount may not be recoverable as of 31 December 2018.

Note 10 – Intangible assets

	1 Jan 2018	Additions	Disposals	Currency translation adjustments	Transfers	31 Dec 2018
Cost						
Key money	8,755	9,691	(1,852)	862	—	**17,456**
Computer software	31,502	14,344	(815)	22	520	**45,573**
Franchise contracts	48,485	—	—	—	—	**48,485**
	88,742	24,035	(2,667)	884	520	**111,514**
Accumulated amortisation						
Key money	(2,001)	(4,974)	1,808	(175)	—	**(5,342)**
Computer software	(10,855)	(6,351)	28	—	—	**(17,178)**
Franchise contracts	(35,555)	(4,925)	—	—	—	**(40,480)**
	(48,411)	(16,250)	1,836	(175)	—	**(63,000)**
Net book value	40,331					**48,514**

Amortisation expense of TRY 10,189 has been charged in cost of sales and TRY 6,061 has been charged in general administrative expenses.

The Group does not have any intangible assets with an indefinite useful life.

	1 Jan 2017	Additions	Disposals	Currency translation adjustments	Transfers	31 Dec 2017
Cost						
Key money	2,734	6,135	(152)	—	38	8,755
Computer software	19,502	11,756	(254)	388	110	31,502
Franchise contracts	48,485	—	—	—	—	48,485
	70,721	17,891	(406)	388	148	88,742
Accumulated amortisation						
Key money	(1,320)	(811)	130	—	—	(2,001)
Computer software	(4,651)	(6,191)	83	(96)	—	(10,855)
Franchise contracts	(30,707)	(4,848)	—	—	—	(35,555)
	(36,678)	(11,850)	213	(96)	—	(48,411)
Net book value	34,043					40,331

Amortisation expense of TRY 6,660 has been charged in cost of sales and TRY 5,190 has been charged in general administrative expenses.

Franchise contracts

The Group has recognised franchise contracts resulting from a business combination on 26 January 2011 amounting to TRY 48,485 and accounted for them as intangible assets in its consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 11 – Goodwill

Movement of goodwill is as follows:

	2018	2017
1 January	**44,209**	43,560
Currency translation impact	**986**	649
31 December	**45,195**	44,209

On 1 September 2010 the Group acquired the shares of Pizza Restaurantları A.Ş. and, following the acquisition, goodwill was recognised in the Turkish cash-generating unit (31 December 2018: TRY 37,961). On 15 February 2013, the Group acquired the fixed assets of a pizza network operating in Moscow, Russia and, following the acquisition, goodwill was recognised in the Russian cash-generating unit (31 December 2018: TRY 7,234).

Goodwill impairment test

In accordance with IFRS and the accounting policies explained in Note 2.5, the Group performs an impairment test on goodwill to assess whether impairment exists. The Group is obliged to test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired, as goodwill is deemed to have an indefinite useful life.

In order to perform this test, management is required to compare the carrying value of the relevant cash-generating unit (“CGU”), defined as stores of the Group including goodwill, with its recoverable amount. The recoverable amounts of the CGU are determined based on a value-in-use calculation.

The recoverable amount of cash-generating units are calculated based on value in use. These calculations require estimations and use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. For the purpose of assessing impairment, the discounted cash flows calculated based on the Group’s revenue projections for five years are compared to the carrying value of goodwill.

The Group prepares pre-tax cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the remaining term based on the average long-term growth rate of 13% and 6.5% for the Turkish market for 2018 and 2017, respectively, and 3.8% for the Russian market for all years.

Other key assumptions applied in the impairment tests include the expected product price, demand for the products, product cost and related expenses which are reflected in the sales growth rate for the upcoming years. Management used sales growth projection rates of 10% – 21.6% for Turkey and 25% – 29% for Russia respectively. Management determined these key assumptions based on past performance and its expectations on market development. Further, management applied pre-tax discount rates of 14% for 2017 and 20% for 2018 for Turkey and 17.5% for 2018 and 16.2% for 2017 for Russian Federation to reflect country-specific Group risks.

Sensitivities – Turkish operations

The assumptions used for value-in-use calculations to which the recoverable amount is more sensitive are growth rate beyond five years and pre-tax discount rate. Management determined these key assumptions based on past performance and its expectations on market development. Further, management adopts different discount rates each year that reflect specific risks related to the Group as discount rates.

As a result of the impairment tests performed with the use of the above assumptions, no impairment loss has been identified nor had been identified with a 1% change on key assumptions as at 31 December 2018.

Sensitivities – Russian operations

The assumptions used for value-in-use calculations to which the recoverable amount is more sensitive are growth rate beyond five years and pre-tax discount rate. Management determined these key assumptions based on past performance and its expectations on market development.

As a result of the impairment tests performed with the use of the above assumptions, no impairment loss has been identified nor had been identified with a 1% change on key assumptions as at 31 December 2018.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Note 12 – Cash and cash equivalents

The details of cash and cash equivalents as of 31 December 2018 and 2017 are as follows:

	31 Dec 2018	31 Dec 2017
Cash	**818**	1,365
Banks	**16,367**	63,438
Credit card receivables(1)	**11,259**	11,325
	28,444	76,128

(1) Maturity term of credit card receivables are 30 days on average (31 December 2017: 30 days).

The detail functional currency of the banks is as below:

	31 Dec 2018	31 Dec 2017
TRY	**8,914**	7,664
RUB	**5,425**	967
EUR	**1,638**	54,807
Other	**390**	—
	16,367	63,438

Note 13 – Trade receivables and payables

a) Short-term trade receivables

	31 Dec 2018	31 Dec 2017
Trade receivables	**50,903**	48,392
Post-dated cheques	**19,148**	17,041
Receivables from related parties	**20**	15
	70,071	65,448
Less: Unearned financial income	**—**	(105)
Less: Doubtful trade receivable	**(92)**	(92)
Short-term trade and other receivables, net	**69,978**	65,251

The average collection period for trade receivables is between 30 and 60 days (2018 and 2017: 30 and 60 days).

Movement of provision for doubtful receivables is as follows:

	2018	2017
1 January	**92**	141
(Collections)/current year charge	**—**	(49)
31 December	**92**	92

The Group applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses. The Group analysed the impact of IFRS 9 and concluded there is no material impact on the bad debt reserve booked. The Group also assessed whether the historic pattern would change materially in the future and expects no significant impact. The expected credit loss applied per ageing bucket is shown as below:

Not due	0–30 days	31–90 days	91–180 days	181–360 days	Over 360 days
0.01%	0.10%	0.32%	0.46%	0.65%	1.24%

b) Long-term trade receivables

	31 Dec 2018	31 Dec 2017
Trade receivables	**10,729**	1,242
Post-dated cheques(1)	**10,032**	13,707
	20,761	14,949

(1) Post-dated cheques are the receivables from franchisees resulting from store openings.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 13 – Trade receivables and payables continued

c) Short-term trade and other payables

	31 Dec 2018	31 Dec 2017
Trade payables	70,635	57,297
Other payables	3,513	2,773
	74,148	60,070

The weighted average term of trade payables is less than three months. Short-term payables with no stated interest are measured at original invoice amount unless the effect of imputing interest is significant (31 December 2018 and 2017: Less than three months).

Note 14 – Transactions and balances with related parties

The details of receivables and payables from related parties as of 31 December 2018 and 2017 and transactions are as follows:

a) Key management compensation

	31 Dec 2018	31 Dec 2017
Short-term employee benefits	16,243	14,202
Share-based incentives	2,514	1,517
	18,757	15,719

There are no loans, advance payments or guarantees given to key management.

b) Board compensation

	31 December 2018						
	Base salary (TRY)	Benefits (TRY)	Pension (TRY)	Annual bonus (TRY)	Long-term incentives (TRY)	Total (TRY)	Total (local currency)
Executive Directors							
Aslan Saranga	2,000,000	150,599	—	778,667	409,981	3,339,247	₺3,339,247
Frederieke Slot	566,140	130,212	200,414	—	—	896,765	€158,400
Non-Executive Directors							
Peter Williams	957,765	—	—	—	—	957,765	€150,000
Tom Singer	434,764	—	—	—	—	443,764	€69,500
Seymur Tarı	—	—	—	—	—	—	—
İzzet Talu	—	—	—	—	—	—	—
Aksel Şahin	—	—	—	—	—	—	—

	31 December 2017						
	Base salary (TRY)	Benefits (TRY)	Pension (TRY)	Annual bonus (TRY)	Long-term incentives (TRY)	Total (TRY)	Total (local currency)
Executive Directors							
Aslan Saranga	1,446,953	117,369	—	780,000	—	2,344,322	₺2,344,322
Frederieke Slot	217,711	67,110	77,708	—	—	362,529	€88,080
Non-Executive Directors							
Peter Williams	367,380	—	—	—	—	367,380	£75,000
Tom Singer	140,405	—	—	—	—	140,405	£28,884
Seymur Tarı	—	—	—	—	—	—	—
İzzet Talu	—	—	—	—	—	—	—
Aksel Şahin	—	—	—	—	—	—	—

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the table – methodology

Base salary

This represents the cash paid or receivable in respect of the financial year.

Benefits

This represents the taxable value of all benefits paid or receivable in respect of the relevant financial year. Aslan Saranga's benefits included private health cover and a company car. Frederieke Slot's benefits included medical disability allowance, mobility allowance and education, communication and IT allowances.

Pension

Aslan Saranga receives no pension provision; Frederieke Slot receives a pension allowance worth 36% of base salary.

Annual bonus

This represents the total bonus payable for the relevant financial year under the ADBP.

Long-term incentives

This column relates to the expense recognised for the LTIP awards during the period in accordance with IFRS. Please note that in the remuneration report on page 46, the value of vested LTIP awards is included in the remuneration table. Since no LTIP awards have been vested to Executive Directors during the period, this column has a zero figure in the remuneration report.

Local currency totals

Part of Aslan Saranga's remuneration and the whole of Frederieke Slot's remuneration is paid in Euros and Peter Williams' and Tom Singer's remuneration is wholly paid in Pound Sterling. Total amounts received by each individual in local currency are recorded in the final column of the table. In the other columns of the table, remuneration has been converted into Turkish Lira for consistency with the financial statements.

Note 15 – Inventories

	31 Dec 2018	31 Dec 2017
Raw materials	75,248	47,128
Other inventory	2,371	9,131
	77,619	56,259

The cost of inventories recognised as expense and included in "cost of sales" amounted to TRY 269,454 in 2018 (2017: TRY 204,895).

Note 16 – Other receivables, assets and liabilities

Other current assets	31 Dec 2018	31 Dec 2017	1 Jan 2017
Long-term deposits for loan guarantees(1)	24,195	–	–
Advance payments to suppliers	9,687	15,534	15,088
Prepaid rent expenses	3,912	3,804	1,644
Prepaid taxes and VAT receivable	3,177	2,951	2,016
Prepaid marketing expenses	2,018	951	966
Prepaid insurance expenses	945	708	593
Contract assets related to franchising contracts(2)	438	261	212
Other	1,212	3,904	1,741
Total	**45,584**	28,113	22,260

(1) In July 2018, the Group refinanced its Euro denominated loans in Russia with a Rouble denominated loan. The RUB 2.2 billion facility has a 76-month term with a twelve-month grace period and carries an interest rate of 9.7%. The loan carries a TRY 31,643 (RUB 420 million) cash deposit condition that was made as collateral by the Russian operating company. Annual interest rate is 6%. The principal of TRY 31,643 is blocked until DPR completes its loan repayments. However, part of the principal amount can be withdrawn for future interest repayment.

(2) The Group incurs certain costs with DP International related to the set up of each franchise contract and IT systems used for recording of franchise revenue.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 16 – Other receivables, assets and liabilities continued

Other non-current assets	31 Dec 2018	31 Dec 2017	1 Jan 2017
Long-term deposits for loan guarantees(1)	8,342	28,217	23,183
Prepaid marketing expenses	7,173	—	—
Deposits given	5,909	3,737	2,797
Contract assets related to franchising contracts(2)	3,936	2,360	2,435
Other	29	—	—
Total	**25,389**	34,314	28,415

(1) In July 2018, the Group refinanced its Euro denominated loans in Russia with a Rouble denominated loan. The RUB 2.2 billion facility has a 76-month term with a twelve-month grace period and carries an interest rate of 9.7%. The loan carries a TRY 31,643 (RUB 420 million) cash deposit condition that was made as collateral by the Russian operating company. Annual interest rate is 6%. The principal of TRY 31,643 is blocked until DPR completes its loan repayments. However, part of the principal amount can be withdrawn for future interest repayment.

(2) The Group incurs certain costs with DP International related to the set up of each franchise contract and IT systems used for recording of franchise revenue.

Other current liabilities	31 Dec 2018	31 Dec 2017	1 Jan 2017
Payable to personnel	6,970	5,236	3,599
Unused vacation liabilities	6,404	5,070	3,909
Taxes and funds payable	6,047	4,776	3,623
Contract liabilities from franchising contracts	5,727	2,276	1,806
Social security premiums payable	3,588	2,969	4,036
Advances received from franchisees	2,243	6,200	9,054
Volume rebate advances	942	3,856	11,562
Other expense accruals	2,791	4,819	3,144
Total	**34,712**	35,202	40,733

Other non-current liabilities	31 Dec 2018	31 Dec 2017	1 Jan 2017
Contract liabilities from franchising contracts	27,599	22,328	16,663
Long-term provisions for employee benefits	1,665	1,374	922
Other	774	114	—
Total	**30,038**	23,816	17,585

Note 17 – Financial liabilities

	31 Dec 2018	31 Dec 2017
Short-term bank borrowings	24,820	75,174
Short-term financial liabilities	**24,820**	75,174
Short-term portions of long-term borrowings	11,721	61,757
Short-term portions of long-term financial lease borrowings	7,789	5,221
Current portion of long-term financial liabilities	**19,510**	66,978
Total short-term financial liabilities	**44,330**	142,152
Long-term bank borrowings	161,600	74,545
Long-term financial lease borrowings	9,676	11,208
Long-term financial liabilities	**171,276**	85,753
Total financial liabilities	**215,606**	227,905

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

The summary information of short-term and long-term bank borrowings is as follows:

31 December 2018 Currency	Maturity	Interest rate (%)	Short term	Long term
RUB borrowings	**2024**	**9.70**	**11,721**	**161,600**
TRY borrowings	**Revolving**	**24.71**	**24,820**	**—**
			36,541	**161,600**

31 December 2017 Currency	Maturity	Interest rate (%)	Short term	Long term
EUR borrowings	2018–2022	3.50–8.00	83,551	74,545
TRY borrowings	Revolving	16.00	53,380	—
			136,931	74,545

The redemption schedule of the borrowings as of 31 December 2018 and 2017 is as follows:

	31 Dec 2018	31 Dec 2017
To be paid in one year	**36,541**	136,931
To be paid between one and two years	**19,044**	48,080
To be paid between two and three years	**25,404**	26,465
To be paid after three years or more	**117,152**	—
	198,141	211,476

The loan agreement between Sberbank Moscow and Domino's Russia is subject to covenant clauses whereby the Group, the Turkish and Russian divisions are required to meet certain ratios. The financial indicator of the Russian division, requires the ratio of financial debt to adjusted EBITDA for the relevant period to not be more than 11; Turkey division which requires the ratio of financial debt to adjusted EBITDA for the relevant period to not be more than 3; the Group, which requires the ratio of financial debt to adjusted EBITDA for the relevant period to not be more than 3.5. During the validity period hereof, the number of the restaurant chains (owned and franchised) of the Turkish division should be not less than 524 units as of the end of 2018 and the annual level of the adjusted EBITDA of the Turkish division should be not less than TRY 87 million during 2018–2020.

Throughout the period, the Group, Domino's Russia and Domino's Turkey have met the covenant clauses of Sberbank Moscow.

The details of the finance lease liabilities as of 31 December 2018 and 2017 are as follows:

	31 Dec 2018	31 Dec 2017
Total financial lease payments	**25,209**	26,651
Interest to be paid in upcoming years	**(7,744)**	(10,222)
	17,465	16,429
Financial lease liabilities to be paid in one year	**7,789**	5,221
Financial lease liabilities to be paid between one and two years	**6,128**	5,537
Financial lease liabilities to be paid between two and three years	**3,548**	5,671
	17,465	16,429

As of 31 December 2018 and 2017, net financial liabilities reconciliation is as follows:

	31 Dec 2018	31 Dec 2017
Cash and cash equivalents	**28,444**	76,128
Financial liabilities and lease to be paid in one year	**(44,330)**	(142,152)
Financial liabilities and lease to be paid in one to five years	**(171,276)**	(85,754)
	(187,162)	(151,778)

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 17 – Financial liabilities continued

	31 Dec 2018	31 Dec 2017
Cash and cash equivalents	**28,444**	76,128
Financial liabilities and lease – fixed rate	**(188,176)**	(99,385)
Financial liabilities and lease – floating rate	**(27,430)**	(128,521)
	(187,162)	(151,778)

	31 Dec 2018		31 Dec 2017	
	Carrying value	Fair value	Carrying value	Fair value
Borrowings and financial lease liabilities	**215,606**	**279,082**	227,905	226,429
Total	**215,606**	**279,082**	227,905	226,429

31 December 2018	Financial liabilities and lease to be paid in a year	Financial liabilities and lease to be paid in 1-5 years	Total
1 January financial liabilities	(142,152)	(85,753)	(227,905)
Net cash flow effect, loans received	**(993,883)**	**(236,480)**	**(1,230,363)**
Net cash flow effect, loans paid	**1,116,644**	**158,828**	**1,275,472**
Net cash flow effect, leasing payments	**15,192**	**4,054**	**19,246**
Other non-cash transaction, leasing payment	**(11,122)**	**(3,122)**	**(14,244)**
Unrealised FX gain and loss	**(1,568)**	**(9,904)**	**(11,472)**
Interest on financial liabilities	**(4,159)**	**–**	**(4,159)**
Currency translation adjustments	**(23,282)**	**1,101**	**(22,181)**
31 December financial liabilities	**(44,330)**	**(171,276)**	**(215,606)**

31 December 2017	Financial liabilities and lease to be paid in a year	Financial liabilities and lease to be paid in 1–5 years	Total
1 January financial liabilities	(118,907)	(80,594)	(199,501)
Net cash flow effect, loans received	(527,231)	—	(527,231)
Net cash flow effect, loans paid	489,420	39,091	528,511
Net cash flow effect, leasing payments	6,472	1,853	8,325
Other non-cash transaction, leasing payment	(10,138)	—	(10,138)
Unrealised FX gain and loss	(1,409)	(8,991)	(10,400)
Interest on financial liabilities	(2,282)	—	(2,282)
Currency translation adjustments	21,923	(37,112)	(15,189)
31 December financial liabilities	**(142,152)**	**(85,753)**	**(227,905)**

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

The reconciliation of adjusted net debt as of 31 December 2018 and 2017 is as follows:

	2018	2017
Short-term bank borrowings	**36,541**	136,931
Short-term portions of long-term financial lease borrowings	**7,789**	5,221
Long-term bank borrowings	**161,600**	74,545
Long-term financial lease borrowings	**9,676**	11,208
Total borrowings	**215,606**	227,905
Cash and cash equivalents[1]	**(28,444)**	(76,128)
Net debt	**187,162**	151,777
Non-recurring items per Group management		
Long-term deposit for loan guarantee	**(32,537)**	(28,217)
Adjusting delay in collection/payment day coinciding on a weekend	**—**	(16,835)
Adjusted net debt[1]	**154,625**	106,725

(1) Net debt, adjusted net debt and non-recurring and non-trade items are not defined by IFRS. Adjusted net debt includes cash deposits used as a loan guarantee and cash paid, but not collected, during the non-working day at the year end. Management uses these numbers to focus on net debt to take into account deposits not otherwise considered cash and cash equivalents under IFRS.

Note 18 – Provision

Short-term provisions

	31 Dec 2018	31 Dec 2017
Performance bonuses	**7,408**	5,576
Legal provisions and other	**1,816**	2,116
	9,224	7,692

Legal provisions are mostly resulting from labour and rent disputes.

The movement of provisions as of 31 December 2018 and 2017 is as follows:

	Performance bonuses	Legal and other
Balance at 1 January 2018	5,576	2,116
Additions	7,408	821
Paid	(5,576)	(1,121)
Balance as at 31 December 2018	**7,408**	**1,816**

	Performance bonuses	Legal and other
Balance at 1 January 2017	3,244	1,234
Additions	5,576	1,807
Paid	(3,244)	(925)
Balance as at 31 December 2017	5,576	2,116

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 19 – Commitments, contingent assets and liabilities

a) Guarantees given and received for trade receivables are as follows:

	31 Dec 2018	31 Dec 2017
Guarantee letters given	3,671	2,193
	3,671	2,193

	31 Dec 2018	31 Dec 2017
Guarantee notes received	34,008	31,682
Guarantee letters received	23,295	18,579
	57,303	50,261

Guarantee notes and letters are received as collateral for trade receivables.

b) Tax contingencies

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 by tax authorities. The 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.

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

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

The Group includes companies incorporated outside of Russia. 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 Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

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

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

c) Operating lease commitments

	31 Dec 2018	31 Dec 2017
In one year	16,243	14,953
One to five years	17,637	12,143
Five to ten years	744	209
	34,624	27,305

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Note 20 – Tax assets, liabilities and tax expense

Corporate tax

The Group is subject to taxation in accordance with the tax regulations and the legislation effective in the countries in which the Group companies operate. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

The Netherlands

Dutch tax legislation does not permit a Dutch parent company and its foreign subsidiaries to file a consolidated Dutch tax return. Dutch resident companies are taxed on their worldwide income for corporate income tax purposes at a statutory rate of 25%. No further taxes are payable on this profit unless the profit is distributed.

If certain conditions are met, income derived from foreign subsidiaries is tax exempted in the Netherlands under the rules of the Dutch participation exemption. However, certain costs such as acquisition costs are not deductible for Dutch corporate income tax purposes. Furthermore, in some cases the interest payable on loans to affiliated companies is non-deductible.

When income derived by a Dutch company is subject to taxation in the Netherlands as well as in other countries, generally avoidance of double taxation can be obtained under the extensive Dutch tax treaty network or under Dutch domestic law.

Dividend distributions are subject to 15% Dutch withholding tax. However, under the Netherlands' extensive tax treaty network, this rate can, in many cases, be significantly reduced if certain conditions are met.

Turkey

The Corporate Tax Law was amended by Law No, 5520, dated 13 June 2006. Most of the articles of the new Corporate Tax Law (No 5520) came into force on 1 January 2006. Corporate tax is payable at a rate of 22% (31 December 2017: 20%) on the total income of the Group after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19.8%, calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law Temporary Article 61).

With the Law on Amendments to Certain Laws and Tax Laws and Decrees by the Courts dated 28 November 2017, the tax rate has been changed to 22% for corporate tax and advance tax of corporate earnings for the 2018, 2019 and 2020 taxation periods.

Companies are required to pay advance corporate tax quarterly at the rate of 20% on their corporate income in Turkey. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporate tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

Russia

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilised.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 20 – Tax assets, liabilities and tax expense continued

Corporate tax liability for the year consists of the following:

	2018	2017
Corporate tax calculated	11,579	8,270
Prepaid taxes	(4,608)	(6,089)
Tax liability	**6,971**	2,181

Tax income and expenses included in the statements of comprehensive income are as follows:

	2018	2017
Current period corporate tax expense	(11,579)	(8,270)
Deferred tax income/(expense)	4,385	7,624
Tax liability	**(7,194)**	(646)

The reconciliation of the tax expense in the statement of comprehensive income is as follows:

	2018	2017
Profit/(loss) before tax	(3,899)	738
Corporate tax at statutory rates (25%)	975	(185)
Disallowable expenses	(5,834)	(3,541)
Recognition of deferred tax in Russia	550	7,254
Unrecognised tax credit used to reduce current tax	(2,714)	(3,895)
Differences in tax rates	(323)	(3,101)
Other, net	152	(178)
Total tax expense	**(7,194)**	(646)

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/liabilities at 31 December 2018 and 2017 using statutory tax rates are as follows:

	31 Dec 2018		31 Dec 2017	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Carry forward tax losses[(1)]	38,001	7,600	30,439	6,088
Property, equipment and intangible assets	(39,727)	(7,861)	(44,160)	(8,832)
Deferred revenue	28,943	6,367	21,983	4,397
Expense accruals	9,515	2,093	–	–
Bonus accruals	7,168	1,517	5,733	1,147
Unused vacation liabilities	2,663	586	2,386	477
Legal provisions	1,816	399	2,116	423
Provision for employee termination benefit	1,665	366	1,374	275
Other	3,220	554	9,777	1,954
Deferred income tax assets, net		**11,622**		5,929

(1) Consists of carry forward losses of Domino's Russia.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Deferred income tax assets recognition of Fidesrus

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilisation of deferred tax assets must be reduced, this reduction will be recognised in the statement of profit or loss.

Based on the change in the tax code in the Russian Federation after 31 December 2015, previously applied limitation on carry forward tax losses for a ten-year period has been abolished and any losses incurred since 2007 will be carried forward until fully recognised.

Domino's Russia recognises tax assets for the tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Domino's Russia recognises deferred income tax assets arising from tax losses, tax discounts and other temporary differences with the estimates and assumptions relying on the Domino's Russia management's five-year business plan and potential growth opportunities in Russia.

Movement of the deferred tax for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
Balance at the beginning of the year	5,929	(2,115)
Charged to the statement of income	4,746	7,624
Currency translation difference	866	353
Charged to other comprehensive income	81	67
Balance at the end of the year	**11,622**	5,929

Note 21 – Share-based payments

The Phantom Option Scheme

The Phantom Option Scheme was put in place to incentivise senior members of management. The incentive plan entitles the employees to a cash payment at the date of an exit by shareholders. The amount payable will be determined based on the difference between the equity value of the entities at the time of exit and their grant dates. Granted options will only vest if certain conditions are met, including continued employment with the Group, and if there is an event of 100% exit by Fides Food Systems Coöperatief UA. and Vision Lovemark Coöperatief UA. However, shareholders have the right to exercise these plans even if they do not exit 100% of their stake and may determine the amount payable to employees pro rata their exited shareholding.

Based on this scheme, the difference between the grant equity value and the exit value of the entities has been allocated for Pizza Restaurantları A.Ş. and Pizza Restaurants LLC separately and multiplied by the respective option amount of each individual.

Options are granted under the plan for no consideration and carry no dividend or voting rights.

When exercised, the whole payout will be made by the ultimate shareholders of the Group in cash, and any taxes, fees or any other costs related to the incentive will be borne by employees within the incentive plan. As a result, the phantom options are accounted for as equity-settled share-based payment awards.

The Company uses the Black-Scholes option valuation model to calculate the fair value of the Phantom Option at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The fair value at grant date is determined using an adjusted form of the Black-Scholes model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option. The expected price volatility is based on the historic volatility of the peer group companies. The fair value of the options is then recognised over the vesting period of the options granted.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 21 – Share-based payments continued

The Phantom Option Scheme continued

The fair value of the options granted in 2010, 2012 and 2015 have been estimated using the Black-Scholes option pricing model based on the following weighted-average assumptions:

- Expected average option term in years: 8.8 years
- Expected volatility: 42.6%
- Expected dividend yield: 0%
- Risk-free interest rate: 2.6%

In relation to the IPO, the shareholders used their right to partly settle the options outstanding under these plans, and 48.6% of the outstanding phantom options were settled in August 2017. As a result, this portion of the outstanding share-based incentives was fully expensed as at 31 December 2017. The unrecognised portion of the total grant date fair value for the remaining 51.4% of the options amounts to TRY 483 and will be expensed over the remainder of the estimated vesting period.

CEO Share Incentive Scheme

Additionally, a share incentive scheme was put in place between Fides Food Systems Coöperatief U.A. and Vision Lovemark Coöperatief U.A. Based on performance targets, and continuing employment of the CEO, the shares would be granted each year to Vision Lovemark Coöperatief U.A.

The share incentive scheme was terminated in December 2016. The fair value of the shares granted was determined with reference to an EBITDA based enterprise value of the Group's Turkish segment. The vesting period for each grant was one year. The above-mentioned share options are still outstanding. Two years remain from the current CEO Share Incentive Scheme.

Russian CEO Share Incentive Scheme

A share incentive scheme was put in place at the time of the IPO on 3 July 2017. According to the incentive scheme an employee was granted an option to acquire 2,700,000 shares. The price payable per share on exercise of the option is GBP 2.00. The shares under the option will vest in equal instalments on each anniversary of the award, with the final instalment vesting on the fifth anniversary of Admission. The option will only vest if he has not ceased to be an employee of the Group and is not under notice to terminate his employment with the Group. The above-mentioned share options are still outstanding. Three years remain from the current Russian CEO Share Incentive Scheme.

New LTIP scheme

A new share incentive scheme was put in place on 7 May 2018. According to the incentive scheme, employees were granted an option to acquire shares, based on performance targets of the Group for the upcoming three years, and continuing employment until the vesting time. The shares under the option will vest at the end of scheme period.

The weighted-average fair value of the options granted under the LTIP Scheme in 2018 amounted to TRY 349 per option, which has been estimated using the Black-Scholes option pricing model based on the following weighted-average assumptions. The above-mentioned share options are still outstanding.

- Share price on the grant date: GBP 1.85
- Expected average option term in years: three years
- Expected volatility: 36.6%
- Expected dividend yield: 0%
- Risk-free interest rate: 0.9%

The expected volatility for each of the vesting instalments has been determined based on the annualised volatility of historical data for a group of relevant comparator companies, measured over the expected life of the instalments.

Under these two existing plans, an amount of TRY 2,514 has been charged for 2018, and TRY 1,517 for 2017, and the cumulative charge is TRY 20,697 as at 31 December 2018 (31 December 2017: TRY 18,183).

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Note 22 – Equity

The shareholders and the shareholding structure of the Group at 31 December 2018 and 2017 are as follows:

	31 Dec 2018		31 Dec 2017	
	Share (%)	Amount	Share (%)	Amount
Fides Food Systems Coöperatief U.A.	**42.8**	**15,562**	42.8	15,562
Public shares	**52.1**	**18,944**	52.1	18,944
Vision Lovemark Coöperatief U.A.	**4.9**	**1,774**	4.9	1,774
Other	**0.2**	**73**	0.2	73
		36,353		36,353

As of 31 December 2018, the Group's 145,372,414 (31 December 2017: 145,372,414) shares are issued and fully paid for.

On 3 July 2017, just prior to Admission, the Company issued (i) 13,046,726 ordinary shares, with a nominal value of EUR 0.12 each, in the capital of the Company to Vision Lovemark Coöperatief U.A. and (ii) 117,420,534 ordinary shares, with a nominal value of EUR 0.12 each, in the capital of the Company to Fides Food Systems Coöperatief U.A., which was paid up by debiting the Company's share premium reserve by TRY 31,239. Also, on 3 July 2017, as part of its IPO, the Company issued 10,372,414 new ordinary shares with a nominal value of EUR 0.12 each. As a result, the Company's issued and outstanding share capital increased to TRY 36,353 (divided into 145,372,414 ordinary shares). After IPO 52.1% of the shares become public. The net proceeds received by the Company from the IPO was TRY 94,132 (TRY 9,075 per share). DP Eurasia's authorised share capital is EUR 60,000,000.

DP Eurasia Executive Director Aslan Saranga bought 1,000,000 Company shares and Non-Executive Director Peter Williams bought 31,776 shares in year 2018.

	2018	2017
1 January	**145,372,414**	4,532,740
Addition	**—**	140,839,674
31 December	**145,372,414**	145,372,414

The nominal value of each share is EUR 0.12 (2017: EUR 0.12). There is no preference stock.

Share premium

Share premium represents the total of differences resulting from the incorporation of Fides Food Systems by Fides Food Systems Coöperatief U.A. at a price exceeding the face value of those shares and differences between the face value and the fair value of shares issued for acquired companies and the differences between the proceeds and the nominal value of the shares issued at the IPO.

Ultimate controlling party

The ultimate controlling party of the Company is Turkish Private Equity Fund II LP. There is no individual ultimately controlling the Group.

Note 23 – Financial instruments and financial risk management

a) Capital risk management

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

To maintain or rearrange the capital and debt structure, the Group may change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 23 – Financial instruments and financial risk management continued

a) Capital risk management continued

The Group monitors the capital structure by reference to the adjusted net debt by dividing the adjusted EBITDA.

	31 Dec 2018	31 Dec 2017
Total borrowings	**215,606**	227,905
Cash and cash equivalents	**(28,444)**	(76,128)
Net debt	**187,162**	151,777
Non-recurring items per Group management		
Long-term deposit for loan guarantee	**(32,537)**	(28,217)
Adjusting delay in collection/payment day coinciding on a weekend	**—**	(16,835)
Adjusted net debt	**154,625**	106,725
Adjusted EBITDA	**110,580**	90,791
Adjusted net debt/adjusted EBITDA	**1.40x**	1.18x

b) Financial risk factors

The Group is exposed to a variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and performance.

b.1) Credit risk

The Group considers its maximum credit risk at 31 December 2018 to be TRY 121,964 (31 December 2017: TRY 156,657), which is the total of the Group's financial assets.

Credit risk is managed on a Group basis, except for credit risk relating to trade receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. It is Group policy that deposits are made with repositories of BA2 credit rating or higher as defined by Moody's.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The ageing of past due but not impaired financial assets is as follows:

	31 Dec 2018	31 Dec 2017
Less than a month	**1,350**	657
One to three months	**2,205**	155
Three to six months	**786**	123
Over six months	**1,526**	1094
Total	**5,867**	2,029

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

	31 Dec 2018	31 Dec 2017
Trade receivables		
Counterparties without external credit rating		
Group 1	**17,040**	3,315
Group 2	**73,697**	76,778
Group 3	**92**	92
Total	**90,829**	80,185

- Group 1 – New customers (less than six months)
- Group 2 – Existing customers (more than six months) with no defaults in the past
- Group 3 – Existing customers (more than six months) with some defaults in the past.

b.2) Liquidity risk

The Group uses banks as well as its suppliers and shareholders as funding resources. The Group's liquidity risk is continuously evaluated through determining and monitoring changes in funding conditions required for achieving the targets set in the Group's strategy.

The Group manages its liquidity risk by monitoring expected and actual cash flows on regular basis and by maintaining continuity of funds, borrowings and reserves through matching the maturities of financial assets and liabilities.

The Group periodically reviews its covenant compliance and uses loans between Group companies to ensure there is enough liquidity to carry out its operations.

As of 31 December 2018 and 2017 the liquidity risks arising from the Group's financial liabilities consisted of the following:

	31 Dec 2018					
Maturities in accordance with agreements	**Carrying value**	**Total cash outflows in accordance with contract**	**Less than 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Non-derivative financial liabilities						
Borrowings and finance leases	215,606	279,082	31,247	30,011	175,636	42,188
Third party trade payables	74,148	74,148	74,148	—	—	—
Total	**289,754**	**353,230**	**105,395**	**30,011**	**176,376**	**42,188**

	31 Dec 2017					
Maturities in accordance with agreements	Carrying value	Total cash outflows in accordance with contract	Less than 3 months	3-12 months	1-5 years	Over 5 years
Non-derivative financial liabilities						
Borrowings and finance leases	227,905	248,223	97,585	56,178	94,460	—
Third party trade payables	60,070	60,070	60,070	—	—	—
Total	287,975	308,293	157,655	56,178	94,460	—

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the consolidated financial statements continued

For the year ended 31 December 2018

Note 23 – Financial instruments and financial risk management continued

b) Financial risk factors continued

b.2) Liquidity risk continued

Loans from banks comprise short-term loans obtained for working capital needs and other long-term loans. The total amount includes accrued interest of the related loans.

As of 31 December 2018 and 2017 the categories of financial instruments of the Group are as follows:

31 December 2018	Note	Assets and liabilities at amortised cost	Loans and receivables	Available for sale financial assets	Financial assets or liabilities at fair value through profit or loss	Carrying value
Financial assets		**28,444**	**90,720**	**—**	**—**	**119,164**
Cash and cash equivalents	**12**	**28,444**	**—**	**—**	**—**	**28,444**
Trade receivables	**13**	**—**	**90,720**	**—**	**—**	**90,720**
Financial liabilities		**289,754**	**—**	**—**	**—**	**289,754**
Financial liabilities	**17**	**215,606**	**—**	**—**	**—**	**215,606**
Trade and other payables	**13**	**74,148**	**—**	**—**	**—**	**74,148**

31 December 2017	Note	Assets and liabilities at amortised cost	Loans and receivables	Available for sale financial assets	Financial assets or liabilities at fair value through profit or loss	Carrying value
Financial assets		76,128	85,185	—	—	161,313
Cash and cash equivalents	12	76,128	—	—	—	76,128
Trade receivables	13	—	85,185	—	—	85,185
Financial liabilities		287,976	—	—	—	287,976
Financial liabilities	17	227,906	—	—	—	227,906
Trade and other payables	13	60,070	—	—	—	60,070

b.3) Market risk

The Group's activities also expose it to market risk, including interest rate risk, foreign currency risk, and price risk. The Group doesn't carry any loans in currencies other than the operating company currencies on its balance sheet.

The Group manages its financial instruments centrally in accordance with the Group's risk policies via the Treasury Group in the Finance Department. The Group's cash inflows and outflows are monitored on a regular basis and compared to the monthly and yearly cash flow budgets and forecasts.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Interest rate risk

The Group is exposed to market interest rate fluctuations on its floating rate debt. Increases in benchmark interest rates could increase the interest cost of floating rate debt and increase the cost of future borrowings. The Group's ability to manage interest costs also has an impact on reported results.

At 31 December 2018, interest rates were fixed on approximately 87% of the net debt for 2018 (55% for 2017). The average interest rate on short-term borrowings in 2018 was 17.21% (2017: 12%).

The financial instruments of the Group which are sensitive to interest rates are stated in the following table:

	31 Dec 2018	31 Dec 2017
Financial instruments with floating interest		
Financial liabilities	24,820	128,521
Financial instruments with fixed interest		
Financial liabilities – repricing dates	190,786	99,384
– six months or less	—	75,174
– six to twelve months	19,510	13,002
– one to five years	171,276	11,208

Assuming that all other variables remain constant, a 1.0 percentage point increase in floating interest rates on a full-year basis as at 31 December 2018 would have led to an additional TRY 248 finance costs (2017: TRY 623 additional finance costs). A 1.0 percentage point decrease in floating interest rates on a full-year basis would have an equal but opposite effect.

The Group's objective is to minimise net interest cost and balance the amounts of debt at fixed and floating rates over time. The majority of the debt has interest charged at a fixed rate. This limits the impact that changes to floating rates have on the Group's finance expenses.

Foreign currency risk

The Group is operating in multiple countries and subject to the risk that changes in foreign currency values impact the value of Group's sales, purchases, assets and borrowings. At 31 December 2018, the exposure to the Group from companies holding assets and liabilities other than in their functional currency amounted to TRY 35,150 (31 December 2017: TRY 129,448).

As an estimation of the approximate impact of the residual risk, with respect to financial instruments, the Group has calculated the impact of a 20% change in exchange rates.

Impact on income statement

A 20% strengthening of the Euro against key currencies to which the Group is exposed would have led to approximately an additional TRY 7,030 loss in the income statement (2017: TRY 12,945 loss) (2017: 10%).

A 20% weakening of the Euro against these currencies would have led to an equal but opposite effect.

Price risk

As of 31 December 2018, the Group does not have financial instruments classified as available for sale, or fair value through profit and loss, which are exposed to market price fluctuations. Price risk does arise from an increase in commodity price. This price risk is managed locally where advanced purchases of raw materials are made to achieve lower prices and bulk purchases are made to achieve discounts from suppliers.

Note 24 – Subsequent events

DP Eurasia shareholder Fides Food Systems sold 14,357,241 shares with a unit price of GBP 1.05 on 1 February 2019.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Company income statement

For the years ended 31 December 2018 and 2017

	Notes	1 Jan – 31 Dec 2018	Restated(1) 1 Jan – 31 Dec 2017
Income statement			
General administrative expenses	6	**(10,079)**	(14,776)
Other operating income		**—**	30
Operating profit		**(10,079)**	(14,746)
Foreign exchange (losses)		**(68)**	(1,175)
Financial income		**1,243**	346
Net income from subsidiaries	2	**(2,188)**	15,667
Income before income tax		**(11,092)**	92
Tax expense		**—**	—
Income for the year		**(11,092)**	92

(1) Prior year comparatives are restated following the implementation of IFRS 15. Please refer to Note 2.4 of the DP Eurasia N.V. consolidated financial statements for further details.

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

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Company balance sheet

As at 31 December 2018 (before appropriation of profit)

	Notes	31 Dec 2018	Restated[1] 31 Dec 2017	Restated[1] 1 Jan 2017
Assets				
Subsidiaries	2	**75,557**	82,829	47,074
Non-current assets		**75,557**	82,829	47,074
Cash and cash equivalents	3	**1,115**	54,790	—
Due from related parties	4	**65,219**	—	—
Other current assets		**—**	164	120
Current assets		**66,334**	54,954	120
Total assets		**141,891**	137,783	47,194
Liabilities				
Accounts payable		**1,406**	59	—
Due to related parties		**918**	—	—
Other current liabilities		**1,117**	711	467
Current liabilities		**3,441**	770	467
Total liabilities		**3,441**	770	467
Equity				
Paid in share capital	5	**36,353**	36,353	120
Share premium		**139,983**	137,469	80,423
Other legal reserves		**(689)**	(10,993)	(8,173)
Retained earnings		**(26,106)**	(25,908)	(54,627)
Result for the year		**(11,092)**	92	28,985
Total equity		**138,449**	137,013	46,728
Total liabilities		**141,890**	137,783	47,195

(1) Prior year comparatives are restated following the implementation of IFRS 15. Please refer to Note 2.4 of the DP Eurasia N.V. consolidated financial statements for further details.

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

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the Company financial statements

For the year ended 31 December 2018

Note 1 – Basis of presentation of statutory financial statements

1.1 Basis of preparation

The Company financial statements of DP Eurasia N.V. (hereafter, the "Company") have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the Company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

The Company has prepared its Annual Report in accordance with EU directives as implemented in Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board for the year ended 31 December 2017.

In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the consolidated financial statements of this Annual Report. For an appropriate interpretation, the Company financial statements of DP Eurasia N.V. should be read in conjunction with the consolidated financial statements.

The Company is registered with the trade register of the Chamber of Commerce in the Netherlands under the number 67090753.

The Company prepared its consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The remuneration paragraph is included in the remuneration section of the consolidated financial statements.

1.2 Summary of significant accounting policies

Investments in consolidated subsidiaries

Consolidated subsidiaries are all entities (including intermediate subsidiaries) over which the Company has control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are recognised from the date on which control is transferred to the Company or its intermediate holding entities. They are derecognised from the date that control ceases.

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the consolidated financial statements.

The Company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the consolidated financial statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred by the Company, liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Note 2 – Subsidiaries

Movement schedule for the investment in subsidiaries as of 31 December 2018 and 2017 is as follows:

31 December 2016	59,940
Effect of restatement[1]	(12,866)
1 January 2017	47,074
Net income from subsidiaries	15,667
Currency translation difference	(6,311)
Remeasurement of post-employment benefit obligations	(266)
Share-based incentive plans	1,517
Capital increase	(2,370)
Distribution to parent company	27,518
1 January 2018	82,829
Net income from subsidiaries	**(2,188)**
Currency translation difference	**(7,306)**
Remeasurement of post-employment benefit obligations	**(291)**
Share-based incentive plans	**2,513**
31 December 2018	**75,557**

(1) Prior year comparatives are restated following the implementation of IFRS 15. Please refer to Note 2.4 of the DP Eurasia N.V. consolidated financial statements for further details.

Note 3 – Cash and cash equivalents

The details of cash and cash equivalents as of 31 December 2018 and 2017 are as follows:

	31 Dec 2018	31 Dec 2017
Cash	**1,115**	54,790
	1,115	54,790

	31 Dec 2018	31 Dec 2017
Euro	**1,115**	54,790
	1,115	54,790

Note 4 – Due from related parties

The details of due from related parties as of 31 December 2018 and 2017 are as follows:

	31 Dec 2018	31 Dec 2017
Pizza Restaurants LLC[1]	**37,082**	—
Pizza Restaurantları A.ş.[1]	**28,137**	—
	65,219	—

(1) There is an average 4.5% interest increase on the Pizza Restaurants LLC balance and 4.8% interest increase on the Pizza Restaurantları A.ş. balance.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the Company financial statements continued

For the year ended 31 December 2018

Note 5 – Equity

The movements in shareholders' equity are as follows:

	Share capital	Share premium	Other legal reserves	Retained earnings	Result for the year	Total equity
Balances at 31 December 2016	120	80,423	(8,081)	(41,974)	28,985	59,473
Implementation of new IFRS[1]	—	—	(92)	(12,653)	—	(12,745)
Balances at 1 January 2017	120	80,423	(8,173)	(54,627)	28,985	46,728
Capital increased	4,994	89,138	—	—	—	94,132
Transfers	31,239	(31,239)	—	—	—	—
Appropriation of the result of the preceding year	—	—	—	28,985	(28,985)	—
Remeasurements of post-employment benefit obligations, net	—	—	—	(266)	—	(266)
Currency translation adjustments	—	—	(2,820)	—	—	(2,820)
Share-based incentive plans	—	1,517	—	—	—	1,517
Total income for the year	—	—	—	—	92	92
Transaction costs: IPO costs	—	(2,370)	—	—	—	(2,370)
Balances at 1 January 2018	36,353	137,469	(10,993)	(25,908)	92	137,013
Remeasurements of post-employment benefit obligations, net	**—**	**—**	**—**	**(291)**	**—**	**(291)**
Appropriation of the result of the preceding year	**—**	**—**	**—**	**92**	**(92)**	**—**
Currency translation adjustments	**—**	**—**	**10,328**	**—**	**—**	**10,328**
Share-based incentive plans	**—**	**2,514**	**—**	**—**	**—**	**(8,578)**
Total income for the year	**—**	**—**	**—**	**—**	**(11,092)**	**—**
Balances at 31 December 2018	**36,353**	**139,983**	**(689)**	**(26,107)**	**(11,092)**	**138,448**

(1) Prior year comparatives are restated following the implementation of IFRS 15. Please refer to Note 2.4 of the DP Eurasia N.V. consolidated financial statements for further details.

The shareholders and the shareholding structure of the Company at 31 December 2018 and 2017 are as follows:

	31 Dec 2018		31 Dec 2017	
	Share %	**Amount**	Share %	Amount
Fides Food Systems Coöperatief UA	**42.8**	**15,562**	42.8	15,562
Public shares	**52.1**	**18,944**	52.1	18,944
Vision Lovemark Coöperatief UA	**4.9**	**1,774**	4.9	1,774
Other	**0.2**	**73**	0.2	73
		36,353		36,353

As of 31 December 2018, the Company's 145,372,414 (31 December 2017: 145,372,414) shares are issued and fully paid for.

On 3 July 2017, just prior to IPO, the Company issued (i) 13,046,726 ordinary shares, with a nominal value of EUR 0.12 each, in the capital of the Company to Vision Lovemark Coöperatief U.A. and (ii) 117,420,534 ordinary shares, with a nominal value of EUR 0.12 each, in the capital of the Company to Fides Food Systems Coöperatief U.A., which was paid up by debiting the Company's share premium reserve by TRY 31,239. Also, on 3 July 2017, as part of its IPO, the Company issued 10,372,414 new ordinary shares with a nominal value of EUR 0.12 each. As a result, the Company's issued and outstanding share capital, increased to TRY 36,353 (divided into 145,372,414 ordinary shares). After the IPO 52.1% of the shares become public.

	2018	2017
1 January	**145,372,414**	4,532,740
Addition	**—**	140,839,674
31 December	**145,372,414**	145,372,414

The nominal value of each share is EUR 0.12 (2017: EUR 0.12). There is no preference stock.

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Share premium

Share premium represents the total of differences resulting from the incorporation of Fides Food by Fides Food Systems at a price exceeding the face value of those shares and differences between the face value and the fair value of shares issued for acquired companies and the differences between the proceeds and the nominal value of the shares issued at the IPO.

Retained earnings

On 12 April 2018 the General Meeting of shareholders determined the result over 2017 as follows:

	2017	2017 (Restated)
Retained earnings	(4,835)	92
Net result for the period	**(4,835)**	**92**

Note 6 – General administrative expenses

	2018	2017
IPO costs	**267**	13,410
Personnel expenses	**2,302**	—
Consultancy expenses	**2,840**	—
Miscellaneous expenses	**2,307**	—
Management expenses	**582**	—
Other	**1,525**	1,366
	9,823	14,776

Note 7 – Audit fees

For the year ended 31 Dec 2018	PwC NL	Other PwC network	Total PwC network
Audit of financial statements	633	732	1,365
Other audit services	90	56	146
Total audit services	**723**	**788**	**1,511**
Tax services	—	—	—
Other non-audit services	—	—	—
Total	**—**	**—**	**—**

The fees listed above relate to the procedures applied to the Company and its consolidated Group entities by accounting firms and external auditors as referred to in article 1(1) of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta) as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

These fees relate to the audit of the 2018 financial statements, regardless of whether the work was performed during the financial year.

For the year ended 31 Dec 2017	PwC NL	Other PwC network	Total PwC network
Audit of financial statements	350	272	622
Other audit services	123	3,723	3,846
Total audit services	473	3,995	4,468
Tax services	—	165	165
Other non-audit services	—	—	—
Total	473	4,160	4,633

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Notes to the Company financial statements continued

For the year ended 31 December 2018

Note 8 – Employees

During the year 2018, the average number of employees, based on full-time equivalents, was three (2017: one)

Of these, two employees are working outside of the Netherlands.

Note 9 – Commitments and contingencies not included in the balance sheet

Tax group liability

The Company is the parent of the Group's fiscal unity in the Netherlands, and is therefore liable for the liabilities of said fiscal unity as a whole. The fiscal unity consists of DP Eurasia N.V., Fidesrus B.V. and Fides Food Systems B.V.

Note 10 – Proposal for profit allocation

With due observance of Dutch law and the articles of association, it is proposed that the net loss of TRY (11,092) is carried to the retained earnings. Furthermore, with due observance of article 43, paragraph 7, it is proposed that no dividend payment will be made in respect of the year ended 31 December 2018.

The Board of Directors

Peter Williams
(Non-Executive Director)

Aslan Saranga
(Chief Executive Officer)

Frederieke Slot
(Executive Director)

Seymur Tari
(Non-Executive Director)

Izzet Talu
(Non-Executive Director)

Aksel Sahin
(Non-Executive Director)

Thomas Singer
(Non-Executive Director)

Amsterdam, 1 April 2019

(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Independent auditor's report

To: the general meeting and Board of Directors of DP Eurasia N.V.

Report on the financial statements 2018

Our opinion

In our opinion:

- DP Eurasia's consolidated financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- DP Eurasia's company financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2018 of DP Eurasia N.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of DP Eurasia N.V. together with its subsidiaries ('the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the following consolidated statements for 2018: the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2018;
- the company income statement for the year then ended; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' 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 DP Eurasia N.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

DP Eurasia N.V. is a public limited company, having its statutory seat in Amsterdam, the Netherlands. The principal activity of the Company consists of acting as an investment company. The Company and its subsidiaries operate company owned stores in Turkey, the Russian Federation, Azerbaijan and Georgia. Furthermore, the Group provides technical support and consultancy services to franchise-owned stores in these regions. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Independent auditor's report continued

To: the general meeting and Board of Directors of DP Eurasia N.V.

Report on the financial statements 2018 continued

Our audit approach continued

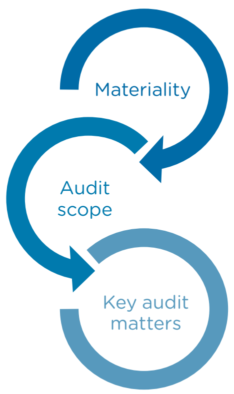
Overview and context continued

In paragraph 2.7 of the financial statements, the Group describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the recoverability of deferred tax assets at Pizza Restaurants LLC ("Domino's Russia") and the goodwill impairment assessment, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report.

Furthermore, we considered franchisee contract fee revenue recognition as a 'Key audit matter' considering the changed accounting and complexity resulting from the IFRS 15 implementation. Other areas of focus, that were not considered as key audit matters were revenue recognition from corporate stores, share-based payments, valuation of inventory and the application of the new accounting standard IFRS 9 and the impact assessment of IFRS 16 (which has been disclosed in note 2.4 of the financial statements).

We ensured that the audit teams both at group and at component level included the appropriate skills and competences that are needed for the audit of a group operating in the retail and consumer industry. We therefore included specialists in the areas of IT audit and income tax and experts in the areas of valuations and share-based payments in our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: TRY 8.5 million.

Audit scope

- We conducted audit work in Turkey, Russia and the Netherlands.
- Site visits were conducted to Turkey and Russia.
- Audit coverage: 100% of consolidated revenue, 100% of consolidated total assets and 99% of consolidated profit before tax.

Key audit matters

- Recoverability of deferred tax assets at Pizza Restaurants LLC ("Domino's Russia")
- Goodwill impairment assessment
- Franchisee contract fee revenue recognition

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

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

Overall group materiality	TRY 8.5 million (2017: TRY 6.2 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 1% of revenues.
Rationale for benchmark applied	We used total revenues as the primary benchmark, based on our analysis of the common information needs of users of the financial statements. We believe that total revenues is an important metric for the financial performance of the Group. Although we believe that the profit of the business is one of the ultimate key performance measures, at this stage of expansion through foreign markets, the key stakeholders are focused on the entity's growth in revenue. After evaluating alternative benchmarks together with the generally accepted benchmark of profit before tax, we believe that total revenue is an appropriate benchmark.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between TRY 6.8 million and TRY 8.5 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above TRY 400 thousand (2017: TRY 315 thousand) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

DP Eurasia N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of DP Eurasia N.V.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The group audit primarily focused on the significant components: Pizza Restaurantları A.Ş. ("Domino's Turkey") and Pizza Restaurants LLC ("Domino's Russia"), and these were subjected to audits of their complete financial information, as those components are individually financially significant to the Group. Additionally, we selected one component, the DP Eurasia N.V. stand-alone entity, for audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	100%
Profit before tax	99%

For group entities DP Eurasia N.V. and Domino's Turkey the group engagement team performed the audit work in the Netherlands and Turkey. For Domino's Russia we used a component auditor who is familiar with the local laws and regulations to perform the audit work. Where the component auditor performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the Domino's Russia component team. These instructions included among others our risk analysis, materiality and scope of the work. We explained to the component audit team the structure of the group, the main developments that are relevant for the component auditor, the risks identified, the materiality levels to be applied and our group audit approach. We had calls with the component audit team and visited the team and local management twice during the audit as well as upon completion of their audit work. During these calls and visits, we discussed the significant accounting and audit issues identified by the component auditor, the reports of the component auditor, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements. We reviewed selected working papers during our visits.

The financial statement disclosures and a number of complex items were audited by the group engagement team at the head office. These include, share based payments, the implementation of the accounting standards IFRS 9 and 15 and the impact assessment and disclosure of IFRS 16 as well as compliance with Dutch law disclosure requirements.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Independent auditor's report continued

To: the general meeting and Board of Directors of DP Eurasia N.V.

Our focus on fraud

Our objectives

We assess and respond to the risk of fraud in the context of our audit of the financial statements. In this context and with reference to the sections on responsibilities in this report, our objectives in relation to fraud are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

However, because of the characteristics of fraud, particularly those involving sophisticated and carefully organised schemes to conceal it, such as forgery, deliberate failure to record transactions and collusion, our audit might not detect instances of material fraud.

Our risk assessment

We obtained an understanding of the entity and its environment, including the entity's internal controls. We made enquiries of internal audit, the Audit Committee and the Board of Directors. In addition, we considered other external and internal information. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. Fraud risk factors are events or conditions, which indicate an incentive or pressure, an opportunity, or an attitude or rationalisation to commit fraud. We evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Board of Directors that may represent a risk of material misstatement due to fraud. Given the territories the Group operates in, we considered the risk of bribery and corruption taking into account the corruption perception index of the countries of operation and updated our understanding of the internal controls that the Group has in place to address and manage this risk. We additionally performed background checks on a sample of supplier relationships.

Our response to the risk of fraud

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures, which include journal entry testing and evaluating accounting estimates for bias.

In particular, our procedures consisted of data analysis of high-risk journal entries, assessment of whistleblower hotline process, evaluation of key estimates and judgements made by DP Eurasia (including retrospective reviews of prior year's estimates against actual outcomes) and testing the classification and capitalization of expenses. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information. We also incorporated an element of unpredictability in our audit.

We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud. If so, we re-evaluate our assessment of fraud risk and its resulting impact on our audit procedures.

We refer to the key audit matters in the next paragraph of this report, which are all examples of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we made on the results of our procedures should be read in this context.

Due to the nature of the Group's activities, we recognise that the key audit matters which we reported in our independent auditor's report on the financial statements 2017 are continuing to be significant in the audit of the financial statements and therefore may not change significantly year over year. As compared to prior year, we have identified one new key audit matter relating to revenue.

Key audit matter	Our audit work and observations
Recoverability of deferred tax assets at Pizza Restaurants LLC ("Domino's Russia") **The Group describes its accounting policies concerning deferred tax assets recognition within note 2.6 under "Taxes" and provides details on deferred tax positions and accumulated tax losses within note 20, section "Deferred income tax assets recognition of Fidesrus", to the consolidated financial statements.** As of 31 December 2018, Domino's Russia has carry forward tax losses amounting to TRY 38.0 million , which relate to the years 2014 to 2018. Management considers that, despite the losses incurred over past years, there is sufficient convincing evidence that the Company will be able to earn taxable profits in the near future, which can be used to offset the carry forward tax losses. In reaching this conclusion, management considered the approved budgets, their track record in meeting the budgets, its expansion strategy with own stores as well as franchise-owned stores and the improved results in Russia as disclosed in note 3 'segment reporting'. Based on the expected taxable income and considering the related and inherent risk of uncertainty related to future taxable profits, Domino's Russia's recognition of deferred tax assets amounts to TRY 7.6 million. Due to the inherent level of uncertainty, the potential limitations in the recoverability of deferred tax assets and the significant management's judgement involved, we considered this a key audit matter for our audit.	Management provided us with a breakdown of the historic losses by year and the composition of the carry-forward deferred tax assets relating to tax losses. With the support from our income tax specialists, we evaluated and tested corporate income tax positions taken by management and coordinated local tax issues. We examined supporting documentation of the deferred tax assets and assessed the recoverability through agreeing the forecasted future taxable profits with the approved business plan. We assessed whether management's five years business plan and potential growth opportunities used in the forecasts were consistent with those used in the impairment tests, including the Goodwill impairment assessment and found no inconsistencies. We have challenged the underlying assumptions forecasted revenues and costs, ascertained inclusion of all required elements in the forecasts and recalculated taxable profits based on the applicable tax rates in Russia. We also assessed the past performance and current year results against previous business plans used by Domino's Russia to determine the future taxable income. With the procedures performed above, we determined that the methodologies and assumptions used by the Group to assess recoverability of deferred tax assets as at 31 December 2018 are reasonable.

Independent auditor's report continued

To: the general meeting and Board of Directors of DP Eurasia N.V.

Key audit matters continued

Key audit matter	Our audit work and observations
Goodwill impairment assessment **The Group describes its accounting policies concerning business combinations and goodwill within note 2.6 and provides details on the carrying amount of goodwill and significant accounting estimates involved in notes 2.7 and 11.** We focused on this area due to the significance of goodwill to the financial statements (TRY 45.2 million as per 31 December 2018) and because the assessment of management of the recoverable amount of the Group's Cash Generating Units ("CGU") involves judgements on estimates such as the future results of the business and the discount rates applied to future cash flow forecasts. In particular, we focused our audit effort on goodwill recognised in relation to the acquisition of Pizza Restaurantları A.Ş. in Turkey amounting to TRY 38.0 million in 2010. The Group prepared a goodwill impairment assessment as required by IAS 36. Key assumptions applied in the impairment assessment include amongst others, the expected (average) product price, revenue growth rates, product cost and related expenses. Management determined these key assumptions based on past performance and its expectations on market developments. Additionally, management applies discount rates, which reflects country specific risks. Management concluded that there is significant headroom between the recoverable amount of the CGUs and the carrying values.	We evaluated and challenged the composition of management's future cash flow forecasts, the process by which they were drawn up, and the consistency with the Board of Directors' approved budgets. We compared the current year actual results with the 2018 figures as included in the prior year forecast and concluded that the forecasts included assumptions that, with hindsight, had been realistic. With the support of our valuation expert, we benchmarked key market related assumptions in management's valuation model used to determine recoverable amounts against external data, including assumptions of future prices, revenue growth rates and discount rates. Furthermore, we checked the mathematical accuracy of management's valuation model and agreed relevant data, including assumptions on timing and future capital and operating expenditure, to the latest plans and budgets. We assessed whether possible changes in the key assumptions could lead to an impairment of the recognised goodwill and assessed the likelihood of such a change occurring given past and forecasted performance. We found the Group's estimates and judgements used in the goodwill impairment assessment to be supported by the available evidence and have not noted material exceptions.
Franchisee contract fee revenue recognition **The Group describes its accounting policies for franchise contract fee revenue recognition in note 2.6, provides details on the IFRS 15 implementation impact in note 2.4 and revenue details in note 4.** The Group receives a franchise fee from each franchise that joins the Group and operates under the name of Domino's Pizza. The performance obligation of the Group is related to services provided during the agreement. Due to the adoption of IFRS 15, the revenue recognition for franchise contract fees has changed from 'a point in time' to 'over time' because of this accounting standard. We focused on this area due to the significance of the impact of the implementation of IFRS 15. Management updated its accounting policies and determined the impact of implementation using the full retrospective method. Comparative numbers have been restated in the financial statements.	We assessed management's updated accounting policies to ensure those meet the requirements of IFRS 15. This included evaluating the model used to calculate and recognise franchise fee revenue under IFRS 15. In particular, our audit effort related to the adequate deferral of the franchise fee revenue over time and on related adjustments made on contract assets and liabilities to reflect the time value of money resulting from the financing component in the contract. We performed substantive audit procedures on the franchise contract data (contract administration); reconciling contract data reflected in revenue deferral (contract liability) and related financing component calculations to underlying contract details. We reconciled the interest rate used to adjust for the time value of money to available market data and recalculated the impact of implementation of IFRS 15 on each of the years presented in the financial statements. Furthermore, we also tested if the disclosure of the impact of IFRS 15 implementation is complete and accurate. Our procedures did not result in material findings.

Report on the other information included in the Annual Report

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of:

- the overview, management report, other information and additional information;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the Board of Directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of DP Eurasia N.V. following the passing of a resolution by the Board of Directors at a meeting held on 12 June 2017. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 2 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 7 to the Company financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Board of Directors

The Board of Directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of management should prepare the financial statements using the going-concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 1 April 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. R.P.R. Jagbandhan RA

Independent auditor's report continued

To: the general meeting and Board of Directors of DP Eurasia N.V.

Appendix to our auditor's report on the financial statements 2018 of DP Eurasia N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Concluding on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company'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 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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Board of Directors 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. In this respect, we also issue an additional report to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding the statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Board of Directors 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 the Board of Directors, we determine those matters that were of most significance in the audit of the 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, not communicating the matter is in the public interest.

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Glossary

ADBP Annual and deferred bonus plan

AFM Dutch Authority for the Financial Markets

AGM Annual General Meeting

Board The Board of the Company

CEO Chief Executive Officer

CGU Cash-generating unit

Company DP Eurasia N.V.

Domino's Turkey Pizza Restaurantları A.Ş.

Domino's Russia Pizza Restaurants LLC

DP Eurasia DP Eurasia N.V.

EBITDA Earnings before interest, tax, depreciation and amortisation

EUR Euro

Fides Food Fides Food Systems B.V.

Fides Food Systems Fides Food Systems Coöperatief U.A.

Fidesrus Fidesrus B.V.

Founding Shareholders of DP Eurasia Fides Food Systems Coöperatief U.A. and Vision Lovemark Coöperatief U.A.

GBP Great British Pound

General Meeting General Meeting of shareholders of the Company

Group The Company and its subsidiaries

IFRS International Financial Reporting Standards as adopted in the European Union

IPO The initial public offering of the Company and the admission of its shares to trading on the main market of the London Stock Exchange

LTIP Long-Term Incentive Plan

Master Franchisors Domino's Pizza International Franchising Inc. and, prior to the assignment to DPIF in 2012, Domino's Pizza Overseas Franchising B.V.

MFA Master Franchise Agreement

OLO Online ordering

PwC PricewaterhouseCoopers Accountants N.V.

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

RUB Russian Rouble

TPEF II Turkish Private Equity Fund II L.P.

TRY Turkish Lira

USD US Dollar

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