Domino's®

DP Eurasia N.V.

Annual report and accounts 2017

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.

People

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Product

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Digital

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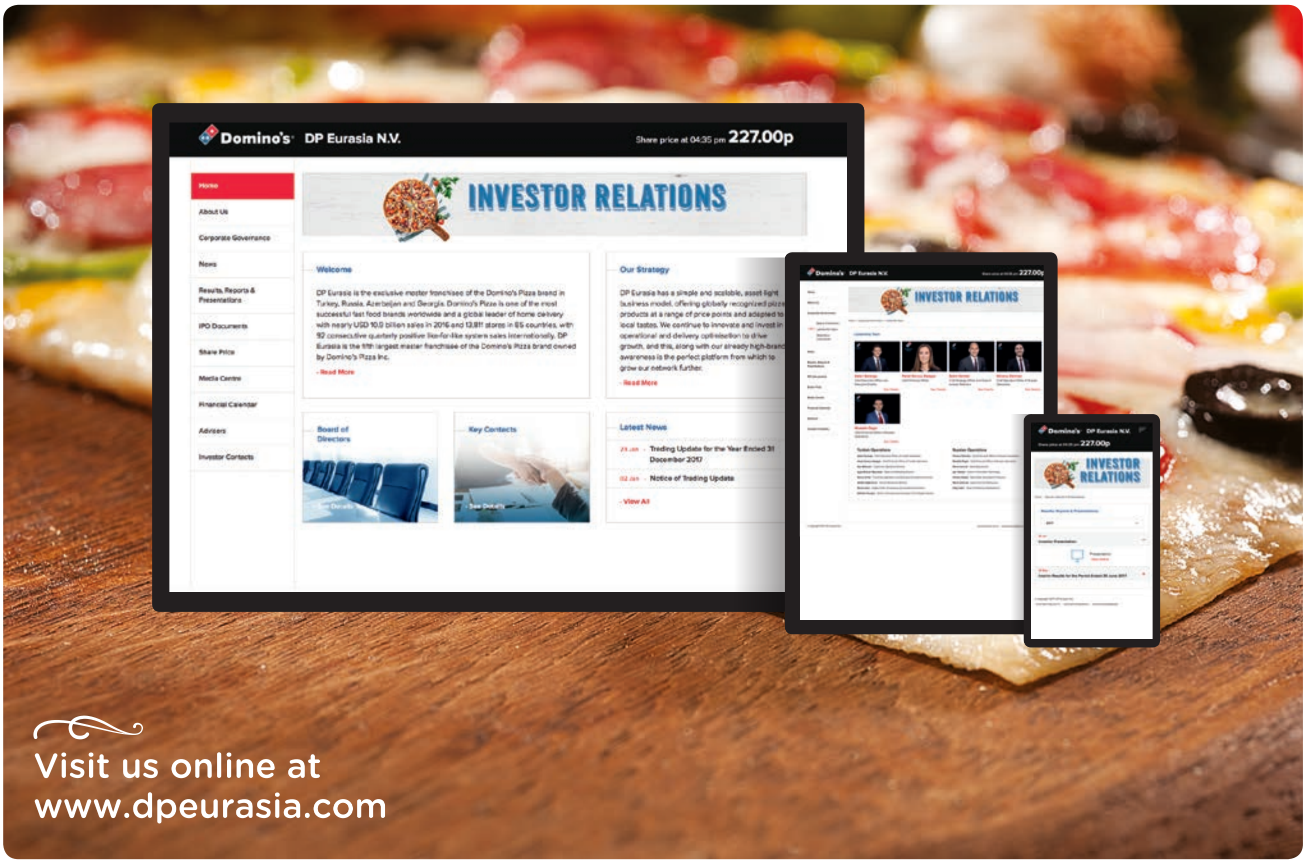
What’s inside



Who we are and what we do

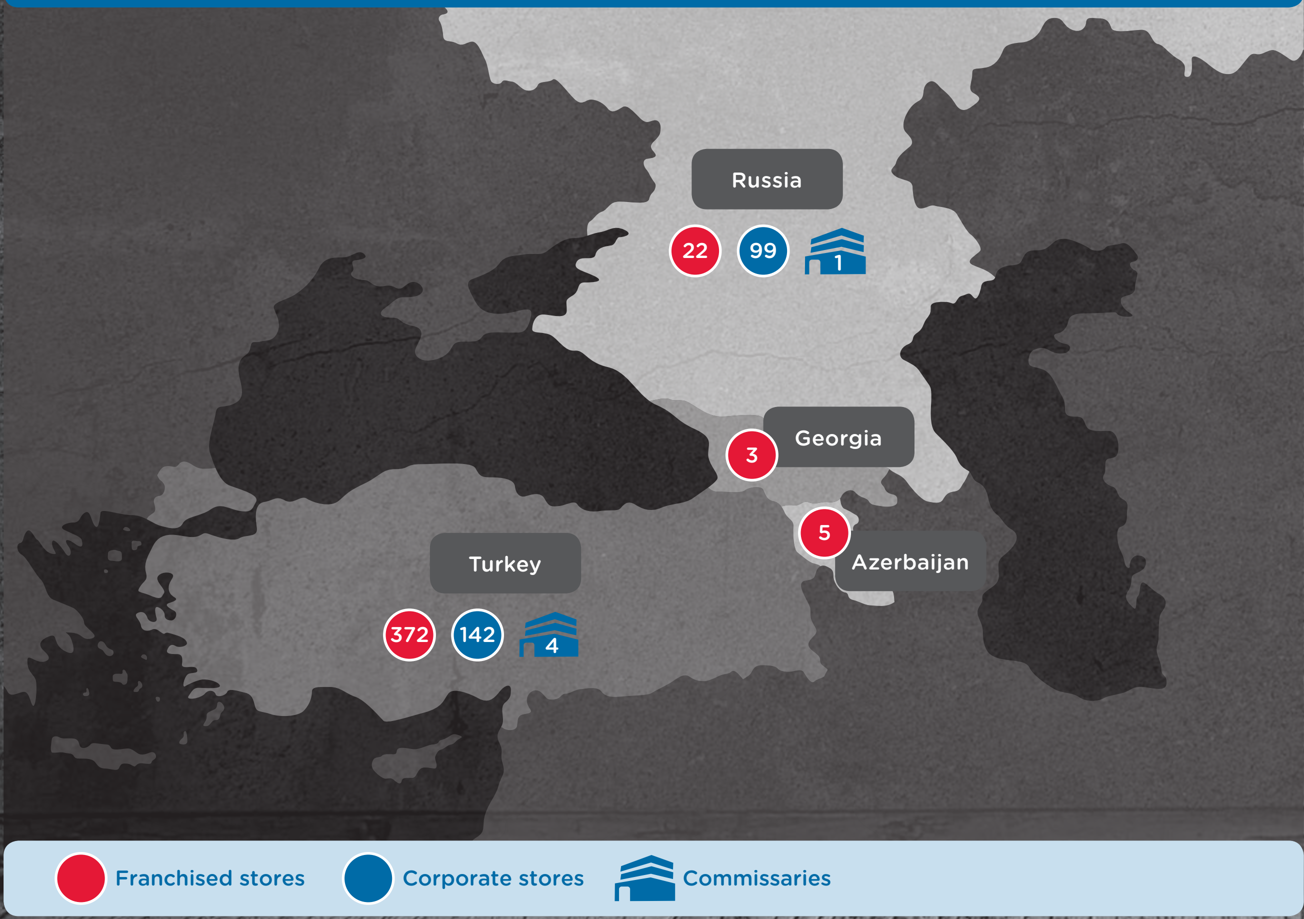
Domino's Pizza is one of the most successful fast food brands and an international leader of home delivery with global retail sales of over USD 12.2 billion in 2017 and more than 14,800 stores in 85 markets, with 96 consecutive quarters of positive like-for-like system sales growth internationally. DP Eurasia is the fifth largest master franchisee of the Domino's Pizza brand owned by Domino's Pizza Inc.

DP Eurasia together with its subsidiaries (the "Group") offer pizza delivery and takeaway/eat-in facilities at its 643 stores (as at 31 December 2017) across four countries (514 in Turkey, 121 in Russia, five in Azerbaijan and three in Georgia).

Founded in 1996 by our Chief Executive Officer, Aslan Saranga, the Group first became the master franchisee of the Domino's Pizza system in Turkey, expanding rapidly, resulting in 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.

Growing regional expansion from an established strong base in Turkey



The Group operates through its corporate stores and franchised stores, which together are referred to as its system stores. As of 31 December 2017, 37% of the Group's system stores were corporate stores, principally located in densely populated cities, and 63% 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 69 system stores per year (from 2011 to 2017).

As at 31 December 2017, the Group operated 514 system stores in Turkey (of which 372 were franchised), 121 in Russia (of which 22 were franchised), and franchised stores only in Azerbaijan (of which there are five) and Georgia (three). 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 five commissaries which manufacture pizza dough and supply 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 such as 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.

TRY 859.8
million
system sales

5
commissaries

643
stores across
4 countries

51.8%
of delivery
online

Highlights

Financial Highlights

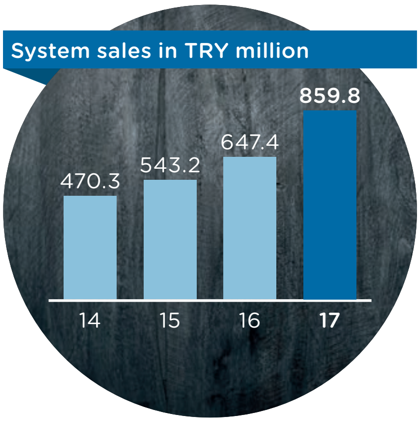
- Group revenue up 40.3% and system sales up 32.8%, driven by both like-for-like growth and store openings:
  - Turkish systems sales growth of 14.2%
  - Russian system sales growth of 169.0% (95.0% based on RUB)
- Adjusted EBITDA up 28.9% to TRY 96.8 million (2016: TRY 75.1 million) mainly driven by the Group's strong sales growth
- Adjusted EBITDA margin as a percentage of system sales was 11.3%, with both regions delivering improved returns:
  - Turkey adjusted EBITDA margin increased by 0.5% points to 13.1%
  - Russia adjusted EBITDA margin increased by 2.0% points to 6.1%
- Adjusted net income down 39.4% to TRY 21.7 million (2016: TRY 35.8 million) predominantly driven by the adverse movement of the Russian Rouble against the Euro and additional depreciation and amortisation driven by increased capital expenditure

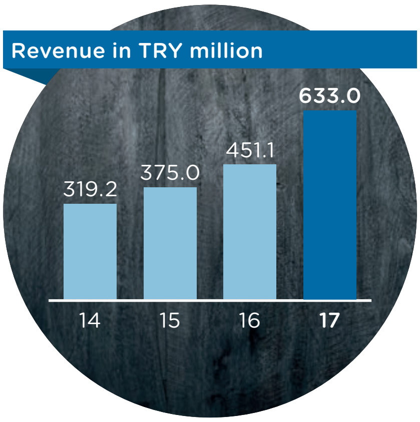
Operational Highlights

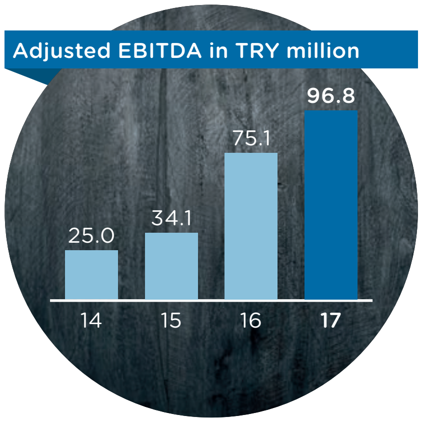
- Turkey and Russia like-for-like growth predominantly driven by the Group's online ordering platforms – online delivery system sales as a share of delivery system sales reached 51.8% for the period (2016: 42.4%)
- 76 new stores were added in the year, bringing the total number to 643, including the opening of the 500th Turkish store and the 100th Russian store:
  - strong Russian store roll-out with a record 49 additions, now expanding to cities outside of Greater Moscow
  - 27 store openings in Turkey segment (including Azerbaijan and Georgia)
  - a greater skew towards corporate openings than initially anticipated to take advantage of opportunities in Turkey and accelerate growth in Russia, with an associated increase in capital expenditure
- Russian commissary expansion completed, significantly extending capacity to service up to 250 stores across the region

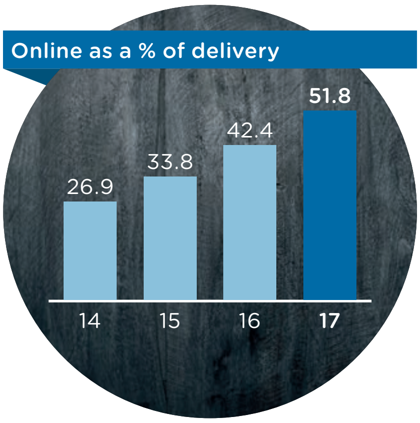
For the year ended 31 Dec 2017 (in millions of TRY, unless otherwise indicated)	2017	2016	Change
Number of stores	**643**	567	76
System sales(1)			
Turkey	**645.7**	565.5	14.2%
Russia	**205.4**	76.4	169.0%
Azerbaijan and Georgia	**8.7**	5.5	58.3%
Total	**859.8**	647.4	32.8%
Like-for-like system sales growth(2)			
Turkey	**10.0%**	7.0%	
Russia (based on RUB)	**28.9%**	41.6%	
Revenue	**633.0**	451.1	40.3%
Adjusted EBITDA(3)	**96.8**	75.1	28.9%
Adjusted net income(4)	**21.7**	35.8	(39.4%)
Adjusted net debt(5)	**106.7**	146.4	(27.1%)

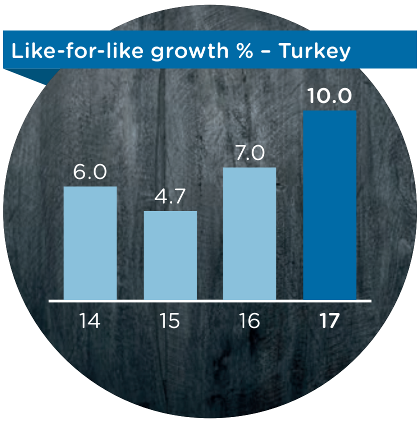
Key financial figures

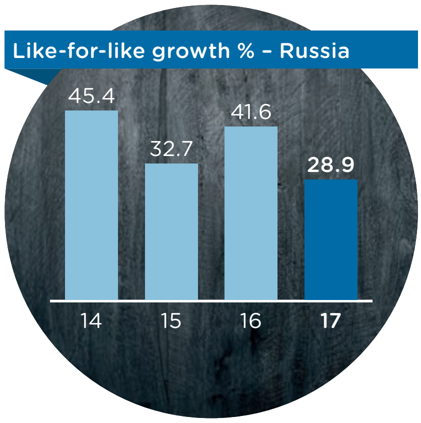












Notes

(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 and adjusted EBITDA are not defined by IFRS as adopted by the European Union ("IFRS"). Adjusted EBITDA excludes income and expenses which are not part of the normal course of business and are non-recurring items, consisting of restructuring costs, IPO-related expenses, and share-based incentives. 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 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 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 financial statements for a reconciliation of these items with IFRS.

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:

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

The Group's ordering channel strategy is focused on development of proprietary online ordering for delivery and takeaway, as the online channel becomes more prominent in the Group's sales mix and continues to drive like-for-like growth. The Group is seeking to increase its online sales to levels above 70% observed generally across Domino's Pizza master franchisees.

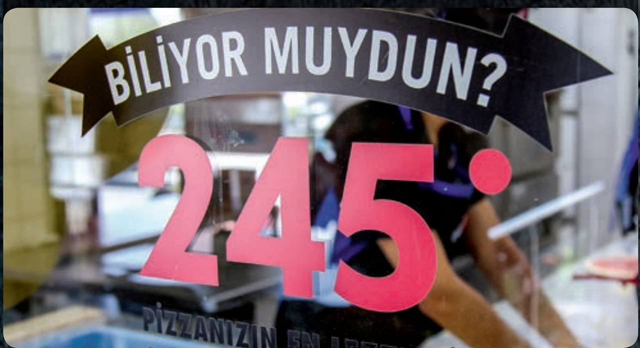
2 Store network growth

The Group plans to capitalise on its strong market positions in 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 considers store location 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, enabling its 30-minute delivery guarantee and building strong local brand awareness.

3 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 roll-out to grow the franchise part of the business and increase overall scale of the system.



4 Potential for further international expansion

While the Group's current focus is on 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.

Chairman's statement

I am very proud that DP Eurasia is reporting its first set of financial results as a public company. 2017 has been an eventful year.

Peter Williams
Chairman

The successful Initial Public Offering ("IPO") of DP Eurasia and a premium listing on the London Stock Exchange took place on 3 July 2017. Against the backdrop of the proven international model for Domino's Pizza, the Group has transitioned from private ownership to becoming an ambitious public company.

In this first annual report as a listed company, we invite you to take a look inside DP Eurasia and to learn more about our operations, business model and governance.

Results

I am pleased to share with you our first set of results as a public company. Adjusted EDITDA increased by 28.9% to TRY 96.8 million in line with the expectations at the time of the IPO. Group revenue increased by 40.3% to TRY 633 million, driven by both like-for-like growth and new store openings.

With 27 store openings in Turkey (including Azerbaijan and Georgia), including the 500th Turkish store and the introduction of new innovative products, we have made solid progress in Turkey.

I am also very pleased with our rapid growth in Russia with the roll-out of 49 more stores in Russia, including our first stores in the major cities of St Petersburg and Krasnodar.

Our focus

Further, the Group continues to invest in customer-focused initiatives including development of proprietary online ordering for delivery and takeaway and menu enhancements, such as the oven-baked sandwich and the mosaic cake and innovations in online ordering via Facebook. We also continue to focus on growth by opening additional stores and driving same store sales. As a result, the Board believes that DP Eurasia is in a strong position for the future.

People

Aslan Saranga has assembled a highly-professional and dedicated senior management team, many of whom have been with the Company for a considerable period. Our business relies on a network of entrepreneurial, innovative and driven people who have built this successful business over the years.

I would like to thank them for their hard work and ongoing commitment and look forward to working with the team to continue its success.

I also want to thank our franchisees for their commitment and willingness to invest in new stores and for engaging with us to explore other means of growth.

Outlook

The Group is constantly innovating and improving, in order to put our customers first. I am sure that 2018 will be another exciting year full of opportunity for the Company. We thank you for your trust and commitment in the months and years ahead.

Peter Williams
Chairman

12 April 2018

Timeline

The following events illustrate significant milestones in the Group's history.

In 1996
The Group opened its first corporate store in Istanbul.

In 2000
The Group opened its first franchised store in Turkey.

Between 2000 and 2008
The Group expanded its store network in Turkey, resulting in its 100th store opening in Istanbul in 2008.

In 2008
The Group was awarded its first Domino's Pizza Gold Franny Award, which it has continued to receive in every successive year.

In 2009
The Group began its national television advertising campaigns in Turkey.

In 2010
Turkish Private Equity Fund II L.P ("TPEF II") and the Chief Executive Officer purchased the Group.

In 2011
The Group launched online ordering facilities for customers in Turkey.

The Group launched its best selling Bol Malzemos pizza.

In 2012
The Group was awarded the exclusive master franchise of the Domino's System for Russia.

In 2013
The Group acquired 13 stores in Russia and was also granted the exclusive master franchise of the Domino's System for Azerbaijan and Georgia.

In 2014
The Group aired its first national television advertisement in Russia.

In 2015
The Group opened its 500th store, located in Moscow, and opened its first franchised stores in Azerbaijan and Georgia.

The Group launched online ordering facilities for customers in Russia.

In 2016
The Group launched its first franchised store in Russia and was awarded its first Golden Franny in respect of its Russian operations.

In 2017
The Company's shares were admitted to the premium listing segment of the London Stock Exchange's main market.

The Group opened its 100th store in Russia, 500th store in Turkey and surpassed the 600th store mark system wide.

Message from the CEO

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

Aslan Saranga
Chief Executive Officer

DP Eurasia has had another successful year and we are pleased to report good progress in our maiden annual results since becoming a public company. We have seen strong performance in both of our geographical segments. Turkey and Russia had solid top line growth driven by our store additions and like-for-like sales growth. This top line growth translated into a significant increase in our adjusted EBITDA, whilst we also saw increases in the adjusted EBITDA margins as a percentage of system sales in Turkey and Russia.

Our growth continues to be driven by our innovation in technology and products. In 2017, we revamped our iOS and Android apps in both Turkey and Russia, which resulted in increasing app conversion rates and apps' like-for-like sales growth significantly higher than the total online like-for-like sales growth. In Turkey our apps' like-for-like sales growth increased from 56.8% to 112.6% and in Russia our apps like-for-like increased from 34.7% to 317.5%. In Turkey, we launched our loyalty programme, which is already showing encouraging signs of order frequency increase. On the product side, we launched oven-baked sandwiches, mosaic cakes and popcorn chicken in Turkey, and salads in Russia. In February 2018, oven-baked sandwich share of revenue was 14% in Turkey and is encouragingly creating incremental sales and not cannibalising pizza sales.

We are also transferring menu items from Turkey to Russia, such as our ultra-thin crust and our newly launched mosaic cake.

Our expansion in Russia outside of Greater Moscow is continuing to progress strongly. After opening stores in St Petersburg and Krasnodar in December 2017, we have also expanded into Rostov-on-Don in January 2018.

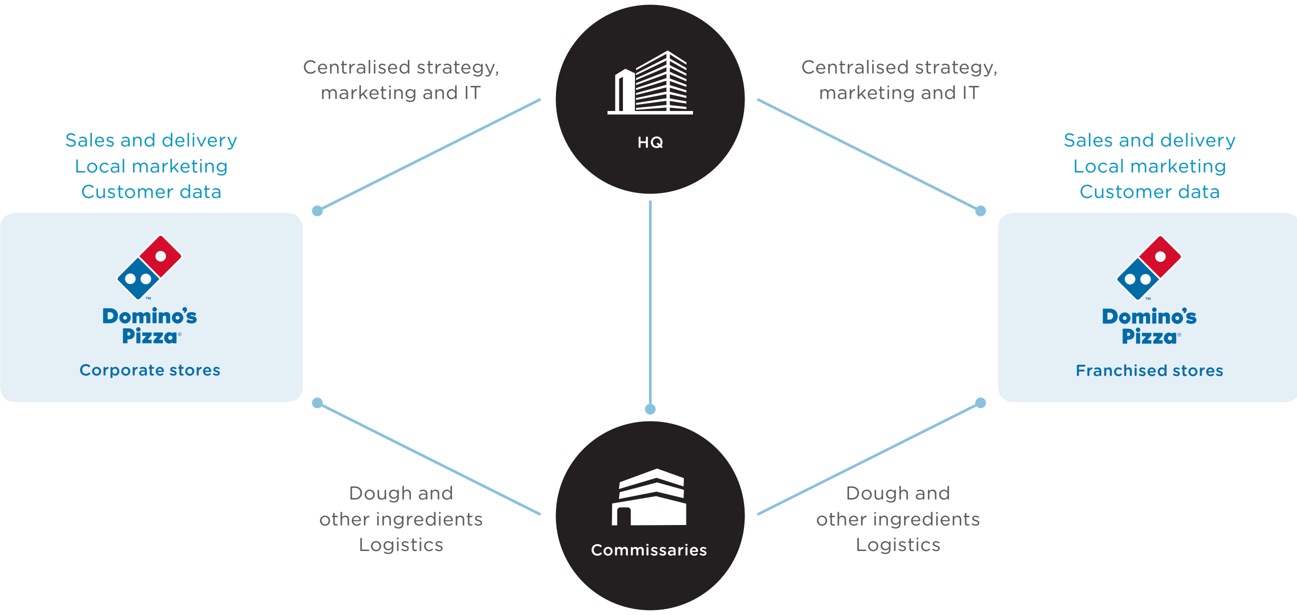
We had a strong start to 2018 in line with our expectations with like-for-like growth of 10.7% and 25.0% in Turkey and Russia, respectively, and the Board remain confident in the business and its growth opportunities for the rest of the year. I would like to thank all our employees who have contributed to our strong results and look forward to another successful year.

Aslan Saranga
Chief Executive Officer

12 April 2018

Business model

Scalable business model



Industry leading standards

Scalable

- Lower purchasing costs = competitive prices
- Centralised supply chain = command pricing
- Store network and disciplined approach = 30-minute delivery guarantee
- Scale of the network = resources to invest in marketing and technology

Winning model

- Best value for money
- Quick and convenient
- Delicious pizza
- Exceptional employees
- Well-designed incentive system
- Globally recognised brand
- Innovation

Technology

- Continuous investment in online capabilities
- Highest website traffic among fast food players in Turkey in 2017
- Android application is the most downloaded app of a fast-food company in the Turkey Google Play Store
- Introduced Facebook Messenger, with the intention to launch WhatsApp and text message "one-click" ordering capabilities

People

The Group is a growing organisation that nurtures a learning environment

Find out more on page 13

Product

The Group's store menu offers globally recognised pizza products

Find out more on page 16

Digital

The Group's online capabilities and platform present many tangible benefits

Find out more on page 18

People

DP Eurasia is a growing organisation that provides a nurturing learning environment for employees and new roles in line with the strategic direction.

Domino's culture has its own values: leaders play a critical role in ensuring successful, sustainable growth from the inside out. In this context, the Group headquarters, commissaries and field operations co-operate to ensure business continuity and excellence in processes.

Our team members, from leadership to delivery experts, are exceptional people on a mission to create outstanding results in the business.

Attraction and onboarding

DP Eurasia has adopted a non-discriminatory policy providing equal opportunities in all areas of work including employment, wage policy and career development. Any discrimination, including an employee's gender, religion, marital status, nationality, ethnicity, disability, political and ideological beliefs, is not accepted.

The Group aims to bring strong and experienced candidates to the company. The Group has a unique culture; recruitment practices are designed to reach a person of the right fit while using social media channels (Facebook, LinkedIn, Instagram) to exemplify working life in the company.

All DP Eurasia people who start working in headquarters and stores go through a thorough onboarding process to learn company practices and how operations work. In our stores, our restaurant managers are also responsible for recruitment and orientation, as are all other human resources processes: every new employee goes through a learning process comprised of e-learning, on-the-job training and mentoring. This standard process is crucial for both the healthy functioning of our operation and the rapid adaptation of the newcomers and is monitored by the operation leaders and human resources.

Training and development

At the Group, contemporary and modern training methods are used in an integrated way to bring the development to the highest level.

Training programmes, e-learning, classroom training, on-the-job training, exams and other methods are configured and implemented as a blended solution to achieve maximum business objectives.

100% internal resources are used in career-based and project-based training, and all trainers are certified as completing the internal "train the trainer" process.

It is one of the milestones of our human resources policy to raise managers from within the Group by promoting team members that have the required potential. Each programme is developed to cover selection, development, evaluation and follow-up stages of employees. For example: the "A Team" programme is a specifically-designed programme to prepare high-calibre restaurant managers for the Area Manager role.

Training also has a critical role in implementation of business projects: The training team is a part of the campaign team and develops programmes or training events to get all employees aware of new products and projects.

Digitalisation in training

As a digital company in the pizza business, our investments and practices in digital and micro learning are increasing day by day. Since we have been working with new generation employees with contemporary behaviour patterns and habits, digitalisation improves communication, engagement and motivation to join classes, and affects satisfaction in general.

Both the Turkish and Russian organisations have a Learning Management System portal, which holds all training resources for employees in an accessible central database.

Engagement

DP Eurasia has adopted a sustainable high-performance, winning culture. It attaches importance to employees' loyalty and happiness, and organises various events for this purpose.

In DP Eurasia, corporate strategies are shared with all employees to drive performance in the same direction and to make employees part of the Group's progress. At our annual Rally event held in January 2017, all employees came together to learn about the Company's strategies and the path towards shared goals.

Parallel to the growing franchise organisation, roadshows are performed every year to strengthen communication between headquarters and franchises. This year we organised four roadshows in Turkey to get in touch with franchisees. Also, we organised a Franchise Engagement Survey to understand franchisees' needs better and to develop solutions to fit their needs.

Different practices are implemented to increase the commitment of our employees in corporate stores. For example: restaurant managers are given special incentive packages, newly-recruited drivers and insiders working for more than two months are given recognition letters and pins. Employee engagement levels are monitored by the Employee Engagement Survey. In 2017, we achieved a double digit drop in employee turnover compared to the previous year, both in the Turkish and Russian organisations.

Culture

DP Eurasia's culture is driven by our focused innovation, and supported by an entrepreneurial spirit and a passion for our products. The Group supports this culture with numerous practices, such as supporting "homegrowns", franchisees who have worked within the Group previously. They are today's and tomorrow's entrepreneurs: we give them the opportunity to realise their dreams. In 2017, we developed the "School of Entrepreneurship", an open programme in which participants learn about franchise system dynamics, profitability models and other fundamentals during three days of training. We are proud to grow with them, and have a deep sense of satisfaction at the mutual value created, both in their lives and in the business as a whole. In 2017, 15 homegrowns realised their dreams by taking ownership of their stores in Turkey. We believe that same culture will develop across other territories within our growing franchise organisation.

Another trademark practice in Domino's culture is the Fastest Pizza Maker competition: all employees are eligible to join the competition showing their abilities to make fast and perfect pizza. This competition is organised every year, and is a spectacular, large event.

Developing innovation is key. As with growing investments in technology and new products, we also reward new ideas with Innovation Awards and embrace Innovation Talks meetings.

In all these areas, DP Eurasia respects the traditions and cultures of local communities and supports its employees for this purpose and works with local authorities in this context. Efforts spent together with İşkur in four regions in Turkey provided considerable support to labour and employment.

International awards

DP Eurasia won several awards in the Domino's world: both the Turkish and Russian operations won Gold Franny Awards, which is one of the most prestigious awards given to growing countries.

Our exceptional people also won prestigious worldwide awards in 2017 – Regional Supply Chain Manager of the Year, Regional Fastest Pizza Maker Champion, International Rookie Store Manager of the Year, Regional Store Manager of the Year and Regional Trainer of the Year awards. We are proud of them.

Product

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

The Group's store menu offers globally recognised pizza products, which the Group tailors to local tastes. It also offers complementary products such as 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 an attractive, 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 among consumers, improves operating efficiency and maintains food quality and consistency. The Group's system stores purchases ingredients (such as pizza dough, sauces and toppings), supplies (such as beverages) and 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.

Across the countries in which it operates, the Group's system stores offer three categories of pizza at a range of price points to attract a wide customer base. The Group offers 21 different types of pizza in Turkey with a similar range in Russia, Azerbaijan and Georgia. In Turkey, the Group brands its pizza categories as follows:

Attractive pizzas

These are the Group's lowest priced pizzas. They present customers with value for money and include, by way of example, the Sosyal Pizza.

Legendary pizzas

These are the Group's mid-priced pizzas. They comprise the Group's best known pizzas, such as the Bol Malzemos pizza which, in 2016, was the Group's highest selling pizza.

Chef's pizzas

These are the Group's premium priced pizzas and include the Turkish Pizza.

The Group adapts its product offering to the culture 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 roll-out across the system stores.

The Group's product innovation timeline typically takes three to four months from inception.

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 cake (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.

Since the beginning of 2017 the Group has introduced a number of new products to its menu in both Turkey and Russia:

Turkey:

- mosaic cake;
- oven-baked sandwiches;
- chicken popcorn; and
- Dev Malzemos pizza.

Russia:

- salads;
- ultra thin crust pizza; and
- mosaic cake.

Digital

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

The customer information obtained from the Group's online platform and from social media allows it to build and develop its consumer database, which results in a better understanding of consumer demands and more targeted marketing at a lower cost.

The Group's online approach uses a single platform for each country in which it operates, thereby driving sales centrally to its stores. In Azerbaijan and Georgia, the Group's online ordering infrastructure and servers are managed in Turkey, although the content is managed by the relevant franchisees. The Group currently creates multi-tenant applications with multi-lingual ability, including responsive desktop/mobile website functionality for all its countries of operation. The DP Eurasia OLO Platforms Project aims to provide continuous and highly available digital platforms using cloud capabilities, minimising development costs with an in-housing strategy. We keep up with design trends, striving to offer a superior user experience. The digital solutions development process is centralised in Turkey, and is rolled out concurrently to other countries.

The Group aims to increase online sales as a proportion of system sales to better integrate franchisees into the network. 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. This should enable the franchisees 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 and more targeted marketing initiatives. Customers can store details to save time in future orders. In addition, 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 several initiatives that the Group has implemented or expects to implement to support its online strategy:

Mobile first

Most of the Group's online traffic is through its mobile platform, which includes, in Turkey, the Group's one-click ordering button which can be programmed with up to three preferences of the customer. The Group expects sales through its mobile platform, as a percentage of system sales generated through its online ordering channels, to increase. The Group released new technology mobile apps in July 2017 in Turkey, which, so far have been very successful in terms of customer experience and funnel optimisation. The Group has also released new mobile apps in November 2017 in Russia. The Group is focusing on optimising its online conversion rates on mobile devices by improving user experience in mobile, web and mobile apps. The Group's mobile app was the most downloaded app of a fast food company from the Google Play Store in Turkey in March 2017.

Domino's Anywhere

"Domino's Anywhere" initiatives aim to create new methods for customers to place orders through the Group's single universal online platform, shared by the Group globally, which is both convenient and easy to use. As part of this, the Group has launched Facebook messenger emoji ordering which allows customers to place orders using the pizza emoji, and plans to launch SMS ordering shortly by way of mobile device messaging and orders placed via WhatsApp. The Group is selected as the Gold Stevie winner in the category of Integrated Mobile Experience by the average scores of more than 170 professionals worldwide on five specialised juries with the Domino's Anywhere Project. Also, the project has been granted an award as #1 Best Customer Experience by IDC (International Data Corporation).

Pizza delivery tracker GPS

The Group has started pilot testing a GPS tracker to monitor deliveries in Turkey and Russia, which will show customers the location of their orders on an online map in real time. The Group believes that this will enhance customers' experience and reduce order delivery time. The Group also has a pizza tracker currently in use across its online platform in Turkey and Russia, which monitors the status of orders through the order process: order received, pizza being prepared, order dispatched.

None of the Group's pizza delivery competitors offer this status tracker in Turkey.

Loyalty strategy

The Group implemented a loyalty scheme in Turkey in late 2017, for its customers across all of its online channels. It aims to drive online visits, customer order frequency and average ticket price.

Information technology

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

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. It also provides the Group with timely access to financial data and reduces administrative time and expense at the store level. The Group has desktop and mobile-based access to data for monitoring and analysing store performance daily and, with respect to Turkey, on a real-time basis.

The Group owns all its online ordering platforms and related software, namely its website-based and mobile-based platforms, including its mobile applications and website optimised for mobile devices.

Domino's Pizza Inc. makes available to its master franchisees its own proprietary online ordering platform (Global Online Ordering) but the Group considers that it is able to better, and more dynamically, adapt its platform to the targeted needs of the Group using its own systems.

The Group also maintains a CRM database, in line with data protection requirements, containing details of approximately 16 million customers – of which five million are active customers (defined as customers who have placed an order with a system store within the last twelve months). The Group initiated a two-year cybersecurity programme with Deloitte Turkey Cyber Risk Services, in order to protect the sensitive information it acquires in the function of its operations, including data collected from customers and employees. The Group's cybersecurity programme aims to protect the Group's systems and personal data in Turkey against internal and external cyber risks and covers the headquarters, corporate stores and commissaries. As part of the programme, the Group has focused on training personnel, identifying data inventory, defining security roles and responsibility, investing in data loss prevention tools, implementing security information and event management technology, establishing a Turkish security operations centre and the implementation of an identity management process to set roles and manage all access rights. In Turkey, the Group has migrated its online ordering platforms to the cloud recently with the "Business Continuity" approach which aims to protect the brand from a variety of risks – including cyber risks, fulfilment of delivery to customers, the reduction of downtime and the cost of recovery in the event of an incident. The Group's cloud data centres are located in two different cities (Amsterdam and Dublin) with the corporation of Microsoft. Business applications have been migrated to dedicated hardware infrastructure into IBM Turkey Data Center.

Strategic review

The Group's like-for-like growth has been driven mainly by the performance of its online ordering platforms.

System sales (in millions of TRY, unless otherwise indicated)	For the year ended 31 Dec 2017	2016	Change
Group system sales[1]			
Turkey	**645.7**	565.5	14.2%
Russia	**205.4**	76.4	169.0%
Azerbaijan and Georgia	**8.7**	5.5	58.3%
Total	**859.8**	647.4	32.8%
Group like-for-like growth[2]			
System sales			
Turkey	**10.0%**	7.0%	
Russia (based on RUB)	**28.9%**	41.6%	

	As at 31 Dec					
	2017			2016		
Store count	Corporate	Franchised	Total	Corporate	Franchised	Total
Turkey	**142**	**372**	**514**	144	344	488
Russia	**99**	**22**	**121**	68	4	72
Azerbaijan	**—**	**5**	**5**	—	4	4
Georgia	**—**	**3**	**3**	—	3	3
Total	**241**	**402**	**643**	212	355	567

DP Eurasia achieved strong operational growth in the year, with record store openings in Russia. The Group increased its system sales by 32.8% year-on-year, driven by a combination of like-for-like sales growth and store openings.

The Turkish operations' system sales, which represent 75% of Group system sales, increased by 14.2%. This increase was mainly driven by like-for-like sales growth. Positive customer sentiment in the second quarter of 2017 continued to improve in the second half of the year. Despite a slow start to the year with 3.5% like-for-like growth in the first quarter of 2017, the Turkish operations closed the year with 10.0% like-for-like growth.

The strong like-for-like growth in the second half of the year was aided by the continued soft macroeconomic environment in the second half of 2016, stemming from the unsuccessful coup attempt in July 2016. Including Azerbaijan and Georgia, the Turkish segment added 27 stores during the year through splits and opening stores in previously unpenetrated areas. Active management and optimisation of the Turkish estate, which is the ordinary course of business for the Group, continued in 2017. 20 stores were transferred from corporate to franchise, with an additional eight transfers in the opposite direction.

The Russian operations' system sales, which represent 24% of Group system sales, increased by 169.0% (95.0% 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 28.9% for the period. The Group opened a record 49 stores in Russia, including its first stores outside of Greater Moscow in St Petersburg and Krasnodar. These new cities, along with further expansion into Rostov-on-Don in January 2018, will be served by the newly expanded Moscow commissary which has the capacity to service 250 stores. Russian franchise stores reached 22, increasing by 18 in 2017, and the number of franchise partners reached 13 in 2017 from four in 2016. In Russia, corporate to franchise transfers totalled four in 2017 with one transfer in the opposite direction.

Delivery channel mix and online like-for-like growth

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

	For the year ended 31 Dec					
	2017			2016		
	Turkey	Russia	Total	Turkey	Russia	Total
Store	**48.0%**	**33.3%**	**45.0%**	53.0%	47.5%	52.3%
Online						
– Group's online platform	**25.1%**	**66.7%**	**34.5%**	21.1%	52.5%	24.8%
– Aggregator	**22.7%**	**—**	**17.3%**	19.9%	—	17.5%
– Total online	**47.8%**	**66.7%**	**51.8%**	41.0%	52.5%	42.4%
Call centre	**4.2%**	**—**	**3.2%**	6.0%	—	5.3%
Total(6)	**100%**	**100%**	**100%**	100%	100%	100%

The following table shows the Group's online like-for-like growth(2), broken down by the Group's two largest countries in which it operates:

	For the year ended 31 Dec	
	2017	2016
Group online like-for-like growth(2)		
Online system sales(7)		
Turkey	**37.7%**	18.8%
Russia (based on RUB)	**78.5%**	140.7%

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 51.8% for the period. This represented a 9.4% increase compared to 2016.

In Turkey, online system sales like-for-like growth for the period was 37.7% as a result of which online delivery system sales as a share of delivery system sales reached 47.8% for the period, a 6.8% increase from 2016.

In Russia, online system sales like-for-like growth for the period was 78.5% as a result of which online delivery system sales as a share of delivery system sales reached 66.7% for the period, a 14.2% increase from 2016.

Online system sales continued to outpace the overall system sales growth at 72.2% for the Group. Turkish online system sales grew by 41.5%, while Russian online system sales grew by 245.5% (150.4% based on RUB).

Financial review

(in millions of TRY, unless otherwise indicated)	For the year ended 31 Dec 2017	2016	Change
Revenue	**633.0**	451.1	40.3%
Cost of sales	**(398.7)**	(279.6)	42.6%
Gross profit	**234.3**	171.5	36.6%
General administrative expenses	**(109.1)**	(68.9)	58.3%
Marketing and selling expenses	**(82.6)**	(61.3)	34.8%
Other operating expenses, net	**(3.6)**	0.5	n/a
Operating profit	**38.9**	41.8	(7.1)%
Foreign exchange (losses)/gains	**(11.7)**	12.0	n/a
Financial income	**1.2**	1.4	n/a
Financial expense	**(21.6)**	(17.0)	27.3%
Profit before income tax	**6.8**	38.3	
Tax expense	**(1.9)**	(9.0)	
Profit after tax	**4.8**	29.3	n/a
Adjusted EBITDA(3)	**96.8**	75.1	28.9%
Adjusted net income(4)	**21.7**	35.8	(39.4%)
Adjusted net debt(5)	**106.7**	146.4	(27.1%)

Revenue

The Group revenue grew by 40.3% to TRY 633.0 million during the twelve-month period. The Turkish segment revenue grew by 14.0% to TRY 425.7 million, while the Russian segment revenue grew by 166.8% to reach TRY 207.3 million.

Gross profit

The Group gross profit increased by 36.6% to TRY 234.3 million during 2017. The main contributor to the growth in the gross profit was the strong top line performance of the business. Gross margin as a percentage of system sales increased to 27.2% in 2017 from 26.5% in 2016.

Adjusted EBITDA

Management believes 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 28.9% to TRY 96.8 million. Both major segments of the Group were profitable from an adjusted EBITDA perspective. Adjusted EBITDA for the Turkish segment, which includes the Azerbaijani and Georgian businesses, was TRY 85.7 million, a year-on-year increase of 19.1%, and adjusted EBITDA for the Russian segment was TRY 12.5 million, a year-on-year increase of 296.5% (187.4% 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 1.3 million.

Adjusted EBITDA margin as a percentage of system sales for the Turkish segment increased to 13.1% from 12.6%. Adjusted EBITDA margin as a percentage of system sales for the Russian segment was 6.1%, an increase by 2% points compared to 2016.

For the year ended 31 December 2017, the Group's adjusted EBITDA margin as a percentage of system sales was 11.3%, a decrease of 0.3% points from 2016. This decrease is attributable to the Russian segment's increasing share in the total business of the Group and the expenses incurred as part of being a public company starting from the second half of 2017. Russia segment's share in Group system sales more than doubled in 2017, increasing to 23.9% from 11.8% in 2016.

Adjusted net income

For the year ended 31 December 2017, adjusted net income was down 39.4% to TRY 21.7 million from TRY 35.8 million. The reduction in adjusted net income was primarily driven by the movement of the Russian Rouble against the Euro. While the Russian Rouble appreciated against the Euro in 2016, it depreciated in 2017. As a result, the Group recorded foreign exchange losses of TRY 11.7 million in 2017 versus foreign exchange gains of TRY 12.0 million in 2016, a net swing of TRY 23.7 million year-on-year. Additionally, during the year depreciation and amortisation increased due to the growth in capital expenditures during 2017.

The adjustments that are included in the reconciliation of net income to adjusted net income are IPO costs (2017: TRY 15.3 million, 2016: TRY 0.9 million), share-based incentives (2017: TRY 1.5 million, 2016: TRY 5.7 million), and tax effect (2017: nil, 2016: TRY -0.2 million). The IPO costs and share-based incentives along with the previously discussed Russian Rouble volatility and increased depreciation and amortisation expense are also the main contributors to the change in profit before tax from 2016 to 2017.

Capital expenditures and cash conversion

The Group incurred TRY 78.5 million of capital expenditures in 2017. The Turkish segment capital expenditures amounted to TRY 36.7 million and the Russian segment capital expenditures amounted to TRY 41.7 million (RUB 671 million).

The Group's capital expenditures were higher than management expectations in 2017, 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 and built up its presence in areas more rapidly, in line with its 'castle strategy'.

The main elements of capital expenditure in Turkey were investments into corporate store openings, franchise store acquisitions, the online ordering platforms, store conversions to the Kaizen format and information technology; whereas in Russia, the Group invested primarily in corporate store openings, capacity expansion in the Moscow commissary, information technology and the new Moscow headquarters.

Cash conversion (defined as (adjusted EBITDA – capital expenditure)/adjusted EBITDA) for the year was 19.0% for the Group and 57.1% for the Turkish segment. The Russian segment had negative cash conversion as it is in a period of rapid expansion relative to its size.

Strategic review continued

Adjusted net debt and leverage

The Group's adjusted net debt as at 31 December 2017 was TRY 106.7 million and it had gross borrowings of TRY 227.9 million, TRY 158.1 million of which was Euro-denominated. TRY 83.0 million of this amount is hedged via a Euro-denominated long-term cash deposit which a subsidiary within the Turkish segment holds as collateral on a borrowing of a subsidiary within the Russian segment and a Euro denominated cash deposit at the Company level.

The Group continues to monitor the Russian Rouble interest rate developments with a view towards converting its Russian segment Euro exposure to Russian Roubles.

The leverage ratio (defined as adjusted net debt/adjusted EBITDA) of the Group was 1.1x as of 31 December 2017 (2016: 1.9). The decrease in the leverage ratio was further helped by the primary proceeds the Group raised through its IPO.

Current trading

System sales growth and like-for-like growth for the first two months of 2018 was as follows:

Group system sales growth[1]	For the two months ended 28 Feb 2018
Turkey	15.2%
Russia	72.5%
Azerbaijan and Georgia	46.6%
Total	**27.8%**
Group like-for-like growth[2]	
System sales	
Turkey	10.7%
Russia (based on RUB)	25.0%

During the first two months of 2018, the Group opened net two stores (2017: four). The Board is confident in the pipeline for the remainder of the year.

Outlook

The management guidance for store openings and like-for-like growth for the medium term and capital expenditure for 2018 is as follows:

	Turkey	Russia
Net store openings per year	30	40 – 60
Annual like-for-like growth	High single digit	Low-to-mid teens
2018 capital expenditure	TRY 30 million	RUB 375 million

The management is raising its 2018 capital expenditure guidance in Turkey and Russia by TRY 8 million and RUB 75 million, respectively. The main drivers for this increase are the launch of a project to unify the online ordering back-end systems across the Group, the GPS Tracker project's move from pilot phase to deployment phase and the weakness of TRY against the USD and EUR. The Group is targeting greater efficiencies and improved customer service through these projects.

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 and adjusted EBITDA are not defined by IFRS. Adjusted EBITDA excludes income and expenses which are not part of the normal course of business and are non-recurring items, consisting of restructuring costs, IPO-related expenses, and share-based incentives. 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 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) Delivery system sales are system sales of the Group generated through the Group's delivery distribution channel.

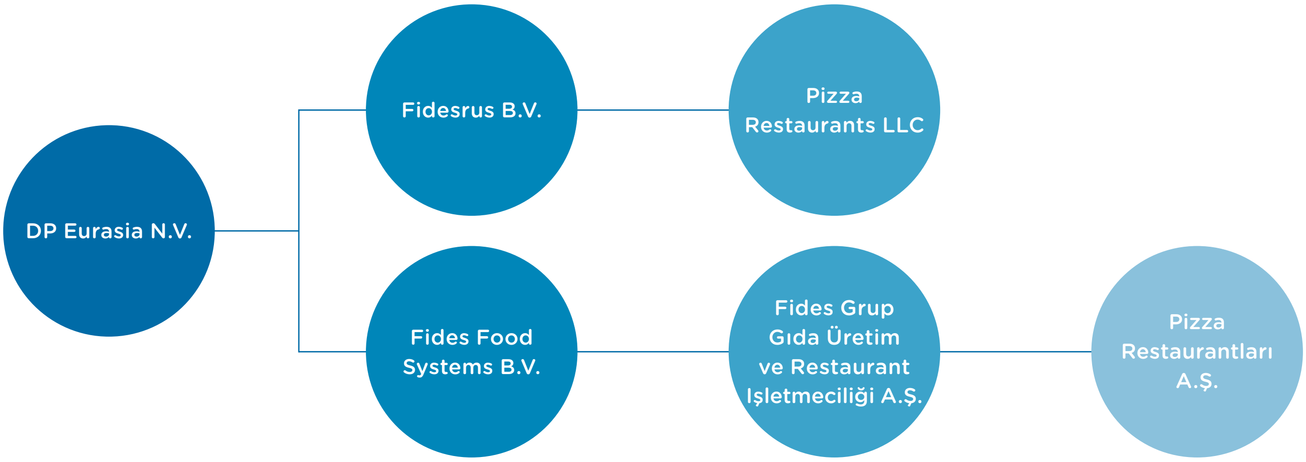
(7) Online system sales are system sales of the Group generated through its online ordering channel.

Management report

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

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

Structure



Groups 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 2017, the Group operated 643 stores (402 franchised stores including five in Azerbaijan and three in Georgia, 241 Company-owned stores).

Subsidiaries

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

Subsidiaries	Effective ownership (%)	Registered country	Nature of business
Fides Grup Gıda Üretim ve Restaurant İşletmeciliği A.Ş. ("Fides Turkey")	100.00	Turkey	Food delivery
Pizza Restaurantları A.Ş. ("Domino's Turkey")	100.00	Turkey	Food delivery
Pizza Restaurants LLC ("Domino's Russia")	100.00	Russia	Food delivery
Fidesrus B.V. ("Fidesrus")	100.00	The Netherlands	Holding company
Fides Food Systems B.V. ("Fides Food")	100.00	The Netherlands	Holding company

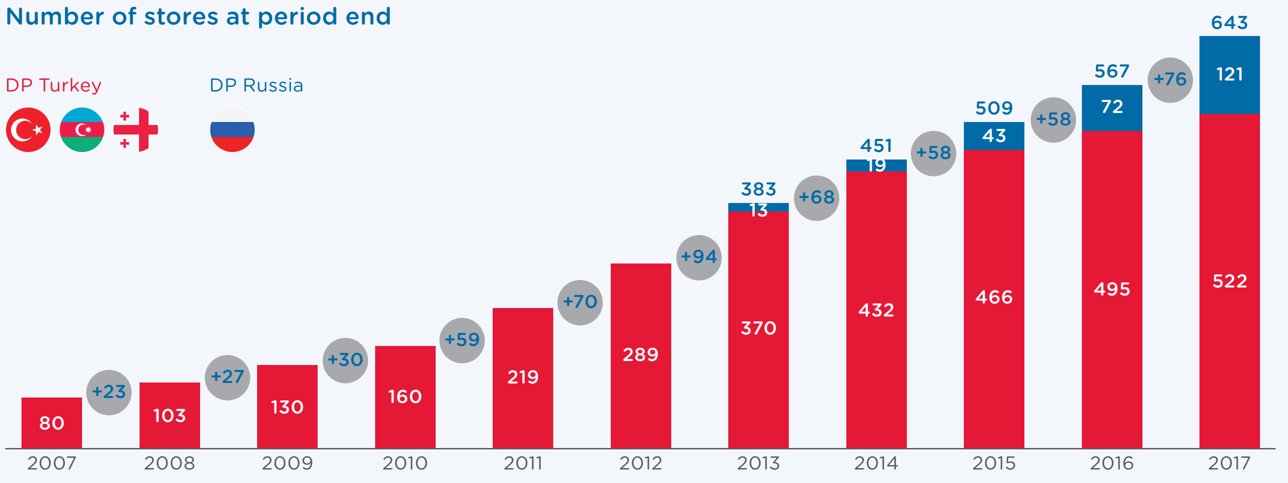
Markets

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 2017, 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 514 stores. According to Euromonitor International, the Group has grown its market share in Turkey (as measured by Group system sales in chained pizza) from approximately 35% in 2010 to approximately 51% in 2016. Additionally, according to Ipsos data in 2016, the Group enjoys the highest top-of-mind recognition in the delivery channel among fast-food players in Turkey.

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 2017, the Group had the third-largest store network in the chained pizza sub-segment in Russia with 121 stores, representing a more than six 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 2017. According to Euromonitor International, the Group's share of the Russian chained pizza sub-segment was approximately 9% (as measured by the Group's system sales) in 2016. The Group is now expanding outside the Moscow region.

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 four and three stores, respectively.

Continuous and significant store roll-out



Source: Company information

Vision and values

Vision
The Group's vision is to be an international leader in the areas in which the Group 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 the Group's 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**.

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.

Sustainability

Social responsibility

The Group is firmly committed to pursuing and strengthening its strategy of ethically, socially and environmentally responsible management. The Group's programme of social responsibility aims to achieve this following general objectives:

- value creation;
- eco-efficiency and innovation;
- environmental protection;
- business ethics;
- dialogue with the interested parties; and
- management of human capital.

The Group wants its employees to enjoy working together and respect each other's individuality. The Group invests in training and development so that its employees are equipped with the right skills and knowledge to do the job and feel supported in their efforts to reach their full potential.

In a fast moving and constantly changing market, the Group is ambitious to improve and to search for new ways to drive innovation.

The Group is committed to contributing to a more just and prosperous society to foster economic growth, social cohesion and environmental protection and to promote improvements in the quality of life for current and future generations.


Pizza

Remuneration report

Statement from the Chairman of the Remuneration Committee

Dear shareholder

I am pleased to present DP Eurasia's first Directors' Remuneration Report since the IPO and listing of its shares to trading on the main market of the London Stock Exchange. As a Dutch incorporated company, the Group's remuneration practices, disclosure and governance are compliant with Dutch law and the Dutch Corporate Governance Code. However, the Group recognises that many of its shareholders are UK-based and accordingly aims to comply with UK best practice, including the UK Corporate Governance Code.

Outlined below are the key decisions made on remuneration during 2017.

2017 pay decisions

As highlighted earlier in this Annual Report, 2017 has been a successful year for the Group with system sales, revenue and adjusted EBITDA growth of 32.8%, 40.3% and 28.9%, respectively. The Group also increased its store count by 76 reaching 643 total stores. On the basis of this performance and other key operational and strategic achievements, the Remuneration Committee proposed and the Non-Executive Directors approved that the Chief Executive Officer should receive a cash bonus of 54% of his 2017 base salary (67% of maximum) under the annual and deferred bonus plan ("ADBP"). Our other Executive Director, the Company Secretary, does not currently participate in the ADBP.

Full details of the Chief Executive Officer's annual bonus award are provided on page 46.

Proposed new Directors' Remuneration Policy

At our forthcoming annual general meeting ("AGM"), shareholder approval will be sought for a new Directors' Remuneration Policy ("Remuneration Policy"). It is intended that the new Remuneration Policy will apply for three years. The Remuneration Policy is consistent with the remuneration details contained in the IPO prospectus and is intended to be simple, transparent, performance-orientated, supportive of the Group's growth strategy and provide alignment between the interests of the senior management team with those of the shareholders.

The proposed new Remuneration Policy is set out on pages 35 to 43.

Implementation of the Remuneration Policy in 2018

In order to focus on the IPO process, we decided to delay a review of the Chief Executive Officer's remuneration arrangements until after IPO. That review has now taken place and details of the Chief Executive Officer's 2018 remuneration are as follows:

- his salary has been set 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. His salary is set in Turkish Lira and will therefore be reviewed in future years by reference to the salary settlement for other employees based in Turkey and Turkish inflation, as well as any developments in the scope and nature of his role;
- he receives no pension provision in common with our other Turkish employees;
- he will be able to earn a cash bonus under the ADBP of up to 80% of salary based on adjusted Group EBITDA performance. The Non-Executive Directors considered whether any of the bonus should be deferred into shares but concluded, given the relatively low maximum award level, that it was appropriate for any bonus to be delivered wholly in cash; and
- in recognition of the critical importance of the initial period post-IPO and the absence of any LTIP award in 2017, the Non-Executive Directors determined that it would be appropriate to grant the Chief Executive Officer an above-standard level of LTIP award (150% of salary) in 2018. Our intention is to revert to a standard level of LTIP award (100% of salary) in future years.

  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 2017, this represents a holding worth more than 25 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.

  This LTIP award will vest based on adjusted Group EBITDA performance. The selection of stretching three-year EBITDA targets is consistent with our strategic goal of delivering the significant growth potential that was outlined in our IPO prospectus.

These remuneration arrangements will be delivered under our existing Remuneration Policy until the 2018 AGM and, thereafter, under our new Remuneration Policy (subject to shareholder approval). More details of Executive Directors' remuneration arrangements for 2018 are on pages 44 and 45.

Summary

We value all feedback from shareholders and look forward to receiving your support at the forthcoming AGM where there will be the following votes on remuneration:

- to approve our new Directors' Remuneration Policy (pages 35 to 43);
- to approve a fee structure that will apply to all of our Non-Executive Directors to replace the existing arrangement under which fees are approved for each individual Non-Executive Director (details on page 45); and
- to approve our Annual Remuneration Report which contains details of how we paid our Directors during 2017 and how we intend to apply our Remuneration Policy during 2018 (pages 44 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

12 April 2018

Directors' remuneration policy

The aim of DP Eurasia is to attract, retain and motivate the best talent to help ensure continued growth

The Directors' remuneration policy (the "Remuneration Policy") set out below will be subject to shareholder approval at our 2018 AGM and if approved, will apply to payments made after that date and replaces the existing Remuneration Policy in its entirety. It is intended that the new 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 aims to support 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 adopted two incentive plans in 2017: 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

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.
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).

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
The maximum annual bonus potential is 80% of base salary. Levels of bonus pay-out 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.

Directors' remuneration policy continued

Policy Table for Executive Directors continued

Component	Purpose and link to strategy	Operation
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).
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 will be sought 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
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.
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 new Remuneration Policy where the terms of the payment were agreed: (i) before this new 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 key performance indicators. Any personal objective performance measures within the ADBP are also directly linked to key strategic objectives.

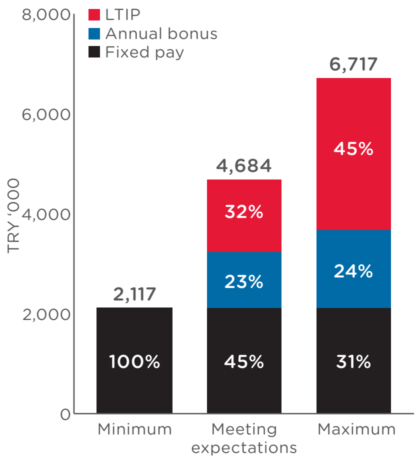
Targets are set at the start of each performance period by the Non-Executive Directors taking into account relevant internal and external reference points and are designed to be appropriately stretching.

Remuneration scenarios

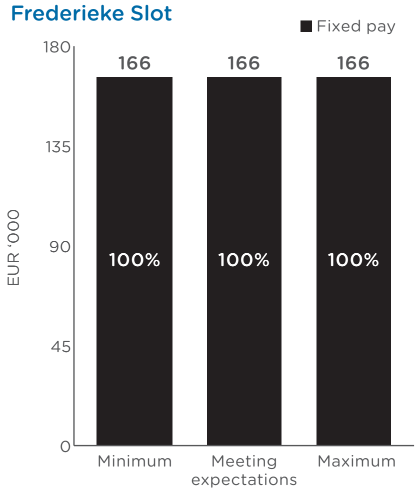
The charts below show hypothetical values of the remuneration package for the current Executive Directors in the first year of the new Remuneration Policy under three assumed performance scenarios.

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 2018: Aslan Saranga TRY 2,000,000; Frederieke Slot EUR 100,000.
- Pension: Frederieke Slot 36% of base salary.
- Benefits: estimate based on 2017 reported taxable benefits (pro-rated for a full year for Frederieke Slot).

Variable pay

- ADBP: maximum of 80% of base salary for Aslan Saranga (assumed two-thirds of maximum paid for meeting expectations); Frederieke Slot will not participate in the ADBP in 2018.
- LTIP: maximum award of 150% of base salary for Aslan Saranga; (assumed half of maximum vests for meeting expectations); Frederieke Slot will not receive an LTIP award in 2018.
- 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 Policy Table set out in this new 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 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 shareholders in a 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
- 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.

Directors' remuneration policy continued

Malus and clawback continued

Clawback may apply to all or part of a participant's award and may be effected, 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 it considers 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, will be 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 it considers 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 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 2017

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 2017 remuneration (base salary and bonus) of Group vis-à-vis the 2017 base salary and bonus of Group CEO and average base salary and bonus of Executive Directors.

The pay ratio is 65:1 (2016: 40:1) for the Group CEO Aslan Saranga and 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 full year.

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, had representatives at the Remuneration Committee prior to and following IPO and, accordingly, the structure of our new Remuneration Policy has been subject to significant consultation with them. In addition, we have structured our new Remuneration Policy with regard to the views of our major institutional shareholders and leading advisory bodies.

Annual remuneration report

The Annual Remuneration Report sets out how DP Eurasia's new Remuneration Policy (pages 35 to 43) will be implemented in 2018, if it receives shareholder approval at the 2018 AGM, and how the existing Remuneration Policy was implemented in 2017. Although not required under Dutch law, this Annual Remuneration Report will be subject to a shareholder vote at the 2018 AGM in order to comply with UK practice.

Implementation of the Remuneration Policy in 2018

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 following IPO and proposed the revised arrangement set out below for 2018. Frederieke Slot's remuneration for 2018 is as detailed in the IPO prospectus.

Base salary

Executive Director	2018 base salary
Aslan Saranga	TRY 2,000,000
Frederieke Slot	EUR 100,000

Pension and benefits

Frederieke Slot 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 2017.

ADBP

In 2018, 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 2018.

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.

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

LTIP

In recognition of the critical importance of the initial period post-IPO, the Non-Executive Directors determined that it would be appropriate to grant Aslan Saranga an above standard level of LTIP award (150% of salary) in 2018. Our intention is to revert to a standard level of LTIP award (100% of salary) in 2019. Frederieke Slot will not receive an LTIP award in 2018.

The award will vest on the third anniversary of grant subject to adjusted EBITDA growth targets measured over the period 2018-2020. 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 2018-2020 (TRY M)	Proportion vesting
Threshold	390	0%
Maximum	453	100%

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

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

Non-Executive Directors

Non-Executive Director fees are determined by the General Meeting upon proposal of the Board. Shareholders will be requested to approve, at the 2018 AGM, the fee table set out below which would be effective from 1 January 2018.

	Annual fee (£)
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 who are employees of Turk Advisory Ventures Limited ("Turkven") and, as such, are remunerated by Turkven.

Total remuneration

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for the year ended 31 December 2017. Frederieke Slot joined the Board in June 2017 and Peter Williams and Tom Singer joined the Board in July 2017. Their figures in the table are part-year and relate only to the portion of 2017 that they were Board members.

	Year ending 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	—	—	—	—	—	—	—

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 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 granted to Executive Directors. As a result, this column has a zero figure in the table above.

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 above table. In the other columns of the table, remuneration has been converted into Turkish Lira for consistency with the financial statements.

Annual remuneration report continued

Additional disclosures in respect of the total remuneration table

Annual bonus

During 2017, Aslan Saranga participated in the ADBP and received a cash bonus of 54% of base salary (TRY 780,000) out of a maximum opportunity of 80% of base salary. Details of how the bonus was earned are set out below.

	Performance measures and weighting	Actual performance	Bonus payment
Business and operational performance	Adjusted EBITDA (35% weighting) Average weekly unit sales (25% weighting) Online ordering net system sales (10% weighting) Sales (10% weighting) Store openings (10% weighting) Cash conversion (10% weighting)	Overall performance was in line with expectations (weighted average of 4 out of 6 against internal scorecard)	42% of base salary
Strategic performance	Individual contribution to the preparation and execution of the successful IPO		12% of base salary

Targets for the 2017 ADBP were set in the context of DP Eurasia being an unlisted company and agreed with Fides Food Systems when DP Eurasia was in their ownership. Accordingly, the 2017 ADBP targets are regarded by the Board as commercially sensitive and are not disclosed. This is intended as a one-off and future Remuneration Reports will contain retrospective disclosure of ADBP targets to the extent that they do not remain commercially sensitive at that time.

Business performance for the purposes of the 2017 ADBP relates to the Turkish element of DP Eurasia, of which Aslan Saranga was CEO, and which in 2017 represented almost 90% of adjusted Group EBITDA. This arrangement was agreed with Fides Food Systems when DP Eurasia was in their ownership. Aslan Saranga's 2018 ADBP will be wholly based on overall Group performance.

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 2017.

Statement of Directors' shareholdings and share interests

The tables below show the Directors' current share ownership as at 31 December 2017.

For the duration of the current 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 2017 (number of shares)
Aslan Saranga	7,106,310(1)
Frederieke Slot	Zero
Peter Williams	50,000
Tom Singer	50,000
Seymur Tarı	Zero
İzzet Talu	Zero
Aksel Şahin	Zero

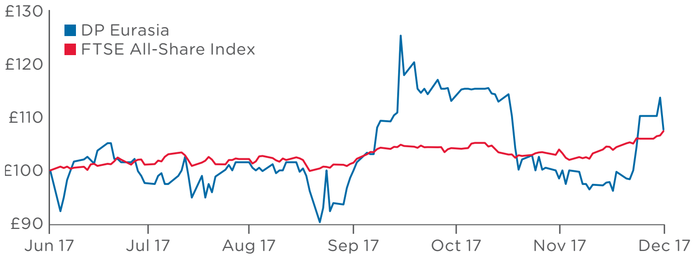
(1) Aslan Saranga owns shares through his wholly-owned entity (Vision Lovemark Coöperatief U.A.).

Between 31 December 2017 and the date of this report, there were no changes in the shareholdings outlined in the above table.

Performance graph and Chief Executive Officer remuneration table

The chart opposite 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. The base point in the chart for DP Eurasia equates to the IPO price of 200 pence.

DP Eurasia's total shareholder return compared against total shareholder return of the FTSE All-Share index since Admission 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
Chief Executive Officer total remuneration	TRY 2,344,322
ADBP pay-out (% of maximum)	67%
LTIP vesting	n/a (no award vested during 2017)

Percentage change in remuneration of the Chief Executive Officer

As DP Eurasia was a newly listed company during 2017, there are no disclosures in this report which require comparison of executive remuneration in 2016 with 2017. Accordingly, this report does not contain a comparison of changes between 2016 and 2017 in the level of CEO remuneration and of employee remuneration.

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 2017. A 2016 comparative figure is also provided although DP Eurasia was unlisted during the year ending 31 December 2016.

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Total staff costs (further details are provided in Note 5 to the consolidated financial statements (page 86))	**TRY 144.2m**	TRY 104.1m
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 2017, the Remuneration Committee consisted of Tom Singer (Chairman) and Peter Williams. The Remuneration Committee met on two occasions during the period between IPO and 31 December 2017.

Internal advice

The Chief Executive Officer, the Chief Executive Officer of Russian Operations, the Human Resources Director and representatives of TPEF II (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. The Remuneration Committee received independent and objective advice from Deloitte, principally on the structure of the Chief Executive Officer's remuneration and the design of the LTIP awards for 2018. Deloitte was paid £32,600 in fees during the period ending 31 December 2017 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 have assisted DP Eurasia during the year with the design of staff incentives and have provided advice in relation to capital registrations.

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.

On behalf of the Board

Tom Singer
Remuneration Committee Chairman

12 April 2018

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: boohoo.com plc (an online fashion retailer), 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). 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.

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 has 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.

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 has 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 merger 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 has 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. She has an MBA from Harvard Business School and a degree in Economics from Koç University.

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 thirteen years with Procter & Gamble overall. Mr Dönmez obtained a degree in Industrial Engineering from Bogazici University (Turkey).

Mustafa Özgül

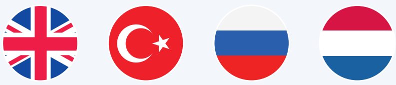
Chief Financial Officer of Russian Operations

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).

Board composition, roles and attendance

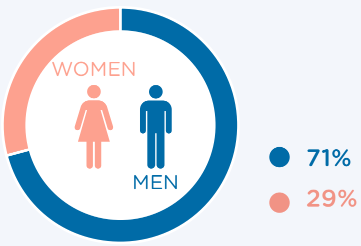
	Date of possible reappointment	Duration of un-expired term of appointment	Attendance of planned Board meetings	Attendance of planned committee meetings	Attendance site visits
Peter Williams	2018	2 years, 2 months	3/3	3/3	1/1
Aslan Saranga	2018	2 years, 2 months	3/3		1/1
Frederieke Slot	2018	2 years, 2 months	3/3		1/1
Seymur Tari	2018	2 years, 1 month	3/3		1/1
Izzet Talu	2018	2 years, 1 month	3/3	1/1	1/1
Aksel Şahin	2018	2 years, 1 month	3/3		1/1
Thomas Singer	2018	2 years, 2 months	3/3	3/3	1/1

International experience

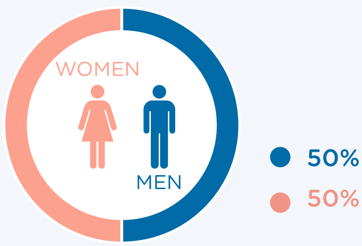


Board diversity

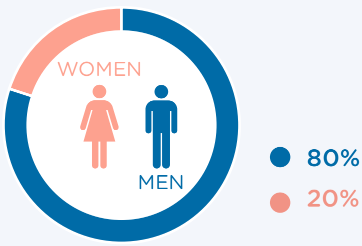
Board of Directors



Executive



Non-Executive



Corporate governance report

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 has 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).

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 is set out on pages 48 and 49.

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 Meeting 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. More information relating to the nomination right of Fides Food Systems can be found on page 56.

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; proposals regarding dividends; strategy and managing the corporate portfolio; approval of significant transactions or arrangements in relation to mergers, acquisitions, joint ventures and disposals; capital expenditure; contracts; litigation; finance; and pensions.

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 risk 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 the 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 twice in 2017. 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 the management being present. The Chief Strategy Officer and Head of Investor Relations joined the meetings, during which the press releases regarding quarterly results were discussed. Furthermore, the Audit Committee discussed the audit plan of PwC for 2017, the potential impact on the financial statements of the revised/new IFRS standards 9, 15 and 16 and followed up on earlier discussed internal audit findings.

The Audit Committee has focused on establishing its relationship with the internal and external auditor and setting up and approving the internal audit plan.

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 2017 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.

The Company was incorporated on 18 October 2016 and listed its shares on the London Stock Exchange through DP Eurasia N.V. per 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 Group intends to ask the shareholders to acknowledge 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 twice in 2017. The meetings of the Remuneration Committee were attended by the Chief Executive Officer and the Human Resources Director (by phone). 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 a new Remuneration Policy 2018-2020 and discussed the bonus pay-outs for the Group's senior management. Furthermore, the Remuneration Committee proposed the targets for the LTIP. The Remuneration Committee dedicated a 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 reappointments; 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 Director.

The Selection and Appointment Committee convened once in 2017. The meeting of the Selection and Appointment Committee was attended by the Chief Executive Officer. The Selection and Appointment Committee discussed the possible succession planning of Executive Directors and discussed the necessary skill set of future Non-Executive Directors.

The respective rules of these committees can be found on the Company's website, including attendance at meetings in 2017, which can be found on page 51.

Board effectiveness

Activities of the Board

A minimum of six 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 two 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. Taking into consideration that the full Board was appointed as per the date of the IPO, the Board met physically three times in July, September and December and had one site visit to Moscow in October 2017.

These physical meetings were held in Amsterdam with the Executive 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 2017 can be found on page 51.

In each Board meeting and with respect to any proposed resolution submitted to the Board, each Director holds the right to cast one vote provided 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. The Board was also educated on the governance responsibilities of the Board following the IPO.

Main matters discussed during the year's Board meetings:

- developing and approval of the overall strategy;
- budget for 2018;
- 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 Board decided that, since it has only been in function in full as of IPO, it will assess its own functioning in 2018 for the first time. After this first assessment, the Board will discuss the elements assessed and lessons learnt together. However, the Board has discussed whether any immediate improvements or changes should be made. The Board's view was that a good start had been made to working together.

The internal control procedures are described in more detail on page 58 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. In 2017, taking into account that the Board has only been in function in full as of IPO, the Non-Executive Directors have not yet met as a group.

Composition of the Board

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

The Board has a diverse composition in terms of educational background, professional expertise, age, and nationality. In this respect, the 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 reappointing 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 provision 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.

Board effectiveness continued

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 2017 upon IPO and are both currently in force.

Conflict 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 2017, 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 Code

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, the Company 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.

Fides Food Systems is the largest holder of shares in the Company and a subsidiary of 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 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, 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 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 a share price of £2.15, this equates to a value of c.£10.75 million) subject to remaining as an employee.

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 or may 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 provisions 2.2.8 ("Evaluation accountability")

The Company does not comply with best practice provisions 2.2.8, which determined, inter alia, that the Board should report on how the evaluation of all non-executive directors, the various committees and the individual non-executive directors has been carried out, how the evaluation of all executive directors and the individual executive directors has been carried out and what has been or will be done with the conclusions from the evaluations. The Board decided that, since it has only been in function in full as of IPO, it will assess its own functioning in 2018 for the first time. However, the Board has discussed whether any immediate improvements or changes that should be made. The Board's view was that a good start had been made to working together. The Board evaluation paragraph can be found on page 55.

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, the Company 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

12 April 2018

Risk and risk management

Our risk management practices, key control framework and internal audits contribute to a balanced approach.

Risk and control framework

The Board has undertaken a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Risk and control management is an integral part of the Group's strategy in order to achieve its targets. The Group defines its risks, mitigates them by implementing key controls and assesses them via internal audits. The DP Eurasia Risk and Control Framework is based on the COSO 2013 framework, supported with various control models and best practices. COSO 2013 is a global control framework providing guidance on enterprise risk management, internal control and fraud deterrence.

The Group's risk management practices, key control framework and internal audits contribute to a balanced approach. The Group mainly focused on financial reporting, operational and laws and regulation compliance controls. There are no specific risks which require attention in the short term and the financial statements are prepared based on the going concern assumption.

Reviews and audits

Internal auditing is under the responsibility of the DP Eurasia Group Risk Management and Internal Audit Department which is independent of management, directly reporting to the Audit Committee and has full access to all Group entities. The Department's Internal Audit Charter and Policy explaining the audit methodology and responsibilities are in line with the International Internal Audit Standards.

Annually, a risk-based internal audit plan is prepared for each Group company and internal audits are executed by the Group Risk Management and Internal Audit Department. The audit results are reported to management and Audit Committee. The action plans regarding internal and external audit issues are followed up. The control environment status update and audit issue follow up are presented to the Audit Committee on a quarterly basis. Management and the Audit Committee monitor the risk management and remediation plans closely, and provide guidance for prioritisation and further improvement.

Tone at the top

The Board has adopted a set of corporate governance policies including code of conduct, Anti-Corruption and Anti-Bribery, Whistleblowing and Audit Committee Charter to define the corporate governance responsibilities.

The Group's values and "doing the right thing" principle determines 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.

The Group's employees are informed about code of conduct compliance requirements when they join the Group. Also, annual refresher trainings are conducted in order to increase awareness and ensure that its values and the code of conduct are part of the daily operations of the Group's employees.

The Group has established an Ethics Committee for each subsidiary in the Group comprised of the HR Director, Head of Internal Audit, CFO and two other Director level members to ensure independence. The Group launched an independent hotline in July 2017, which enables people to report any conflicts with the code of conduct. The Group has received and resolved 60 cases since July 2017. The cases were assessed and investigated by the Group Risk Management and Internal Audit Department. Mitigating controls and disciplinary actions were taken accordingly after Ethics Committee evaluation.

The Group's main risks

The Group categorises risks into four types:

- **strategic risks:** the Group is willing to take a certain level of risk by assessing 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 seek for the mitigations to minimise the potential risk impact; and
- **legal and regulatory risks:** compliance with laws and regulations is essential for the Group, which does not tolerate non-compliance with laws.

We have identified the following risks which may have an adverse impact on the Group:

Strategic

The Group's business is dependent on its Master Franchise Agreements ("MFAs"), the termination of which would materially adversely affect the Group's business, results of operations, financial condition, cash flows and prospects

Risk	Mitigation
The Group is dependent on the agreements that it has entered into with the Master Franchisors. The initial term of each MFA expires on the earlier of: (i) May 2032, May 2030, May 2032 and May 2032, with respect to Turkey, Russia, Azerbaijan and Georgia, respectively; and (ii) the date upon which all store franchise agreements entered into pursuant to such MFAs (whether in relation to corporate stores operated by the Group or franchised stores operated by its sub-franchisees) will expire or be terminated. Each MFA contains an option of the Group to renew for an additional 15 years provided that: (i) the Group is not in breach of that agreement or any store franchise agreements; and (ii) it agrees the terms of a new development plan within the relevant country. The expiration or termination of any of the MFAs would materially adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.	The Group has a good relationship 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 key performance indicators are monitored very closely by the management and Board, and required actions are taken in order to leverage risky areas.

The Group's operations and growth strategy depend to a significant degree on the success of its sub-franchisees, and the Group is subject to a variety of additional risks associated with its sub-franchisees

Risk	Mitigation
A substantial portion of the Group's revenue is generated from the sale of supplies to, royalties generated by, and marketing and other fees charged to, its franchised stores. Accordingly, 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. The Group's franchise system subjects it to a number of risks such as 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.	The franchised stores' financial and operating performance are continually monitored and stores are regularly audited in order to prevent or detect any compliance issues or financial risks. Moreover, the payment performance of the stores is monitored by management and remediation actions are taken to boost the low-performing stores.

Risk and risk management continued

Strategic continued

The Group's growth strategy depends in part on opening profitable new system stores	
Risk	**Mitigation**
The Group seeks to identify key geographical areas where it can enter or expand taking into account numerous factors such as the location of its current system stores (if any), demographics, out-of-home dining ("OHD") expenditure, household income and fast-food restaurant penetration. The Group's analysis may not prove accurate and the areas may not evolve in the future as it expects. Opening new system stores in close proximity with the Group's existing system stores may have a negative effect on the system sales of existing system stores. Market saturation may become significant in the future and could adversely affect its system store sales growth.	The Group spends significant time 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 run and the Group works on improving the premise assessment and rental process.

The Group's infrastructure and internal systems may not be adequate to support the Group's planned growth and strategy	
Risk	**Mitigation**
The Group's existing internal systems and controls, distribution and delivery networks and information technology systems may not be adequate to support its planned expansion. The Group's ability to manage its growth effectively will require it to continue to enhance these systems, procedures and controls and to locate, hire, train and retain management and operating personnel. The Group may not be able to respond on a timely basis to all of the changing demands that its planned expansion will impose on management and on the Group's existing infrastructure, or the Group may prove unable to hire or retain the necessary management and operating personnel. Not meeting these demands could cause the Group to operate its existing business less effectively which, in turn, could cause deterioration in the Group's financial performance. If the Group experiences a decline in financial performance, it may decrease the number of, or discontinue store openings or limit the growth of its franchise system, or it may decide to close stores that are unable to operate in a profitable manner.	The Group has renewed the customer facing applications in 2017, and will be renewing the desktop and mobile web platforms in 2018. In addition, in October 2017, the Group has migrated these applications from data centre to Cloud, which strengthens scalability, availability and performance, and consequently serves the growth. The Group is aiming to strengthen internal systems/enterprise applications with different projects ongoing or on the pipeline. Additionally, the Group Risk Management and Internal Audit Department established in 2017 is mainly responsible for conducting business process audits, assessing risks, evaluating design and effectiveness of the process controls. They monitor the remediation actions in terms of manual and system controls, and provide consultancy services to automate the processes in order to mitigate those risks.

The Group's marketing initiatives may not be successful, and the Group's new products, advertising campaigns and store designs and refurbishments may not generate increased sales or profits	
Risk	**Mitigation**
The Group incurs significant costs in marketing efforts. The Group also spends significant time and resources in innovating products and refurbishing and updating its system stores with the goal of increasing brand loyalty and attracting and retaining customers. However, these initiatives may not be successful in generating higher sales.	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. One of the recent innovation examples is the new product "sandwich" launched in Q1 2018. Innovative digital marketing efforts have brought a significant increase in sales in 2017.

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

Risk

The Group's reputation and the quality of the Domino's Pizza brand are critical to its business and success and the Group's business could be negatively affected if either of them is harmed. The Group believes that it has built its reputation on the high quality of its products and the convenience of its offering, its commitment to customers, its strong employee culture and the atmosphere and design of its stores. The Group must protect and grow the value of the Domino's Pizza brand in order for it to continue to be successful. 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 the Group uses;
- employee or customer injury, including driver accidents causing serious injury; and
- 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 2017 commissary audits were over 90% in compliance with Domino's Pizza International standards. The Group also monitors the health and safety compliance requirements in the stores and premises and takes preventive/detective actions accordingly.

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

Risk

The Group competes against international chains, as well as many national, regional and local businesses in the pizza delivery, pizza takeaway/eat-in and fast-food restaurant sectors not only for customers, but also for management and store employees, suitable real estate sites and qualified sub-franchisees. 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. In addition, in Turkey, the Group currently offers its products through Yemeksepeti, an aggregator; termination of this arrangement could reduce the Group's sales and/or increase the competition that it faces from aggregators in the pizza delivery market.

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.

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

Risk

Food service businesses are affected by changes in consumer tastes, national, regional and local economic conditions and demographic trends. Moreover, because the Group is primarily dependent on a single product, if consumer demand for pizza should decrease, the Group's business would suffer more than if the Group had a more diversified menu, as many other food service businesses do.

Mitigation

The Group consistently works on enhancing the products and menu in order to meet customer preferences. Commonly used tools are qualitative and quantitative marketing tests such as portfolio management, AB testing, product test, concept test, sensory testing and (before launch) having a test market based on a sample that depends on the product and campaign characteristics (e.g. "Sandwich project" launched in Q1 2018).

Risk and risk management continued

Strategic continued

The Group depends on key members of its senior management

Risk	Mitigation
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, as the Group may not be able to find suitable individuals to replace such personnel on a timely basis, without incurring increased costs, or at all, which could materially adversely affect the Group's business, results of operations, financial condition, cash flows and prospects.	The Group has established the Selection and Appointment Committee in 2017. The Committee mainly serves for drawing up selection criteria and appointment procedures for Directors; periodically assessing the size and composition of the Board, and making a proposal for a composition profile of the Board; periodically assessing the functioning of individual Directors, and reporting on this to the Board; drawing up a plan for the succession of Directors; making proposals for appointments and re-appointments; and supervising the policy of the Board regarding the selection criteria and appointment procedures for senior management to mitigate and manage the risk of losing services of the senior management.

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

Risk	Mitigation
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. In addition, 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.	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

The Group relies on third-party suppliers and service providers and it may face shortages or interruptions in the supply of raw materials, ingredients or complementary products

Risk	Mitigation
The Group's business and that of its sub-franchisees 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.	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 those of our suppliers.

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

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

Financial

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

Risk	Mitigation
The Group's profitability depends in part on its ability to manage changes in the price and availability of food and other commodities including, among other things, 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.	The Group continually looks at 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 by gradually increasing certain product prices.

Exchange rate fluctuations could have an adverse effect on the Group

Risk	Mitigation
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.	The Group mitigates this risk by agreeing fixed exchange rates with its suppliers, wherever possible. The Group also controls exposure to the exchange rate fluctuations by minimising the foreign currency nominated borrowing. The Group had Euro-denominated borrowings of TRY 158.1 million as at 31 December 2017. TRY 83.0 million of this amount is hedged via the Euro-denominated long-term cash deposit which the Turkish segment holds as collateral on a Russian segment loan and the Euro-denominated cash deposit at the Company level.

Risk and risk management continued

Compliance

The Group faces risk of litigation from customers, sub-franchisees, employees and others in the ordinary course of business, which diverts financial and management resources

Risk	Mitigation
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.	The Group is working on the improvement of its operational controls and processes in order to prevent/detect food quality issues by different methods (store audits, quality and mystery customer audits, etc). Additionally, an independent hotline was launched in July 2017 for the Group, which enables people to report Code of Conduct conflicts such as wrongful termination, wages and overtime issues, quality concerns, potential frauds etc. The cases are investigated and preventive actions are taken wherever possible in order to implement permanent solutions and prevent repetition of these cases.

Violations of data protection laws carry fines and expose us and/or the Group's employees to criminal sanctions and civil suits

Risk	Mitigation
Non-compliance with data protection laws could expose the Group to regulatory investigations, which could result in fines and penalties. Regulators may also issue orders to stop processing personal data in addition to imposing fines, which could disrupt operations. The Group could also 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 our earnings, cash flows and financial condition.	The Group periodically gets consultancy services in order to assess compliance with the data protection laws and takes the stated actions to meet the legal requirements.

The Group relies heavily on information technology and may face security breaches or failures

Risk	Mitigation
The Group relies heavily, and is increasingly 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 cybersecurity 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.	The Group has employed significant resources to develop its security measures against breaches. In addition, continuous monitoring services are being provided from service suppliers to prevent and detect the attacks. Denial-of-service and web application firewall services are provided from Cloud platform in order to prevent potential attacks to online ordering platforms. Also, data leakage prevention system is used for prevention and detection of the data leakages in enterprise business applications.

Conclusion

In 2017, no major failings in the internal risk management and control systems were discovered. 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 70 to 112 of the Annual Report, provide a true and fair view of the assets, liabilities and financial position as at 31 December 2017 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 of 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, 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)

12 April 2018

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 2017 was €17,444,689.68 consisting of 145,372,414 ordinary shares of €0.12 each.

In the written unanimous resolution of the General Meeting of DP Eurasia on 12 June 2017 the General Meeting designated the Board as the corporate body authorised to issue shares and to grant rights to subscribe for shares limited to a maximum of one-third of the IPO shares and to restrict or exclude pre-emptive rights accruing to shareholders of the Company limited to a maximum of 5% of the IPO shares. By virtue of its authorisation by the General Meeting, the Board is also authorised to purchase shares in the Company, up to a maximum of 10% of the IPO shares, 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.

These designations and authorisations have been given for a period of fifteen months ending on the earlier of the conclusion of the 2018 AGM of DP Eurasia or the close of business on 12 September 2018. Such authorities are renewed annually and authority will be sought at the Company's 2018 AGM.

Dividend policy

The Group does not expect to declare any dividends in 2017. In future years, the Group will consider the pay out 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. Our 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 31 December 2017.

31 Dec 2017	Share %	Amount
Fides Food Systems Coöperatief U.A.	42.81	62,235,123
Charlemagne Capital IOM	4.90	7,117,652
Vision Lovemark Coöperatief U.A.(1)	4.89	7,106,310
Capital Research Global Investors(2)	4.06	—
Small Cap World Fund, Inc.(2)	—	5,895,000
Jupiter Asset Management	3.57	5,187,851
Wellington Management Company	3.12	4,542,442

(1) Vision Lovemark Coöperatief U.A. is the personal holding company of Aslan Saranga.

(2) Capital Research Global Investors holds the voting rights and Small Cap World Fund, Inc. holds the equity shares.

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 24 May 2018 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. 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 Turkish Private Equity Fund II L.P. ("TPEF II"), a fund advised by Turk Advisory Ventures Limited ("Turkven"), through its subsidiary Fides Food Systems Coöperatief U.A. ("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 of shareholders ("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").

Relationship Agreement and the controlling shareholder continued

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 Coöperatief U.A. 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 Sales and Marketing Director, the Supply Chain, Purchasing and Investments Director, the Franchise Operations and Business Development Director, the Corporate Operations Director, the Human Resources Director and the Online Channels and Information Technologies 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. Briefings are given to update the market after each quarterly announcement via group meetings or teleconference and are accessible by phone.

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 annual general meeting will be held on 24 May 2018.

Forward-looking statements

Certain statements in this report are not historical facts and are or are deemed to be 'forward-looking'. The Company's prospects, plans, financial position and business strategy, and statements pertaining to the capital resources, future expenditure for development projects and results of operations, may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology including, but not limited to; 'may', 'expect', 'intend', 'estimate', 'anticipate', 'plan', 'foresee', 'will', 'could', 'may', 'might', 'believe' or 'continue' or the negatives of these terms or variations of them or similar terminology. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These forward-looking statements involve a number of risks, uncertainties and other facts that may cause actual results to be materially different from those expressed or implied in these forward-looking statements because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict.

Forward-looking statements are not guarantees of future performances.

Factors, risk and uncertainties that could cause actual outcomes and results to be materially different from those projected include, but are not limited to, the following: risks relating to changes in political, economic and social conditions; future prices and demand for the Company's products and demand for the Group's customers' products; future expansion plans and capital expenditures; the Group's relationship with, and conditions affecting, the Group's customers; competition; weather conditions or catastrophic damage; and risks relating to global economic conditions and the global economic environment. Forward-looking statements speak only as of the date of this report.

The Company expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained in this report to reflect any change in its expectations or any change in events, conditions, assumptions or circumstances on which any such statement is based, unless so required by applicable law.

Consolidated statement of comprehensive income

For the years ended 31 December 2017 and 2016

	Notes	2017	2016
Income statement			
Revenue	4	**632,982**	451,097
Cost of sales	4	**(398,717)**	(279,587)
Gross profit	4	**234,265**	171,510
General administrative expenses		**(109,122)**	(68,914)
Marketing and selling expenses		**(82,630)**	(61,277)
Other operating (expense)/income	6	**(3,637)**	528
Operating profit		**38,876**	41,847
Foreign exchange (losses)/gains		**(11,666)**	12,006
Financial income	7	**1,209**	1,442
Financial expense	7	**(21,636)**	(16,992)
Profit before income tax		**6,783**	38,303
Tax expense	20	**(1,948)**	(8,982)
Income tax expense	20	**(8,270)**	(7,251)
Deferred tax income/(expense)	20	**6,322**	(1,731)
Profit for the year		**4,835**	29,321
Other comprehensive loss		**(2,987)**	(18,104)
Items not be reclassified to profit or loss on other comprehensive loss		**(266)**	(629)
– Remeasurements of post-employment benefit obligations, net		**(266)**	(629)
Items to be reclassified to profit or loss on other comprehensive loss		**(2,721)**	(17,475)
– Currency translation differences		**(2,721)**	(17,475)
Total comprehensive income		**1,847**	11,217
Earnings per share(1)	8	**0.06**	6.47

(1) 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 2017

	Notes	2017	2016
Assets			
Trade receivables	13	**14,949**	9,611
Property and equipment	9	**128,396**	97,848
Intangible assets	10	**40,331**	34,043
Goodwill	11	**44,209**	43,560
Deferred tax assets	20	**7,883**	—
Other non-current assets	16	**31,954**	25,980
Non-current assets		**267,722**	211,042
Cash and cash equivalents	12	**76,128**	19,502
Trade receivables	13	**65,236**	54,676
Due from related parties	12, 14	**15**	1,259
Inventories	15	**56,259**	42,025
Other current assets	16	**27,852**	22,048
Current assets		**225,490**	139,510
Total assets		**493,212**	350,552
Equity			
Paid in share capital	22	**36,353**	120
Share premium		**119,286**	63,757
Contribution from shareholders	21	**18,183**	16,666
Other comprehensive income/(expense) not to be reclassified to profit or loss			
– Remeasurements of post-employment benefit obligations		**(2,193)**	(1,927)
Other comprehensive income/(expense) to be reclassified to profit or loss			
– Currency translation differences		**(10,802)**	(8,081)
Retained earnings		**(6,227)**	(11,062)
Total equity		**154,600**	59,473
Liabilities			
Financial liabilities	17	**85,753**	80,594
Long-term provisions for employee benefits	16	**1,374**	922
Deferred tax liability	20	**6,350**	5,193
Other non-current liabilities		**114**	—
Non-current liabilities		**93,591**	86,709
Financial liabilities	17	**142,152**	118,907
Trade payables	13	**60,070**	39,356
Due to related parties	13, 14	**—**	386
Current income tax liabilities	20	**2,181**	2,317
Provisions	18	**7,692**	4,478
Other current liabilities	16	**32,926**	38,926
Current liabilities		**245,021**	204,370
Total liabilities		**338,612**	291,079
Total liabilities and equity		**493,212**	350,552

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 2017

	Share capital	Invested capital	Share premium	Contribution from shareholders	Remeasurement of post-employment benefit obligations	Currency translation differences	Retained earnings	Total equity
Balances at 1 January 2016	—	118	63,759	10,970	(1,298)	9,394	(40,383)	42,560
Transfers	120	(118)	(2)	—	—	—	—	—
Remeasurements of post-employment benefit obligations, net	—	—	—	—	(629)	—	—	(629)
Total income for the year	—	—	—	—	—	—	29,321	29,321
Total comprehensive income	—	—	—	—	*(629)*	—	*29,321*	*28,692*
Currency translation adjustments	—	—	—	—		(17,475)	—	(17,475)
Share-based incentive plans (Note 21)	—	—	—	5,696	—	—	—	5,696
Balances at 31 December 2016	120	—	63,757	16,666	(1,927)	(8,081)	(11,062)	59,473
Balances at 1 January 2017	120	—	63,757	16,666	(1,927)	(8,081)	(11,062)	59,473
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)**
Total income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**4,835**	**4,835**
Total comprehensive income	**—**	**—**	**—**	**—**	***(266)***	**—**	***4,835***	***4,569***
Currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(2,721)**	**—**	**(2,721)**
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)**	**(10,802)**	**(6,227)**	**154,600**

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 2017

	Notes	2017	2016
Profit before income tax		**6,783**	38,303
Adjustments for			
Depreciation	9	**29,274**	19,755
Amortisation	10	**11,850**	6,915
Losses on sale of property and equipment	24	**1,445**	940
Provision for performance bonus	18	**5,576**	3,244
Non-cash employee benefits expense – share-based payments	6, 21	**1,517**	5,696
Interest income	7	**(1,209)**	(1,442)
Interest expense	7	**20,565**	16,617
Unrealised foreign exchange losses/(gains) on borrowings		**10,400**	(15,447)
Changes in operating assets and liabilities			
Changes in trade receivables		**(15,898)**	(23,187)
Changes in other receivables and assets		**(10,534)**	(30,146)
Changes in inventories		**(14,234)**	(7,185)
Changes in trade payables		**20,714**	(2,736)
Changes in other payables and liabilities		**(5,269)**	876
Taxes paid	20	**(8,406)**	(7,547)
Performance bonuses paid	18	**(3,244)**	(2,797)
Cash flows generated from operating activities		**49,330**	1,859
Purchases of property and equipment		**(50,450)**	(30,046)
Purchases of intangible assets	10	**(17,891)**	(8,230)
Disposal of tangible and intangible assets		**6,156**	2,835
Cash flows used in investing activities		**(62,185)**	(35,441)
Interest paid		**(18,283)**	(16,523)
Interest received		**1,209**	1,442
Loans obtained		**527,231**	545,813
Loans paid		**(528,511)**	(487,879)
Financial lease payments		**(8,325)**	(3,244)
Transaction cost	6	**(2,370)**	—
Share capital/share premium		**94,132**	—
Cash flows generated from financing activities		**65,083**	39,609
Effect of currency translation differences		**4,398**	16
Net increase in cash and cash equivalents		**56,626**	6,043
Cash and cash equivalents at the beginning of the period	12	**19,502**	13,459
Cash and cash equivalents at the end of the period	12	**76,128**	19,502

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 2017

Note 1 – 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. 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.

In combinations involving entities or businesses under common control, assets and liabilities subject to a business combination are recognised at their predecessor values in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted for as contribution from shareholders under equity.

The principal activity of the Company consists of acting as an investment company. Upon the incorporation of the Company, the shareholders of the Company have transferred their shares in the subsidiaries listed below as a part of the reorganisation explained in Note 2.2.

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:

- DP Eurasia at a glance;
- How DP Eurasia performed in 2017;
- How DP Eurasia created value in 2017;
- CEO statement;
- Strategic performance;
- Governance and compliance: corporate governance statement;
- Governance and compliance: remuneration report;
- Financial information: Note 3 Operating income; and
- Financial information: Note 23 Financial risk management.

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

As at 31 December 2017, the Group operates in 643 stores (402 franchise stores, 241 Company-owned stores) (31 December 2016: 567 stores (355 franchise stores, 212 Company-owned stores).

The consolidated financial statements as at and for the period 31 December 2017 have been approved and authorised for issue on 12 April 2018 by the Board of Directors. The financial statements are subject to adoption by the Annual General Meeting of Shareholders.

Subsidiaries

The Company has a total of five fully-owned subsidiaries. The entities included in the scope of the consolidated financial statements and nature of their business is as follows:

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

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

The Group's effective ownership of the subsidiaries are as follows:

Subsidiaries	31 Dec 2017 Effective ownership (%)	31 Dec 2016 Effective ownership (%)
Fides Grup Gıda Üretim ve Restaurant İşletmeciliği A.Ş. ("Fides Turkey")	**100.00**	100.00
Pizza Restaurantları A.Ş. ("Domino's Turkey")	**100.00**	100.00
Pizza Restaurants LLC ("Domino's Russia")	**100.00**	100.00
Fidesrus B.V. ("Fidesrus")	**100.00**	100.00
Fides Food Systems B.V. ("Fides Food")	**100.00**	100.00

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.

Fides Grup Gıda Üretim ve 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 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 Food Systems BV and Fidesrus BV ("Fides Food" and "Fidesrus", respectively) are established in the Netherlands. Both Fides Food and Fidesrus are acting as investment companies.

Note 2 – Basis of presentation of 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") 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 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 Commercial Code (the "TCC"). 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.

Domino's Russia is registered in the Russian Federation, and 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 statement of Domino's Russia is based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation in accordance with IFRS.

As explained in Note 2.2, the financial statements of the subsidiaries have been consolidated as if the Group structure was valid since the beginning of the earliest year presented.

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.

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

Note 2 – Basis of presentation of consolidated financial statements continued

2.2 Principles of consolidation

The consolidated financial statements includes the parent company, DP Eurasia N.V. and its subsidiaries for the year ended at 31 December 2017. 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 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The subsidiaries fully consolidated, the proportion of ownership interest and the effective interest of the Group in these subsidiaries as of 31 December 2017 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 income of the subsidiaries are consolidated on line-by-line basis and the carrying value 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 ("TRY"), 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 of the opening net assets of foreign undertakings and differences between the average and statement of financial position date rates are included in "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 2017		31 Dec 2016	
Currency	Period end	Period average	Period end	Period average
Euros	**4.515500**	**4.115884**	3.70990	3.33755
Russian Roubles	**0.065070**	**0.062174**	0.05732	0.04506

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

2.3 New and amended international financial reporting standards

a) Standards, amendments and interpretations applicable as at 31 December 2017:

- **amendments to IAS 7**, 'Statement of cash flows'; on disclosure initiative effective from annual periods beginning on or after 1 January 2017; and
- **amendments to IAS 12**, 'Income Taxes'; effective from annual periods beginning on or after 1 January 2017.

b) Standards, amendments and interpretations effective after 1 January 2018:

- **IFRS 9**, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. Since the Group does not have significant doubtful accounts, the Group management thinks that the change in the standard will not have a significant effect on the financial statements;
- **IFRS 15**, 'Revenue from contracts with customers'; effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition;
- **amendment to IFRS 15**, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

  Impact: The Company's revenues are comprised of sales to third party customers on its corporate stores, raw material sales to franchises and royalty and other income and there is usually a single performance obligation to act. The effect of this standard on the consolidated financial statements is going to be related mostly with the accounting of franchise fees, revenue related to these fees will be deferred when the standard is adopted. The impact of the standard will be finalised and disclosed as part of the half year financials; and
- **amendments to IFRS 2**, 'Share-based payments' on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018.

c) Standards, amendments and interpretations effective after 1 January 2019:

- **IFRS 16, 'Leases'**, Nature of change: IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

  Impact: The standard will affect primarily the accounting for the Group's operating leases. However, the Group has not yet completed its assessment to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

2.4 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.

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

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies

Accounting estimates

The preparation of the consolidated financial statements in accordance with IFRS requires Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically and, as adjustments become necessary, they are recognised in the income statement on an accruals basis.

The most significant estimates used in the preparation of the consolidated financial statement and judgements on amounts recognised in the consolidated financial statement are mainly related to deferred income tax recognition, impairment of tangible assets, share-based payments and goodwill (Note 2.6).

Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group does not accept returns unless there is an issue about the quality of the products.

Sale of goods – corporate (retail)

Revenue from pizza delivery sales from Company-owned stores is recognised on delivery to customers.

Sale of goods – franchise (wholesale)

Revenue from raw materials and equipment sales to franchise-owned stores is recognised on delivery to franchisees at a specified location.

Franchise fees

The franchise fee is effectively a joining fee; it is non-refundable and no element of the franchise fee relates to subsequent services. Revenue from franchisee fees is recognised when a franchisee opens a store for trading.

Royalty income

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.

Finance income

Interest income is recognised as the interest accrues, using the effective interest method.

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 which are subject to an insignificant risk of change in value.

Trade receivables

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

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows.

If the amount of the impairment subsequently decreases due to an event occurring after the write down, the release of the provision is credited to the statement of income.

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

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.

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

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.

Properties 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 included in the related other income or other expense accounts, as appropriate.

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

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies continued

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, the 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.

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, 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 life 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. 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 acquire and the fair value of the non-controlling interest in the acquire.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or the Company's CGUs, that are 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.

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.

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

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 presentational 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.

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.

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. Up-front fees received as volume rebates are recognised as a liability in the financial statements.

Performance bonus accruals

Realisation of performance bonus depends on financial and non-financial performance of the Group. Performance bonus accrual is recognised when the Group achieved its minimum requirements and 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.

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

Note 2 – Basis of presentation of consolidated financial statements continued

2.5 Summary of significant accounting policies continued

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.

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.

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.

Share-based payment

Share-based compensation benefits are provided to members of management via the Phantom Option Structure. Information relating to that equity-settled incentive scheme is set out in Note 21.

The fair value of options granted under the Phantom Option Structure 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 period).

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 were issued from share premium.

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 Admission. 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.

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

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

Earnings/(loss) per share

Earnings per share disclosed in these 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 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.

Segment reporting

The Group has three 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 and Dutch Corporate Expenses. 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 performance of the operating segments, has been identified as the management team, including the Chief Executive Officer, Chief Strategy Officer and Chief Financial 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 adding non-recurring and non-trade income/expenses determined by the Group management. EBITDA calculated based on this approach is defined as “Adjusted EBITDA”. The management primarily use 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 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 not directly comparable.

2.6 Significant accounting estimates

The preparation of the 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); and
- share-based payments (Note 21).

Significant judgements or estimates are disclosed in the related notes.

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2017

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 2017 and 2016 comprise the performance and the management of Turkish and Russian operations and Head Office.

The segment analysis for the period ended 31 December 2017 and 2016 are as follows:

1 January – 31 December 2017	Turkey	Russia	Dutch corporate expenses	Elimination	Total
Corporate revenue	183,473	187,197	—	—	370,670
Franchise revenue and royalty revenue obtained from franchisees	218,262	8,362	—	—	226,624
Other revenue	23,953	11,734	—	—	35,687
Total revenue	425,689	207,293	—	—	632,982
Operating profit	56,571	(2,949)	(14,746)	—	38,876
Capital expenditures	36,740	41,739	—	—	78,479
Depreciation and amortisation expenses	(27,107)	(14,017)	—	—	(41,124)

31 December 2017	Turkey	Russia	Dutch corporate expenses	Elimination	Total
Financial liabilities					
– TRY	56,439	—	—	—	56,439
– EUR	29,577	128,520	—	—	158,097
– RUB	—	13,369	—	—	13,369
Total	86,016	141,889	—	—	227,905

1 January – 31 December 2016	Turkey	Russia	Dutch corporate expenses	Elimination	Total
Corporate revenue	175,040	75,036	—	—	250,076
Franchise revenue and royalty revenue obtained from franchisees	181,122	2,652	—	—	183,774
Other revenue	17,247	—	—	—	17,247
Total revenue	373,409	77,688	—	—	451,097
Operating profit	44,194	(2,347)	(467)	467	41,847
Capital expenditures	24,960	20,734	—	—	45,694
Depreciation and amortisation expenses	(21,558)	(5,112)	—	—	(26,670)

31 December 2016	Turkey	Russia	Dutch corporate expenses	Elimination	Total
Financial liabilities					
– TRY	55,894	—	—	—	55,894
– EUR	38,806	96,520	—	—	135,326
– RUB	—	8,281	—	—	8,281
Total	94,700	104,801	—	—	199,501

The reconciliation of adjusted EBITDAs as of 31 December 2017 and 2016 is as follows:

Turkey	2017	2016
Revenue	425,689	373,409
Operating profit	56,571	44,194
Depreciation and amortisation	(27,107)	(21,558)
EBITDA	83,678	65,752
Non-recurring and non-trade (income)/expenses per Group management[1]		
IPO costs	1,847	553
Share-based incentives	195	5,696
Adjusted EBITDA[1]	85,720	72,001

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

Russia	2017	2016
Revenue	207,293	77,688
Operating profit	(2,949)	(2,347)
Depreciation and amortisation	(14,018)	(5,112)
EBITDA	11,069	2,765
Non-recurring and non-trade (income)/expenses per Group management[1]		
Share-based incentives	1,322	—
IPO costs	63	376
Adjusted EBITDA[1]	12,454	3,141

Dutch corporate expenses	2017	2016
Operating profit	(14,746)	—
EBITDA	(14,746)	—
Non-recurring and non-trade (income)/expenses per Group management[1]		
IPO costs	13,410	—
Adjusted EBITDA[1]	(1,336)	—

(1) EBITDA, adjusted EBITDA and non-recurring and non-trade (income)/expenses are not defined by IFRS. These items determined by the principles defined by the Group management comprises (income)/expenses which are assumed by the Group management that are not 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 2017 and 2016 is as follows:

	2017	2016
Profit/(loss) for the year as reported	4,835	29,321
Non-recurring and non-trade (income)/expenses per Group management		
IPO costs	15,320	929
Share-based incentives	1,517	5,696
Tax effect	—	(186)
Adjusted net income for the year[1]	21,672	35,760

(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 head count for the Group is as follows:

31 December 2017	The Netherlands	Turkey	Russia
Number of employees	1	2,457	1,532

31 December 2016	The Netherlands	Turkey	Russia
Number of employees	—	2,415	1,263

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2017

Note 4 – Revenue and cost of sales

	2017	2016
Corporate revenue	370,670	250,076
Franchise revenue and royalty revenue obtained from franchisees	226,624	183,774
Other revenue	35,688	17,247
Revenue	632,982	451,097
Cost of sales	(398,717)	(279,587)
Gross profit	234,265	171,510

Note 5 – Expenses by nature

	2017	2016
Personnel expenses	144,212	104,060
Depreciation and amortisation expenses	41,124	26,670
	185,336	130,730

Note 6 – Other operating income and expenses

Other income	2017	2016
Foreign exchange gains	1,016	2,892
Interest income arising from sales with extended terms	906	1,727
Gain from sale of property and equipment	496	—
Other	1,389	647
	3,807	5,266

Other expense	2017	2016
Foreign exchange losses	1,454	1,171
Losses from sale of property and equipment	1,941	940
Legal and other provision expenses	982	—
Other	3,067	2,627
	7,444	4,738
Other operating (expense)/income, net	(3,637)	528

Note 7 – Financial income and expenses

Financial income	2017	2016
Interest income	1,209	1,442
	1,209	1,442

Financial expense		
Interest expense	20,565	16,617
Other	1,071	375
	21,636	16,992

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

Note 8 – Earnings/(loss) per share

	31 Dec 2017	31 Dec 2016
Average number of shares existing during the period	**74,565,655**	4,532,740
Net profit for the period attributable to equity holders of the parent as reported	**4,835**	29,321
Earnings per share as reported	**0.06**	6.47

The reconciliation of adjusted earnings per share as of 31 December 2017 and 2016 is as follows:

	31 Dec 2017	31 Dec 2016
Average number of shares existing during the period	**74,565,655**	4,532,740
Net profit for the period attributable to equity holders of the parent as reported	**4,835**	29,321
Non-recurring and non-trade (income)/expenses per Group management[1]		
IPO costs	**15,320**	929
Share-based incentives	**1,517**	5,696
Tax effect	**—**	(186)
Adjusted net profit for the period attributable to equity holders of the parent	**21,672**	35,760
Adjusted earnings per share	**0.29**	7.82

(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.

The earning per share presented for the years ended 31 December 2017 is based on the issued share capital of DP Eurasia N.V. at the date of acquisition (for further details, see Note 2).

Note 9 – Property and equipment

	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	15,522	10,138	(1,071)	—	1,688	**26,277**
Furniture and fixtures	50,942	11,430	(4,112)	226	160	**58,646**
Leasehold improvements	58,187	19,892	(5,143)	1,414	3,149	**77,499**
Construction in progress	8,738	6,713	(1,652)	(4,061)	473	**10,211**
	158,906	60,588	(13,256)	(148)	8,637	**214,727**
Accumulated depreciation						
Machinery and equipment	(6,070)	(5,189)	454	—	(689)	**(11,494)**
Motor vehicles	(5,734)	(5,957)	1,104	—	(455)	**(11,042)**
Furniture and fixtures	(21,998)	(6,640)	1,723	—	(38)	**(26,953)**
Leasehold improvements	(27,256)	(11,488)	2,567	—	(665)	**(36,842)**
	(61,058)	(29,274)	5,848	—	(1,847)	**(86,331)**
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.

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

Note 9 – Property and equipment continued

	1 Jan 2016	Additions	Disposals	Transfers	Currency translation adjustments	31 Dec 2016
Cost						
Machinery and equipment	13,374	7,119	–	–	5,024	25,517
Motor vehicles	6,350	7,418	(941)	–	2,695	15,522
Furniture and fixtures	46,289	7,814	(3,420)	–	259	50,942
Leasehold improvements	46,477	7,025	(3,064)	3,034	4,715	58,187
Construction in progress	2,626	8,088	–	(3,034)	1,058	8,738
	115,116	37,464	(7,425)	–	13,751	158,906
Accumulated depreciation						
Machinery and equipment	(2,871)	(2,261)	–	–	(938)	(6,070)
Motor vehicles	(3,122)	(2,788)	819	–	(643)	(5,734)
Furniture and fixtures	(17,153)	(6,981)	2,191	–	(55)	(21,998)
Leasehold improvements	(20,273)	(7,725)	1,565	–	(823)	(27,256)
	(43,419)	(19,755)	4,575	–	(2,459)	(61,058)
Net book value	71,697					97,848

Depreciation expense of TRY 14,619 has been charged in cost of sales and TRY 5,136 has been charged in general administrative expenses.

At 31 December 2017 and 2016, leased assets included in the table on page 88, where the Group is lessee under a finance lease are as follows:

	31 Dec 2017	31 Dec 2016
Vehicles	**11,826**	8,190
Accumulated depreciation	**(5,957)**	(1,607)
Net book value	**5,869**	6,583

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

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 2017.

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

Note 10 – Intangible assets

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

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

	1 Jan 2016	Additions	Disposals	Currency translation adjustments	31 Dec 2016
Cost					
Key money	4,675	13	(1,954)	—	2,734
Franchise contracts	48,485	—	—	—	48,485
Computer software	10,996	8,217	(116)	405	19,502
	64,156	8,230	(2,070)	405	70,721
Accumulated amortisation					
Key money	(1,483)	(894)	1,057	—	(1,320)
Franchise contracts	(25,859)	(4,848)	—	—	(30,707)
Computer software	(3,422)	(1,173)	88	(144)	(4,651)
	(30,764)	(6,915)	1,145	(144)	(36,678)
Net book value	33,392				34,043

Amortisation expense of TRY 4,424 has been charged in cost of sales and TRY 2,491 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.)

Note 11 – Goodwill

The goodwill balance amounts to TRY 44,209 (including the currency translation adjustment amounting to TRY 559) in the consolidated financial statement as of 31 December 2017 (31 December 2016: TRY 43,560).

Acquisition of Pizza Restaurantları A.Ş.

On 1 September 2010, the Group acquired the shares of Pizza Restaurantları A.Ş., which operates in pizza delivery business with a network of Company- and franchise-owned stores in Turkey. Following the acquisition, goodwill amounting to TRY 37,961 was recognised in the consolidated financial statements based acquisition accounting applied under IFRS 3, 'Business combinations'. This is the part of the group CGU Turkey.

Acquisition of Russian operations

On 15 February 2013, the Group acquired the fixed assets of a pizza network operating in Moscow, Russia. Although the Group did not acquire shares of a company, the acquisition is treated as a business combination in accordance with IFRS 3, 'Business combinations' as the inputs and operational processes that have the ability to create outputs, have been transferred to the Group. This is the part of the group CGU Russia.

TRY 6,248 (including currency translation differences amounting to TRY 649) of the goodwill recognised in the consolidated financial statements has arisen from acquisition of the Russian pizza delivery network. The access to the related market and creation of synergy with the wider Group are the main reasons behind the recognised goodwill.

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 uses 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 5.0%, and 6.5% for the Turkish market for 2017 and 2016, 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 rate 9.4% – 19.3% for Turkey (2016: 15% – 23%) and 25% – 29% for Russia (2016: 25% – 84%) respectively. Management determined these key assumptions based on past performance and its expectations on market development. Further, management applied pre-tax discount rates of 15% for 2016, 14% for 2017 for Turkey and 17.5% for 2016 and 16.2% for 2017 for the 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 2017.

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 2017.

(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 2017 and 2016 are as follows:

	31 Dec 2017	31 Dec 2016
Cash	1,365	987
Banks	63,438	10,412
Credit card receivables	11,325	8,103
	76,128	19,502

Maturity term of credit card receivables are 30 days on average (31 December 2016 and 2015: 30 days).

The detail functional currency of the banks is as below:

	31 Dec 2017	31 Dec 2016
EURO	54,807	14
TRY	7,664	3,697
RUB	967	6,673
USD	—	28
	63,438	10,412

Note 13 – Trade receivables and payables

a) Short-term trade receivables

	31 Dec 2017	31 Dec 2016
Trade receivables	48,392	43,615
Post-dated cheques	17,041	11,782
Receivables from related parties (Note 14)	15	1,259
	65,448	56,656
Less: unearned financial income	(105)	(580)
Less: doubtful trade receivable	(92)	(141)
Short-term trade and other receivables, net	65,251	55,935

The average collection period for trade receivables is between 30 and 60 days (2016 and 2015: 30 and 60 days).

Movement of provision for doubtful receivables is as follows:

	2017	2016
1 January	141	—
(Collections)/current year charge	(49)	141
31 December	92	141

b) Long-term trade receivables

	31 Dec 2017	31 Dec 2016
Post-dated cheques	14,949	9,611
	14,949	9,611

c) Short-term trade and other payables

	31 Dec 2017	31 Dec 2016
Trade payables	57,297	36,063
Other payables	2,773	3,293
	60,070	39,356

The weighted average term of trade payables is less than three months. Short-term payables with no stated interest are measured at the original invoice amount, unless the effect of imputing interest is significant (31 December 2017 and 2016: less than three months).

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

Note 14 – Transactions and balances with related parties

The details of receivables and payables from related parties as of 31 December 2017 and 2016 and transactions is as follows:

a) Due from related parties

	31 Dec 2017	31 Dec 2016
Receivables from key management	–	1,247
Other	15	12
	15	1,259

b) Due to related parties

	31 Dec 2017	31 Dec 2016
Payables to key management	–	386
	–	386

c) Service expenses

	2017	2016
Fides Food Systems Coöperatief U.A.	–	12
	–	12

d) Key management compensation

	31 Dec 2017	31 Dec 2016
Short-term employee benefits	14,202	8,897
Share-based incentives (Note 21)	1,517	5,696
	15,719	14,593

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

e) Board compensation

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for the year ended 31 December 2017. Frederieke Slot joined the Board in June 2017 and Peter Williams and Tom Singer joined the Board in July 2017. Their figures in the table are part-year and relate only to the portion of 2017 that they were Board members.

	Year ending 31 Dec 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	—	—	—	—	—	—	—

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 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 granted to Executive Directors. As a result, this column has a zero figure in the table above.

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 above 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 2017	31 Dec 2016
Raw materials	**47,128**	36,388
Other inventory	**9,131**	5,637
	56,259	42,025

The cost of inventories recognised as expense and included in "cost of sales" amounted to TRY 204,895 in 2017 (2016: TRY 153,358).

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

Note 16 – Other receivables, assets and liabilities

Other current assets

	31 Dec 2017	31 Dec 2016
Advance payments to suppliers	**15,534**	15,088
Prepaid rent expenses	**3,804**	1,644
VAT receivable	**2,951**	2,016
Prepaid insurance expenses	**1,059**	592
Prepaid marketing expenses	**951**	864
Other	**3,553**	1,742
Total	**27,852**	22,048

Other non-current assets

	31 Dec 2017	31 Dec 2016
Long-term deposits for loan guarantees	**28,217**	23,183
Deposits given	**3,737**	2,797
Total	**31,954**	25,980

Long-term deposits for loan guarantees are provided as collateral to Denizbank AG by the Group's Turkish business for term loans made to the Group's Russian business. Maturity date of long-term deposit is 11 February 2019 and annual interest rate is 3%. The principal of EUR 6,249 (TRY 28,217) is blocked until the Group's Russian business completes its loan repayments, however the Turkish business is entitled to receive the accrued interest on the deposit.

Other current liabilities

	31 Dec 2017	31 Dec 2016
Advances received from franchises	**6,200**	9,054
Payable to personnel	**5,236**	3,599
Unused vacation liabilities	**5,070**	3,909
Volume rebate advances	**4,819**	11,562
Taxes and funds payable	**4,776**	3,623
Social security premiums payable	**2,969**	4,036
Other expense accruals	**3,856**	3,143
Total	**32,926**	38,926

Other non-current liabilities

	31 Dec 2017	31 Dec 2016
Employee benefits	**1,374**	922
Total	**1,374**	922

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

Note 17 – Financial liabilities

	31 Dec 2017	31 Dec 2016
Short-term bank borrowings	75,174	73,557
Short-term borrowings	**75,174**	73,557
Short-term portions of long-term borrowings	61,757	42,316
Short-term portions of long-term financial lease borrowings	5,221	3,034
Current portion of long-term borrowings	**66,978**	45,350
Total short-term borrowings	**142,152**	118,907
Long-term bank borrowings	74,545	73,343
Long-term financial lease borrowings	11,208	7,251
Long-term borrowings	**85,753**	80,594
Total financial liabilities	**227,905**	199,501

The reconciliation of adjusted net debt as of 31 December 2017 and 2016 is as follows:

	2017	2016
Short-term bank borrowings	136,931	115,873
Short-term portions of long-term financial lease borrowings	5,221	3,034
Long-term bank borrowings	74,545	73,343
Long-term financial lease borrowings	11,208	7,251
Total borrowings	**227,905**	199,501
Cash and cash equivalents	(76,128)	(19,502)
Net debt	**151,777**	179,999
Non-recurring items per Group management		
Long-term deposit for loan guarantee	(28,217)	(23,183)
Adjusting delay in collection/payment day coinciding on a weekend	(16,835)	(10,408)
Adjusted net debt(1)	**106,725**	146,408

(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.

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

31 December 2017 Currency	Maturity	Interest rate (%)	Short-term	Long-term
EUR borrowings	2016 – 2022	3.5 – 8.00	83,551	74,545
TRY borrowings	Revolving	16	53,380	–
			136,931	74,545

31 December 2016 Currency	Maturity	Interest rate (%)	Short-term	Long-term
EUR borrowings	2016 – 2019	3.5 – 7.50	61,984	73,343
TRY borrowings	Revolving	11.78	53,889	–
			115,873	73,343

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

Note 17 – Financial liabilities continued

The redemption schedule of the borrowings as of 31 December 2017 and 2016 is as follows:

	31 Dec 2017	31 Dec 2016
To be paid in one year	136,931	115,873
To be paid between one to two years	48,080	40,424
To be paid between two to three years	26,465	32,919
	211,476	189,216

The loan agreement signed with Türkiye İş Bankası A.Ş. by Domino's Turkey is subject to covenant clauses whereby Domino's Turkey is required to meet certain ratios. The financial indicator of leverage ratio which requires the ratio of net debt to adjusted EBITDA for the relevant period should not be more than 2.50:1; and total free cash flow to total debt service ratio should not be less than 1.10 at the end of the each financial year. If the Company ends up with any ratio above 2.50:1 or below 1.10:1 at the end of financial period, they need to meet the covenant in the subsequent 15 working days.

Throughout the period Domino's Turkey has met covenants clauses at Türkiye İş Bankası.

The loan agreement between Denizbank Moscow and Domino's Russia requires that unless there is written approval from Denizbank Moscow, there will not be any changes in more than 50% of the capital directly and that no agreements or documents that may result in the above results will be signed or interpreted this way.

Throughout the period, Domino's Russia has met covenants clauses of Denizbank Moscow.

The details of the finance lease liabilities as of 31 December 2017 and 2016 are as follows:

	31 Dec 2017	31 Dec 2016
Total financial lease payments	26,651	15,523
Interest to be paid in upcoming years	(10,222)	(5,238)
	16,429	10,285
Financial lease liabilities to be paid in one year	5,221	3,034
Financial lease liabilities to be paid between one to two years	5,537	2,845
Financial lease liabilities to be paid between two to three years	5,671	4,406
	16,429	10,285

The fair values of the borrowings and finance lease liabilities as of 31 December 2017 and 2016 are as follows:

	31 Dec 2017		31 Dec 2016	
	Carrying value	Fair value	Carrying value	Fair value
Borrowings	211,476	224,487	189,216	191,476
Financial lease liabilities	16,429	23,736	10,285	9,086
Total	227,905	248,223	199,501	200,562

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

As of 31 December 2017 and 2016, net financial liabilities reconciliation is below:

	31 Dec 2017	31 Dec 2016
Cash and cash equivalents	**76,128**	19,502
Financial liabilities and lease to be paid in one year	**(142,152)**	(118,907)
Financial liabilities and lease to be paid in upcoming years	**(85,754)**	(80,594)
	(151,778)	(179,999)

	31 Dec 2017	31 Dec 2016
Cash and cash equivalents	**76,128**	19,502
Financial liabilities and lease – fixed rate	**(99,385)**	(113,430)
Financial liabilities and lease – floating rate	**(128,521)**	(86,071)
	(151,778)	(179,999)

31 December 2017	Financial liabilities and lease to be paid in a year	Financial liabilities and lease to be paid in upcoming year	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)**

Note 18 – Provisions

Short-term provisions

	31 Dec 2017	31 Dec 2016
Performance bonuses	**5,576**	3,244
Legal provisions and other	**2,116**	1,234
	7,692	4,478

Legal provisions are mostly resulting from labour and rent discrepancies.

The movement of provisions as of 31 December 2017 and 2016 is as follows:

	Performance bonuses	Legal and other
1 January 2017	3,244	1,234
Additions	**5,576**	**1,807**
Paid	**(3,244)**	**(925)**
31 December 2017	**5,576**	**2,116**

	Performance bonuses	Legal and other
1 January 2016	2,797	1,239
Additions	3,244	1,234
Paid	(2,797)	(1,239)
31 December 2016	3,244	1,234

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

Note 19 – Commitments, contingent assets and liabilities

a) Guarantees given to third parties as of 31 December 2017 and 2016 are as follows:

	31 Dec 2017	31 Dec 2016
Guarantee letters given	2,193	1,735
	2,193	1,735

b) Guarantees received for trade receivables are as follows:

	31 Dec 2017	31 Dec 2016
Guarantee notes received	31,682	29,987
Guarantee letters received	18,579	12,463
	50,261	42,450

Guarantee notes and letters are received as collateral for trade receivables.

c) 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 tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties.

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 at 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 this consolidated financial statements if these are challenged by the authorities.

d) Operating lease commitments

	31 Dec 2017	31 Dec 2016
In one year	14,953	10,284
One to five years	12,143	14,928
Five to ten years	209	2,531
	27,305	27,743

(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 exempt 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. 5,520, dated 13 June 2006. Most of the articles of the new Corporate Tax Law (No. 5,520) came into force on 1 January 2006. Corporate tax is payable at a rate of 20% (31 December 2016: 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.

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

Note 20 – Tax assets, liabilities and tax expense continued

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.

Corporate tax liability for the year consist of the following:

	2017	2016
Corporate tax calculated	8,270	7,251
Prepaid taxes	(6,089)	(4,934)
Tax liability	**2,181**	**2,317**

Tax income and expenses included in the statements of comprehensive income are as follows:

	2017	2016
Current period corporate tax expense	(8,270)	(7,251)
Deferred tax income/(expense)	6,322	(1,731)
Total tax expense	**(1,948)**	**(8,982)**

The reconciliation of the tax expense in the statement of comprehensive income is as follows:

	2017	2016
Profit before tax	6,783	38,303
Corporate tax at statutory rates (25%)	(1,696)	(9,576)
Disallowable expenses	(3,541)	(1,271)
Initial recognition of deferred tax in Russia	7,254	—
Differences in tax rates	(3,996)	2,148
Other, net	31	(283)
Total tax expense	**(1,948)**	**(8,982)**

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/liabilities at 31 December 2017 and 2016 using statutory tax rates are as follows:

	31 Dec 2017		31 Dec 2016	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Carry forward tax losses(1)	30,440	6,088	22,517	—
Property and equipment, and intangible assets	(43,765)	(8,753)	(45,098)	(9,018)
Bonus accruals	5,576	1,115	3,244	649
Unused vacation liabilities	5,070	1,014	2,199	440
Volume rebate advances	4,574	915	11,562	2,312
Other	5,770	1,154	2,125	424
Deferred income tax liabilities, net		1,533		(5,193)

(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 that rely on Domino's Russia management's five-year business plan and potential growth opportunities in Russia.

Movement of the deferred tax for the year ended 31 December 2017 and 2016 are as follows:

	2017	2016
Balance at the beginning of the year	(5,193)	(3,619)
Charged to the statement of income	6,322	(1,731)
Currency transaction difference	337	—
Charged to other comprehensive income	67	157
Balance at the end of the year	**1,533**	(5,193)

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 U.A. and Vision Lovemark Coöperatief U.A. 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 have 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.

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

Note 21 – Share-based payments continued

The Phantom Option Scheme continued

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, 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.

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%; and
- risk-free interest rate: 2.6%.

In relation with 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 is 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 356, 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 has been 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. Key assumptions used in determining the fair value of the share granted were the 8.5 multiple to EBITDA to determine the enterprise value.

LTIP 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 IPO. 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 weighted-average fair value of the options granted under the LTIP Scheme in 2017 amounted to TRY 1,322 (GBP 263) per option, which has been estimated using the Black-Scholes option pricing model based on the following weighted-average assumptions:

- 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%; and
- 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 three existing plans, amounting to TRY 1,517 has been charged for 2017, whereas TRY 5,696 for 2016 and the cumulative charge is TRY 18,183 as at 31 December 2017, TRY 16,666 as at 31 December 2016.

(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 2017 and 2016 are as follows:

	31 Dec 2017		31 Dec 2016	
	Share %	TRY	Share %	TRY
Fides Food Systems Coöperatief U.A.	**42.8**	**15,562**	90.0	108
Public shares	**52.1**	**18,944**	—	—
Vision Lovemark Coöperatief U.A.	**4.9**	**1,774**	10	12
Other	**0.2**	**73**	—	—
		36,353		120

As of 31 December 2017, the Group's 145,372,414 (31 December 2016: 4,532,740) 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 IPO 52.1% of the shares become public. The net proceeds received by the Company from the IPO is TRY 94,132 (TRY 9,075 per share).

	2017	2016
1 January	**4,532,740**	—
Addition	**140,839,674**	4,532,740
31 December	**145,372,414**	4,532,740

The nominal value of each share is EUR 0.12 (2016: EUR 0.01). 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 Turkish Private Equity Fund II LP holds the 42.8% of total shares. There is no individual ultimately controlling the Group.

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

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.

The Group monitors the capital structure by reference to the financial debt/equity ratio, by dividing the net debts to total equity. Net debt is calculated by deducting cash and cash equivalents from the total financial debt (long- and short-term).

	31 Dec 2017	31 Dec 2016
Total financial debt	227,905	199,501
Less: cash and cash equivalents	(76,128)	(19,502)
Net debt	151,777	179,999
Total equity	154,600	59,473
Net debt/(total equity and net debt)	50%	75%

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 2017 to be TRY 156,657 (31 December 2016: TRY 83,789), which is the total of the Group's financial assets.

Credit risk is managed on a Group basis, except for credit risk relating to accounts 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. Advanced payment may be required where client credit risk is assessed as significant by the local team. It is Group policy that deposits are made with repositories of BA2 credit rating or higher as defined by Moody's.

The aging of past due but not impaired financial assets is as follows:

	31 Dec 2017	31 Dec 2016
Less than a month	657	914
One to three months	155	700
Three to six months	123	98
Over six months	1,094	1,515
Total	**2,029**	3,227

Trade receivables	31 Dec 2017	31 Dec 2016
Counterparties without external credit rating		
Group 1	3,315	3,348
Group 2	76,778	60,799
Group 3	92	140
Total	**80,185**	64,287

- 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.

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

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 a 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 2017 and 2016, the liquidity risks arising from the Group's financial liabilities consisted of the following:

31 Dec 2017 Maturities in accordance with agreements	Carrying value	Total cash outflows in accordance with contract	Less than three months	Three to twelve months	One to five years	Over five 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**	**—**

31 Dec 2016 Maturities in accordance with agreements	Carrying value	Total cash outflows in accordance with contract	Less than three months	Three to twelve months	One to five years	Over five years
Non-derivative financial liabilities						
Borrowings and finance leases	199,501	211,480	83,966	41,286	86,228	—
Third-party trade payables	39,356	39,356	39,356	—	—	—
Related party trade payables	386	386	386	—	—	—
Total	239,243	251,222	123,708	41,286	86,228	—

Loans from banks are comprise short-term loans obtained for working capital needs and other long-term loans. The total amount includes accrued interest or the related loans.

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

Note 23 – Financial instruments and financial risk management continued

b) Financial risk factors continued

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 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.

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 2017, interest rates were fixed on approximately 55% of the net debt for 2017 (2016: 57%).

The average interest rate on short-term borrowings in 2017 was 12% (2016: 11%).

The financial instruments of the Group which are sensitive to interest rates are stated in the following table:

	2017	2016
Financial instruments with floating interest		
Financial liabilities	128,521	86,071
Financial instruments with fixed interest		
Financial liabilities – repricing dates	99,384	113,430
– Six months or less	75,174	84,058
– Six to twelve months	13,002	7,434
– One to five years	11,208	21,938

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 2017 would have led to an additional TRY 623 finance costs (2016: 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 2017, the exposure to the Group from companies holding assets and liabilities other than in their functional currency amounted to TRY 129,448 (31 December 2016: TRY 111,013).

As an estimation of the approximate impact of the residual risk, with respect to financial instruments, the Group has calculated the impact of a 10% change in exchange rates.

Impact on income statement

A 10% strengthening of the Euro against key currencies to which the Group is exposed would have led to approximately an additional TRY 12,945 loss in the income statement (2016: TRY 11,521 loss).

A 10% weakening of the Euro against these currencies would have led to an equal but opposite effect.

Price risk

As of December 2017, 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 increases 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

There are none requiring disclosure.

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

Company income statement

For the years ended 31 December 2017 and 2016

	Notes	1 Jan – 31 Dec 2017	18 Oct – 31 Dec 2016
Income statement			
General administrative expenses	6	(14,776)	(467)
Other operating income		30	—
Operating profit		(14,746)	(467)
Foreign exchange (losses)		(1,175)	—
Financial income		346	—
Net income from subsidiaries	2	20,410	16,097
Income before income tax		4,835	15,630
Tax expense		—	—
Income for the year		4,835	15,630

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

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

Company statement of financial position before allocation of profit At 31 December 2017

	Notes	31 Dec 2017	(Restated) 31 Dec 2016
Assets			
Subsidiaries	3	**100,416**	59,940
Non-current assets		**100,416**	59,940
Cash and cash equivalents		**54,790**	–
Other current assets		**164**	–
Current assets		**54,954**	–
Total assets		**155,370**	59,940
Liabilities			
Accounts payable		**59**	–
Other current liabilities		**711**	467
Current liabilities		**770**	467
Total liabilities		**770**	467
Equity			
Paid in share capital	4	**36,353**	120
Share premium		**137,469**	80,423
Other legal reserves		**(10,802)**	(8,081)
Retained earnings		**(13,255)**	(12,522)
Result for the year		**4,835**	(467)
Total equity		**154,600**	59,473
Total liabilities		**155,370**	59,940

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 2017

Note 1 – Basis of presentation of statutory financial statements

1.1 Basis of preparation

The company's 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 reports 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 2016. However, after IPO, the management decided to change its accounting policy and decided to prepare its annual report in accordance with Part 9, Book 2 of the Dutch Civil Code. The previous year results have been restated and the effect of the accounting policy changes have been disclosed in the related notes.

In the previous year, the loss for the year amounted to TRY 467, using last year's accounting policies. Based on the current year's accounting policies (applied retrospectively) the net income from subsidiaries increased the result for the year over 2016. The appropriation of the 2016 result is concluded based on the 2016 financial statements.

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 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 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.

Note 2 – Subsidiaries

Movement schedule for the investment in subsidiaries as of 31 December 2017 and 2016 was as follows:

	2017
31 December 2016	122,485
Accounting policy change	62,545
1 January 2017 (restated)	59,940
Net income from subsidiaries	**20,410**
Currency translation difference	**(6,333)**
Remeasurement of post-employment benefit obligations	**(266)**
Share-based incentive plans	**1,517**
Distribution to parent Company	**(2,370)**
Capital increase	**27,518**
31 December 2017	**100,416**

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

Notes to the Company financial statements continued

For the year ended 31 December 2017

Note 3 – Cash and cash equivalents

The details of cash and cash equivalents as of 31 December 2017 and 2016 were as follows:

	31 Dec 2017	31 Dec 2016
Cash	54,790	—
	54,790	—

The breakdown of the cash and cash equivalent nominated in foreign currency is as below:

	31 Dec 2017	31 Dec 2016
Euro	54,790	—
	54,790	—

Note 4 – 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	168	122,317	—	—	(467)	122,018
Accounting policy change	(48)	(41,894)	(8,081)	(12,522)	—	(62,545)
Balances at 31 December 2016 (restated)	120	80,423	(8,081)	(12,522)	(467)	59,473
Balances at 1 January 2017	120	80,423	(8,081)	(12,522)	(467)	59,473
Capital increased	4,994	89,138	—	—	—	94,132
Transfers	31,239	(31,239)	—	—	—	—
Appropriation of the result preceding year	—	—	—	(467)	467	—
Remeasurements of post-employment benefit obligations, net	—	—	—	(266)	—	(266)
Currency translation adjustments	—	—	(2,721)	—	—	(2,721)
Share-based incentive plans	—	1,517	—	—	—	1,517
Total income for the year	—	—	—	—	4,835	4,835
Transaction cost IPO	—	(2,370)	—	—	—	(2,370)
Balances at 31 December 2017	36,353	137,469	(10,802)	13,255	4,835	154,600

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

The shareholders and the shareholding structure of the Company at 31 December 2017 and 2016 were as follows:

	31 Dec 2017		31 Dec 2016	
	Share %	Amount	Share %	Amount
Fides Food Systems Coöperatief U.A.	42.8	15,562	90.0	108
Public shares	52.1	18,944	—	—
Vision Lovemark Coöperatief U.A.	4.9	1,774	10	12
Other	0.2	73	—	—
		36,353		120

As of 31 December 2017, the Company's 145,372,414 (31 December 2016: 4,532,740) shares were issued and fully paid for.

The nominal value of each share is EUR 0.12 (2016: EUR 0.01). There is no preference stock.

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 IPO 52.1% of the shares become public.

	2017	2016
1 January	4,532,740	—
Addition	140,839,674	4,532,740
31 December	145,372,414	4,532,740

The nominal value of each share is EUR 0.12 (2016: EUR 0.01). There is no preference stock.

Share premium

Share premium represents the total of differences resulting from the incorporation of Fides Food 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.

Retained earnings

On 28 June 2017, the General Meeting of shareholders determined the result over 2016 as follows:

	2016
Retained earnings	(467)
Net result for the period	(467)

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

Notes to the Company financial statements continued

For the year ended 31 December 2017

Note 5 – General administrative expenses

	2017	2016
IPO costs	13,410	—
Other	1,366	467
	14,776	467

Note 6 – Audit fees

For the year ended 31 Dec 2017	PwC NL	Other PwC network	Total PwC network
Audit of the financial statements	350	272	622
Other audit service[(1)]	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

(1) Our auditor, PwC NL, has rendered, for the period to which our statutory audit relates, in addition to the audit of the statutory financial statements the service of half year review procedures to the company and its controlled entities.

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 2017 financial statements, regardless of whether the work was performed during the financial year.

Note 7 – Employees

During the year 2017, the average number of employees, based on full time equivalents, was one (2016: one).

Note 8 – Commitments and contingencies not included in the balance sheet

Tax group liability

The Company is 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.

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

Proposal for profit allocation

With due observance of Dutch law and the Articles of Association, it is proposed that net income of TRY 4,835 is carried to the retained earnings. Furthermore, with due observance of article 43, paragraph 7, it is proposed that no dividend payment is due in 2017.

The Board of Management

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, 12 April 2018

Independent auditor's report

To: the general meeting and board of directors of DP Eurasia N.V.

Report on the financial statements 2017

In our opinion:

- DP Eurasia N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017 and of its result and 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 N.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 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 2017 of DP Eurasia N.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of DP Eurasia N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the following consolidated statements for 2017: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2017;
- the company income statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information..

The financial reporting framework that has been 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. Our responsibilities under those standards are further described 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- and franchise-owned stores in Turkey, the Russian Federation, Azerbaijan and Georgia, including provision of technical support, control and consultancy services to the franchisees.

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.

In paragraph 2.6 of the financial statements the company describes the areas of judgment 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 recoverability of deferred tax assets at Pizza Restaurants LLC ("Domino's Russia") and goodwill impairment assessment, we considered these to be key audit matters as set out in the section 'Key audit matters' of this report.

Other areas of focus, that were not considered to be key audit matters were revenue recognition, rebate arrangements with suppliers, share-based payments and valuation of inventory. As in all of our audits, we also 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.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a group operating in retail and consumer industry. We therefore included specialists in the areas of tax, valuation experts and share-based payment experts in our team.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: TRY6.200.000.

Audit scope

- We conducted audit work in Turkey, Russia and the Netherlands.
- Site visit was conducted to Russia.
- Audit coverage: 100% of consolidated revenue, 100% of consolidated total assets and 100% of consolidated profit before tax.

Key audit matters

- Recoverability of deferred tax assets at Pizza Restaurants LLC ("Domino's Russia")
- Goodwill impairment assessment

First year audit consideration

DP Eurasia N.V. was established in October 2016, became ultimate parent of the existing group, and listed their shares on the London Stock Exchange as per July 2017. PricewaterhouseCoopers Accountants N.V. was appointed as the statutory auditor of the listed entity. Prior to that date PwC Turkey was the statutory auditor of the consolidated financial information of all the operating entities. In cooperation with PwC Turkey, we obtained an understanding of the strategy of the Company, its business, its internal control environment and IT systems. We looked at where and how this all impacted the Company's financial statements and internal control framework. Additionally, we reviewed the PwC Turkey auditor's files and discussed the outcome thereof to confirm our understanding of the opening balances and comparative figures. Based on these procedures, we have prepared our risk assessment and audit strategy and prepared our audit plan which has been discussed with the board of directors..

Independent auditor's report continued

To: the general meeting and board of directors of DP Eurasia N.V.

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 judgment, 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	TRY6.200.000.
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 1% of revenues.
Rationale for benchmark applied	We used total revenues as the 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 company. 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 the 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 TRY2.066.000 and TRY5.500.000. Certain components were audited with a local statutory audit materiality that was also less than our overall group materiality.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the board of directors that we would report to them misstatements identified during our audit above TRY315.000 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 the component level by the group engagement team and by each component auditor.

The group audit primarily focussed 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.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	100%
Total assets	100%
Profit before tax	100%

For group entities DP Eurasia N.V. and Domino's Turkey the group engagement team performed the audit work. For Domino's Russia we used component auditors who are familiar with the local laws and regulations to perform the audit work. Where the work was performed by component auditors, 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.

The group engagement team has visited Domino's Russia given the size of the business and the importance of the judgements involved in the recoverability of deferred tax assets at Domino's Russia.

The financial statement disclosures and a number of complex items are audited by the group engagement team at the head office. These include, mainly share based payments, the goodwill impairment assessment and 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.

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 that were 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.

The key audit matters were addressed 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 make on the results of our procedures should be read in this context.

Key audit matter	How our audit addressed the matter
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 2.5 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.** The deferred tax assets relate to carry-forward losses of Domino's Russia. As of 31 December 2017, Domino's Russia has carry forward tax losses amounting to TRY30 million (RUB 467 million), which have occurred between the years 2014 to 2017. In the comparative financial statements of DP Eurasia N. V., these carry forward losses were not recognized as deferred tax asset for Domino's Russia. Management considers since 2017 that, despite the losses incurred, there is convincing evidence that the Company will be able to earn taxable profits 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 and the increased contribution from existing stores and increasing proportion of franchises in the total system. Based on the expected taxable income of this subsidiary and considering the related and inherent risk of uncertainty based on future taxable profits, Domino's Russia's recognition of deferred tax assets amounts to TRY6.1 million. Given the significance of the deferred tax assets and due to the inherent level of uncertainty, the potential limitations in the recoverability of deferred tax assets and the significant management's judgment 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 asset relating to tax losses. With the support from our tax specialists we evaluated and tested corporate tax positions taken by management and coordinated local tax issues. We examined the deferred tax asset and assessed the recoverability through agreeing the forecasted future taxable profits with the approved business plan. We assessed whether the underlying trends and assumptions in the forecasts used were consistent with those used in the impairment tests, including the Goodwill impairment assessment and found no inconsistencies. We have challenged the underlying assumptions and forecasted revenues and costs, ascertained inclusion of all required elements in the forecast and recalculated taxable profits based on the applicable tax rates in Russia. We also assessed the past performance 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 2017 were within an acceptable range of outcomes.

Independent auditor's report continued

To: the general meeting and board of directors of DP Eurasia N.V.

Key audit matter	How our audit addressed the matter
Goodwill impairment assessment **The Group describes its accounting policies concerning business combinations and goodwill within note 2.5 and provides details on the carrying amount of goodwill and significant accounting estimates involved in notes 2.6 and 11.** We focused on this area due to the amount of goodwill (TRY44.209 thousand as per 31 December 2017) and because the assessment of management of the value in use 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 TRY39.961 thousand in 2010. The Group prepared an impairment test. Key assumptions applied in the impairment test include amongst others, the expected product price, revenue growth rates, product cost and related expenses. Management determined these key assumptions based on past performance and its expectations on market development. Additionally, management applies discount rates which reflects country specific risks. The Group management believes there is significant headroom between the value in use of the CGUs and their carrying value.	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 by the Board of Directors approved budgets. We compared the current year actual results with the 2017 figures included in the prior year forecast to consider whether any 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 models used to determine recoverable amounts against external data, including assumptions of future prices, revenue growth rates and discount rates and 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 the degree to which these assumptions would need to move before an impairment conclusion was triggered and assessed the likelihood of such a movement occuring given past and forecasted performance. We found the Group's estimates and judgment used in the goodwill impairment assessment to be supported by the available evidence.

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 directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- the overview, management report, other information and additional information.

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 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 and this represents a total period of uninterrupted engagement appointment of 1 year.

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 6 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 directors 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, 12 April 2018
PricewaterhouseCoopers Accountants N.V.

Original has been signed by
J. van Meijel 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 2017 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 the purpose of 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 company’s 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 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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Financial PR

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United Kingdom

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 units

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

Turkven Turk Advisory Ventures Limited

USD US Dollar

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DP Eurasia N.V. Annual report and accounts 2017