

YAZICILAR HOLDİNG ANONİM ŐİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yazıcılar Holding A.Ş.

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Yazıcılar Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Yazıcılar Holding A.Ş. and its subsidiaries as at 31 December 2016 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 13 March 2017.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş

Baki Erdal, SMMM
Partner

Istanbul, 13 March 2017

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

Consolidated Financial Statements as of December 31, 2016

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(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2016 AND 2015

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

ASSETS	Notes	Audited December 31, 2016	Audited December 31, 2015
CURRENT ASSETS			
Cash and Cash Equivalents	6	413.363	373.184
Financial Instruments	7	9.451	44.306
Trade Receivables		338.933	224.714
- <i>Due from Related Parties</i>	33.2	28.772	19.616
- <i>Trade Receivables, Third Parties</i>	9.1	310.161	205.098
Other Receivables		14.879	85.080
- <i>Other Receivables, Third Parties</i>	10.1	14.879	85.080
Derivative Financial Instruments	35.1	40.747	15.852
Inventories	11.1	221.130	283.000
Prepaid Expenses	19.1	34.646	49.154
Current Income Tax Assets	31.1	12.777	41.111
Other Current Assets	20.1	511.831	370.735
TOTAL CURRENT ASSETS		1.597.757	1.487.136
NON-CURRENT ASSETS			
Financial Instruments	7	327	6.659
Trade Receivables		9.957	3.215
- <i>Trade Receivables, Third Parties</i>	9.1	9.957	3.215
Other Receivables		2.937	3.454
- <i>Other Receivables, Third Parties</i>	10.2	2.937	3.454
Derivative Financial Instruments	35.1	20.567	6.522
Inventories	11.2	62.025	21.708
Investments Accounted Through Equity Method	12	5.011.551	5.121.625
Investment Property	13	251.934	257.254
Property, Plant and Equipment	14	752.513	757.196
Intangible Assets	15	27.231	24.206
Prepaid Expenses	19.2	17.985	16.374
Deferred Tax Assets	31.2	100.688	77.068
Other Non-Current Assets	20.2	1.492.594	1.058.254
TOTAL NON-CURRENT ASSETS		7.750.309	7.353.535
TOTAL ASSETS		9.348.066	8.840.671

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2016 AND 2015

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

LIABILITIES	Notes	Audited December 31, 2016	Audited December 31, 2015
CURRENT LIABILITIES			
Short-Term Borrowings	8	610.678	755.190
Current Portion of Long-Term Borrowings	8	922.746	746.018
Trade Payables		307.119	194.446
- <i>Due to Related Parties</i>	33.3	393	5.737
- <i>Trade Payables, Third Parties</i>	9.2	306.726	188.709
Other Payables		40.645	32.690
- <i>Other Payables, Third Parties</i>	10.3	40.645	32.690
Deferred Income	21.1	42.035	28.528
Income Tax Payable	31.1	2.648	444
Short-Term Provisions		26.964	16.591
- <i>Short-Term Provisions for the Employee Benefits</i>	17.1	12.010	11.764
- <i>Other Short-Term Provisions</i>	17.2	14.954	4.827
Other Current Liabilities	20.3	512.111	87
TOTAL CURRENT LIABILITIES		2.464.946	1.773.994
NON-CURRENT LIABILITIES			
Long-Term Borrowings	8	2.147.252	2.203.834
Other Payables		1.463	436
- <i>Other Payables, Third Parties</i>	10.3	1.463	436
Deferred Income	21.2	215.638	3.736
Long-Term Provisions		25.199	22.778
- <i>Long-Term Provisions for the Employee Benefits</i>	17.1	25.199	22.778
Deferred Tax Liability	31.2	23.036	44.168
Other Non-Current Liabilities	20.4	-	474.515
TOTAL NON-CURRENT LIABILITIES		2.412.588	2.749.467
TOTAL LIABILITIES		4.877.534	4.523.461
EQUITY			
Equity Attributable to Equity Holders of the Parent		3.755.171	3.525.938
Paid-in Share Capital	22	160.000	160.000
Share Premium (Discounts)		9.474	9.474
Non-controlling Put Option Valuation Fund		5.512	1.604
Other Comprehensive Income (Expense) Not To Be Reclassified to Profit or Loss		(8.407)	(5.948)
- <i>Revaluation and Reclassification Gain (Loss)</i>		(8.407)	(5.948)
- <i>Income (Loss) on Remeasurements of Defined Benefit Plans</i>		(8.407)	(5.948)
Other Comprehensive Income (Expense) To Be Reclassified to Profit or Loss		509.341	16.016
- <i>Currency Translation Differences</i>		493.207	8.970
- <i>Hedge Gain (Loss)</i>		16.134	8.959
- <i>Revaluation and Reclassification Gain (Loss)</i>	22	-	(1.913)
Restricted Reserves Allocated from Net Profit	22	32.000	30.090
Other Reserves		(65.213)	(65.213)
Retained Earnings	22	3.368.005	3.590.502
Net Income or Loss		(255.541)	(210.587)
Non-Controlling Interests		715.361	791.272
TOTAL EQUITY		4.470.532	4.317.210
TOTAL LIABILITIES		9.348.066	8.840.671

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

	Notes	Audited January 1- December 31, 2016	Audited January 1- December 31, 2015
Revenue	23	3.030.113	2.592.183
Cost of Sales	23	(2.479.395)	(2.096.050)
GROSS PROFIT (LOSS)		550.718	496.133
General Administrative Expenses	24	(195.557)	(200.246)
Marketing Expenses	24	(180.113)	(146.007)
Research and Development Expenses	24	(2.011)	(1.813)
Other Operating Income	26.1	18.605	13.448
Other Operating Expenses	26.2	(34.374)	(24.434)
Gain (Loss) from Investments Accounted Through Equity Method	12	(195.907)	(180.338)
OPERATING INCOME (LOSS)		(38.639)	(43.257)
Income from Investing Activities	27.1	373.602	19.986
Expenses from Investing Activities	27.2	(6.710)	(9.662)
OPERATING INCOME (LOSS) BEFORE FINANCIAL INCOME (EXPENSE)		328.253	(32.933)
Financial Income	28	133.145	282.261
Financial Expenses	29	(858.640)	(575.061)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		(397.242)	(325.733)
Tax (Expense) Income from Continuing Operations		27.165	46.141
- Current Period Tax (Expense) Income	31.3	(17.390)	(11.997)
- Deferred Tax (Expense) Income	31.3	44.555	58.138
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(370.077)	(279.592)
NET INCOME (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS	30	(8.155)	(413)
NET INCOME (LOSS)		(378.232)	(280.005)
Attributable to:			
- Non-Controlling Interests		(122.691)	(69.418)
- Equity Holders of the Parent		(255.541)	(210.587)
Earnings / (Loss) per share (full TRL)	32	(1,60)	(1,32)
- Loss per share from continuing operations (full TRL)		(1,55)	(1,32)
- Loss per share from discontinued operations (full TRL)		(0,05)	(0,00)

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(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

**CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

	Audited January 1- December 31, 2016	Audited January 1- December 31, 2015
NET INCOME (LOSS) FOR THE PERIOD	(378.232)	(280.005)
OTHER COMPREHENSIVE INCOME		
Items Not To Be Reclassified To Profit or Loss	(3.770)	(1.400)
- Remeasurement Gain (Loss) from Defined Benefit Plans	(758)	(1.208)
- Shares of Other Comprehensive Income of Investments Accounted Through Equity Method Not To Be Classified To Profit or Loss	(3.164)	(434)
- Tax Effect of Other Comprehensive Income Not To Be Classified To Profit or Loss	152	242
- Deferred Tax (Loss) Income	152	242
Items To Be Reclassified To Profit or Loss	492.192	141.547
- Currency Translation Differences	(5.678)	(7.380)
- Share Of Other Comprehensive Income of Investments Accounted Through Equity Method To Be Classified To Profit or Loss	497.870	148.927
OTHER COMPREHENSIVE INCOME (LOSS)	488.422	140.147
TOTAL COMPREHENSIVE INCOME (LOSS)	110.190	(139.858)
Attributable to:		
- Non-Controlling Interest	(99.180)	(68.846)
- Equity Holders of the Parent	209.370	(71.012)

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(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

				Other Comprehensive Income or Expense Not To Be Reclassified To Profit or Loss	Other Comprehensive Income or Expense To Be Reclassified To Profit or Loss					Retained Earnings		Attributable to Equity Holders of the Parent	Non-Controlling Interests	Equity
	Paid-in Capital	Share Premium/Discount	Non-controlling Put Option Valuation Fund	Profit / Loss on Remeasurements of Defined Benefit Plans	Currency Translation Differences	Hedge Gain / Loss	Revaluation and Reclassification Gain / Loss	Restricted Reserves Allocated from Net Income	Other Reserves	Retained Earnings	Net Income/ Loss			
Balances as of January 1, 2015	160.000	9.474	2.440	(4.634)	(127.193)	618	1.702	28.732	(65.213)	3.687.730	(59.996)	3.633.660	834.216	4.467.876
Transfers	-	-	-	-	-	-	-	1.358	-	(61.354)	59.996	-	-	-
Total Comprehensive Income/(Expense)	-	-	-	(1.314)	136.163	8.341	(3.615)	-	-	-	(210.587)	(71.012)	(68.846)	(139.858)
Net Income (Loss)	-	-	-	-	-	-	-	-	-	-	(210.587)	(210.587)	(69.418)	(280.005)
Other Comprehensive Income (Expense)	-	-	-	(1.314)	136.163	8.341	(3.615)	-	-	-	-	139.575	572	140.147
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	26.950	26.950
Dividend paid	-	-	-	-	-	-	-	-	-	(40.000)	-	(40.000)	(6.044)	(46.044)
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	4.126	-	4.126	5.054	9.180
Increase (Decrease) due to other changes (*)	-	-	(836)	-	-	-	-	-	-	-	-	(836)	(58)	(894)
Balances as of December 31, 2015	160.000	9.474	1.604	(5.948)	8.970	8.959	(1.913)	30.090	(65.213)	3.590.502	(210.587)	3.525.938	791.272	4.317.210
Balances as of January 1, 2016	160.000	9.474	1.604	(5.948)	8.970	8.959	(1.913)	30.090	(65.213)	3.590.502	(210.587)	3.525.938	791.272	4.317.210
Transfers	-	-	-	-	-	-	-	1.910	-	(212.497)	210.587	-	-	-
Total comprehensive income / (expense)	-	-	-	(3.091)	484.237	7.175	(23.410)	-	-	-	(255.541)	209.370	(99.180)	110.190
Net Income/(Loss)	-	-	-	-	-	-	-	-	-	-	(255.541)	(255.541)	(122.691)	(378.232)
Other Comprehensive Income/(Expense)	-	-	-	(3.091)	484.237	7.175	(23.410)	-	-	-	-	464.911	23.511	488.422
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	23.697	23.697
Dividend paid	-	-	-	-	-	-	-	-	-	(10.000)	-	(10.000)	(12.936)	(22.936)
Increase (Decrease) due to other changes (*)	-	-	3.908	632	-	-	25.323	-	-	-	-	29.863	12.508	42.371
Balances as of December 31, 2016	160.000	9.474	5.512	(8.407)	493.207	16.134	-	32.000	(65.213)	3.368.005	(255.541)	3.755.171	715.361	4.470.532

(*) Balances in the increase (decrease) due to other changes line consists of the share of non-controlling put option valuation fund of Anadolu Efes, an associate of the Company and the outflows of the comprehensive income items due to sale of shares of ABank on December 19, 2016 which used to be an associate of the Group.

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

	Notes	Audited January 1 - December 31, 2016	Audited January 1 - December 31, 2015
CASH FLOW FROM OPERATING ACTIVITIES		69.608	(201.886)
Profit / (Loss)		(378.232)	(280.005)
Adjustments to Reconcile Profit (Loss)		656.430	557.760
Adjustments for Depreciation and Amortisation Expense	13,14,15,20	123.263	105.268
Adjustments for Impairment Loss (Reversal of Impairment Loss)		(2.688)	3.762
- Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables	26.2	1.217	2.342
- Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	11.1	(3.905)	1.420
Adjustments for Provisions		19.696	17.314
- Adjustments for (Reversal of) Provisions Related with Employee Benefits		9.569	7.089
- Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	17.2	9.601	2.104
- Adjustments for (Reversal of) Warranty Provisions	17.2	526	117
- Adjustments for (Reversal of) Other Provisions		-	8.004
Adjustments for Interest (Income) and Expenses		252.516	135.753
Adjustments for Unrealised Foreign Exchange Losses (Gains)		485.206	201.650
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	12	195.907	180.338
Adjustments for Tax (Income) Expenses	31.1,31.2	(26.834)	(46.074)
Adjustments for Losses (Gains) Arised From Disposal of Non-Current Assets		4.092	(6.974)
- Adjustments for Losses (Gains) on Disposal of Tangible Assets		4.092	(6.974)
Adjustments for (Income) Expense Caused by Sale or Changes in Share of Associates, Joint Ventures and Financial Investments	27.1	(366.453)	68
Other Adjustments to Reconcile Profit (Loss)		(28.275)	(33.345)
Adjustments for Working Capital		(256.399)	(520.524)
Decrease (Increase) in Financial Investments		(3.690)	(1.531)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(122.178)	(27.274)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		70.718	10.120
Adjustments for Decrease (Increase) in Inventories		32.881	(123.002)
Adjustments for Increase (Decrease) in Trade Accounts Payable		113.768	51.968
Adjustments for Increase (Decrease) in Other Operating Payables		8.982	(7.032)
Increase (Decrease) in Deferred Income		225.409	20.652
Other Adjustments for Increase (Decrease) in Working Capital		(582.289)	(444.425)
- Decrease (Increase) in Other Assets Related with Operations		(582.201)	(420.865)
- Increase (Decrease) in Other Payables Related with Operations		(88)	(23.560)
Cash Flows from (used in) Operations		21.799	(242.769)
Dividends Received		47.780	91.321
Payments Related with Provisions for Employee Benefits	17.1	(7.660)	(6.258)
Income Taxes Refund (Paid)	31.1	7.689	(44.180)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		779.258	(2.085.325)
Cash Inflows caused by Share Sales or Capital Decrease of Associate and/or Joint Ventures		785.847	-
Cash Outflows Arising From Purchase of Shares or Capital Increase of Associates and/or Joint Ventures		(37.500)	(1.925.436)
Proceeds from Sale of Share or Debt Instruments of Other Business Organizations or Funds		35.674	16.979
Cash Payments to Acquire Equity or Debt Instruments of Other Entities		(95)	(17.473)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		6.253	28.062
Purchase of Property, Plant, Equipment and Intangible Assets	13,14,15	(41.813)	(159.323)
Other Inflows (Outflows) of Cash		30.892	(28.134)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		(837.343)	1.435.101
Proceeds from Issuing Shares or Other Equity Instruments		23.697	26.950
Proceeds from Borrowings		5.345.921	4.868.890
Repayments of Borrowings		(5.940.873)	(3.275.104)
Dividends Paid		(22.936)	(46.044)
Interest Paid		(263.125)	(172.615)
Interest Received		19.973	33.024
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		11.523	(852.110)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		28.583	72.812
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		40.106	(779.298)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6	372.548	1.151.846
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		412.654	372.548

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

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Yazıcılar Holding A.Ş., a company incorporated in Istanbul, Turkey (“Yazıcılar” or the “Company”) is a holding company of which majority shares are owned by three Yazıcı families. Three Yazıcı families consist of Mr. Kamil Yazıcı and children of his two deceased brothers. The Company controls its subsidiaries through Anadolu Endüstri Holding (AEH) in which it has 68,00% stake. Certain shares of the Company are listed on the Borsa Istanbul A.Ş. (BİST). The Company was incorporated in 1976.

The registered office address of the Company is Fatih Sultan Mehmet Mahallesi Balkan Caddesi No:58, Buyaka E Blok Ümraniye, İstanbul, Turkey.

The consolidated financial statements as of December 31, 2016 are authorized for issue by the Board of Directors on March 13, 2017, and are approved by the General Manager Sezai Tanrıverdi and the Finance Director Osman Elmas on behalf of Board of Directors. General Assembly and other regulatory institutions have the right to change the statutory financial statements after the consolidated financial statements are issued.

Activities of the Group

The Company and its subsidiaries will be referred as the “Group” henceforth for the purposes of the consolidated financial statements.

The Group is organized and primarily managed in four principal segments: Automotive (including passenger vehicles, commercial vehicles, generators, spare and component parts, motor vehicle renting); retailing (stationery, chain restaurant management and tourism); energy (production and sale of electricity) and other (information technology, trade, asset management, real estate). The Group has ended asset management operations as of June 29, 2016 as the details are mentioned in Note 30.

The average number of personnel of the Group for the year ended at December 31, 2016 is 6.549 (December 31, 2015: 6.875).

List of Shareholders

As of December 31, 2016 and December 31, 2015 the composition of shareholders and their respective percentage of shareholding rates can be summarized as follows:

	December 31, 2016		December 31, 2015	
	Amount	(%)	Amount	(%)
Yazıcı Families	60.422	37,76	60.640	37,90
Kamil Yazıcı Yönetim ve Danışma A.Ş.	54.163	33,85	54.163	33,85
Anadolu Ecopack Üretim ve Pazarlama A.Ş. (*)	218	0,14	-	-
Publicly traded (**)	45.197	28,25	45.197	28,25
Paid-in share capital	160.000	100,00	160.000	100,00

(*) Anadolu Ecopack Üretim ve Pazarlama A.Ş. has purchased total of 217.990 shares owned by Yazıcı Family members on March 16, 2016. 26,85% of Anadolu Ecopack Üretim ve Pazarlama A.Ş. shares belong to Kamil Yazıcı Yönetim ve Danışma A.Ş. and 73,15% belong to Yazıcı Family members.

(**) As of December 31, 2016 TRL 5.073 of the publicly traded portion of shares, which is 3,17% of the paid-in share capital, is owned by Kamil Yazıcı Yönetim ve Danışma A.Ş. (December 31, 2015: TRL 5.073 of the publicly traded portion, which is 3,17% of the paid-in share capital).

YAZICILAR HOLDİNG ANONİM ŞİRKETİ**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016**

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (cont'd)**List of Subsidiaries**

The subsidiaries included in consolidation and their shareholding percentages at December 31, 2016 and December 31, 2015 are as follows:

	Place of incorporation	Principal activities	Segment	Effective shareholding and voting rights %	
				December 31, 2016	December 31, 2015
Anadolu Endüstri Holding A.Ş. (AEH)	Turkey	Holding company	Other	68,00	68,00
Çelik Motor Ticaret A.Ş. (Çelik Motor)	Turkey	Import, distribution and marketing of Kia motor vehicles and motor vehicle renting	Automotive	68,00	68,00
Anadolu Motor Üretim ve Pazarlama A.Ş. (Anadolu Motor)	Turkey	Production of industrial engines, sale of tractors	Automotive	67,93	67,93
Anadolu Otomotiv Dış Ticaret ve Sanayi A.Ş.	Turkey	Inactive	Automotive	68,00	68,00
Anadolu Elektronik Aletler Pazarlama ve Ticaret A.Ş. (Anadolu Elektronik) (3)	Turkey	Inactive	Automotive	34,65	34,65
Adel Kalemcilik Ticaret ve Sanayi A.Ş. (Adel) (1) (2)	Turkey	Production of writing instruments under Adel, Johann Faber and Faber Castell brand names	Retailing	38,68	38,68
Ülkü Kırtasiye Ticaret ve Sanayi A.Ş. (Ülkü) (2)	Turkey	Distribution of the products of Adel, and other imported stationery products	Retailing	49,76	49,76
Efestur Turizm İşletmeleri A.Ş. (Efestur)	Turkey	Arrangement of travelling and organization facilities	Retailing	68,00	68,00
Anadolu Bilişim Hizmetleri A.Ş. (ABH)	Turkey	IT, internet and e-commerce services	Other	67,04	67,04
Oyex Handels GmbH (Oyex)	Germany	Trading of various materials used in the Group	Other	68,00	68,00
Anadolu Endüstri Holding Handels GmbH (AEH Handels)	Germany	Provides necessary market research of products abroad	Other	68,00	68,00
Anadolu Restoran İşletmeleri Limited Şirketi (McDonald's)	Turkey	Restaurant chain management	Retailing	68,00	68,00
Hamburger Restoran İşletmeleri A.Ş. (Hamburger)	Turkey	Restaurant chain management	Retailing	68,00	68,00
Artı Anadolu Danışmanlık A.Ş. (Artı Anadolu) (7)	Turkey	Inactive	Other	68,00	67,99
Anadolu Taşıt Ticaret A.Ş. (Anadolu Taşıt)	Turkey	Industrial and commercial operations	Energy	68,00	68,00
Anadolu Araçlar Ticaret A.Ş. (Anadolu Araçlar)	Turkey	Import, distribution and marketing of motor vehicles	Automotive	67,99	67,99
Anadolu Termik Santralleri Elektrik Üretim A.Ş. (Anadolu Termik)	Turkey	Production of electricity (Investment in progress)	Energy	68,00	68,00
AES Elektrik Enerjisi Toptan Satış A.Ş. (AES Elektrik)	Turkey	Whole sale and retail sale of electricity and/or its capacity	Energy	68,00	68,00
AEH Sigorta Acenteliği A.Ş. (AEH Sigorta)	Turkey	Insurance agency	Other	68,00	68,00
Anadolu Kafkasya Enerji Yatırımları A.Ş. (Anadolu Kafkasya)	Turkey	Production and transmission of electricity, and establishment and operation of distribution facilities	Energy	60,65	60,65
Antek Teknoloji Ürünleri Pazarlama ve Ticaret A.Ş. (Antek Teknoloji) (4)	Turkey	Inactive	Automotive	-	68,00
Georgia Urban Enerji LLC (GUE)	Georgia	Production and sale of electricity	Energy	54,58	54,58
AND Anadolu Gayrimenkul Yatırımları A.Ş. (AND Anadolu Gayrimenkul)	Turkey	Purchase, sale, rental and management of real estate	Other	68,00	68,00
AND Ankara Gayrimenkul Yatırımları A.Ş. (AND Ankara Gayrimenkul)	Turkey	Purchase, sale and rental of real estate	Other	68,00	68,00
AND Kartal Gayrimenkul Yatırımları A.Ş. (AND Kartal Gayrimenkul)	Turkey	Purchase, sale and rental of real estate	Other	68,00	68,00
Keyif Yiyecek Eğlence Hizmetleri A.Ş.	Turkey	Inactive	Other	68,00	68,00
Anadolu Aktif Teşebbüs ve Makine Ticaret A.Ş. (Anadolu Aktif Teşebbüs) (5)	Turkey	Inactive	Other	-	68,00
Atlas Varlık Yönetim A.Ş. (Atlas Varlık) (7)	Turkey	Inactive	Other	-	68,00
Kheledula Enerji Ltd. (Kheledula)	Georgia	Production and sale of electricity (Investment in progress)	Energy	68,00	68,00
MH Perakendecilik ve Ticaret A.Ş. (MH Perakendecilik) (6)	Turkey	Retailing	Other	68,00	68,00

(1) Shares of Adel are quoted on BIST.

(2) AEH controls Adel and Ülkü through its shareholding of 56,89% and 68,81%, respectively. Moreover, Adel has 7,67% stake at Ülkü. As a result, Adel and Ülkü are controlled by Yazıcılar Holding A.Ş..

(3) Anadolu Motor and AEH have 50,00% and 1,00% shareholding at Anadolu Elektronik, respectively. As a result, Anadolu Elektronik is controlled by Yazıcılar Holding A.Ş..

(4) Merger of Antek Teknoloji Ürünleri Pazarlama ve Ticaret A.Ş. under AEH has been registered on March 24, 2016.

(5) Merger of Anadolu Aktif Teşebbüs ve Makine Ticaret A.Ş. under AEH has been registered on February 9, 2016.

(6) AEH owns 80,5% of MH Perakendecilik ve Ticaret A.Ş.. Put option liability of AEH for the remaining 19,5% shares are recognized, as a result, Yazıcılar's shareholding rate in MH Perakendecilik is 68,00%.

(7) The title of Artı Varlık Yönetim A.Ş. has been changed as Artı Anadolu Danışmanlık A.Ş. on December 8, 2016. Within the framework of simplification studies of Anadolu Group subsidiary structures, the minor shares of Artı Anadolu were transferred to AEH, as a result, the Company's shareholding rate in Artı Anadolu has increased to 68,00% from 67,99%. As details mentioned in Note 30 the entire NPL portfolio under Artı Anadolu and Atlas Varlık's assets were sold to Turkasset Varlık Yönetim A.Ş. on June 29, 2016 and asset management activities have been ceased. Also, 100% shares of Atlas Varlık have been transferred to Turkasset Varlık Yönetim A.Ş. on September 29, 2016.

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(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (cont'd)

Associates

The associates included in consolidation by equity method and its shareholding percentages at December 31, 2016 and December 31, 2015 are as follows:

	Country	Main activities	Effective shareholding and voting rights (%)	
			December 31, 2016	December 31, 2015
Anadolu Efes Biracılık ve Malt San. A.Ş. (Anadolu Efes) (*)	Turkey	Production, bottling and distribution of beer, sparkling and still beverages	27,66	27,66
Alternatifbank A.Ş. (ABank) (**)	Turkey	Banking services	-	17,00

(*) Shares of Anadolu Efes are currently quoted on the BIST.

(**) Based on the shareholders agreement concluded on July 18, 2013 with The Commercial Bank of Qatar (“CBQ”), AEH, the subsidiary of the Group which has 25% share in ABank, has collected total sales price of USD 224.913.332 (full USD) on December 19, 2016 based on use of its option to sell shares. Therefore the sale option has been completed and AEH does not have any shares in ABank.

Joint Ventures

The investments in joint ventures accounted through equity method and their shareholding percentages at December 31, 2016 and December 31, 2015 are as follows:

	Country	Main activities	Effective shareholding and voting rights (%)	
			December 31, 2016	December 31, 2015
Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. (Anadolu Isuzu) (*) (***)	Turkey	Manufacturing and selling of Isuzu brand vehicles	37,57	37,56
Ana Gıda İhtiyaç Maddeleri Sanayi ve Ticaret A.Ş. (Ana Gıda)	Turkey	Production and marketing of olive oil, sunflower and corn oil under Kırlangıç, Komili and Madra Brands	37,57	37,57
Aslancık Elektrik Üretim A.Ş. (Aslancık)	Turkey	Electricity production	22,67	22,67
Faber-Castell Anadolu LLC	Russia	Trading of all kinds of stationery	19,34	19,34
Migros Ticaret A.Ş. (Migros) (*) (**)	Turkey	Sales of food and beverage and durable goods	34,00	34,00

(*) Shares of Anadolu Isuzu and Migros are currently quoted on the BIST.

(**) AEH, the subsidiary of the Group, has 80,5% shares of MH Perakendecilik, which has 50% stake in Migros, to participate 40,25 % in Migros. Put option liability of AEH for the remaining 19,5% shares are accounted in the financial statements, as a result, the Company's shareholding rate in Migros is 34,00%.

(***) Within the framework of simplification studies of Anadolu Group subsidiary structures, the minor shares of Anadolu Isuzu were transferred to AEH. As a result, Yazıcılar's shareholding rate in Anadolu Isuzu has increased to 37,57% from 37,56%.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Basis of Preparation of Financial Statements

The Group companies, which operate in Turkey, keep their accounting books and their statutory financial statements in Turkish Lira in accordance with the Generally Accepted Accounting Principles in Turkey accepted by the Capital Markets Board (CMB), Turkish Commercial Code, Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiaries and joint ventures keep their accounting books and statutory financial statements in their local currencies and in accordance with the rules and regulations of the countries in which they operate.

The consolidated financial statements are based on the statutory financial statements of the Group's subsidiaries and joint ventures and presented in TRL in accordance with CMB Financial Reporting Standards with certain adjustments and reclassifications for the purpose of fair presentation. Such adjustments are primarily related to application of consolidation accounting, accounting for deferred taxes on temporary differences, accounting for employment termination benefits on an actuarial basis and accruals for various expenses. Except for the financial assets carried from their fair values and assets and liabilities, financial statements are prepared on historical cost basis.

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Basis of Preparation of Financial Statements (cont'd)

In accordance with the CMB's "Communiqué on Financial Reporting in Capital Market" Numbered II-14.1 (Communiqué), promulgated in the Official Gazette numbered 28676 dated June 13, 2013, effective from interim periods beginning after September 30, 2013, listed companies are required to prepare their financial statements in conformity with Turkey Accounting/Financial Reporting Standards (IAS/IFRS) as prescribed in the CMB Communiqué. The financial statements and explanatory notes are presented using the compulsory standard formats as published by the Communiqué.

Furthermore, in accordance with the Communiqué and announcements regarding the explanations of the Communiqué, guarantee pledge mortgage table, foreign currency position table, total export and total import amounts and hedging amount of total foreign currency liabilities are presented in the condensed consolidated financial statement disclosures (Note 18, 34).

Financial Reporting in Hyperinflationary Economies

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the consolidated financial statements of the Group have been prepared accordingly.

Functional and Presentation Currency

(a) 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 'TRL', which is the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'financial income or expense'. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income/expense'.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognized in other comprehensive income.

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(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Basis of Preparation of Financial Statements (cont'd)

Functional and local currencies of foreign subsidiaries are as follows:

		December 31, 2016	December 31, 2015
	Local Currency	Functional Currency	Functional Currency
AEH Handels	EUR	EUR	EUR
Oyex	EUR	EUR	EUR
GUE	Georgian Lari (GEL)	GEL	GEL
Kheledula Enerji Ltd.	Georgian Lari (GEL)	GEL	GEL

Comparative Information and Restatement of Prior Period Financial Statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and significant changes are explained. Comparative figures have been reclassified to conform to changes in presentation in the current period consolidated financial statements. The amount, the reason and the nature of the reclassifications are stated below:

- Within the scope of decision held by POA, adaption to 2016 TMS taxonomy decision dated June 2, 2016 and numbered 30, “assets used in renting activities” which was shown in consolidated balance sheet as of December 31, 2015, short term amounting to TRL 247.518 and long term amounting to TRL 1.031.536 have been reclassified under “other current assets” and “other non-current assets” respectively.
- Current deferred income and advances taken amounting TRL 28.528 and non-current deferred income amounting TRL 3.736 which were under other liabilities in the consolidated balance sheet as of December 31, 2015, have been reclassified under current deferred income and non-current deferred income respectively.
- To comply with the presentation of the current period financial statements the Group has reclassified the cheques amounting TRL 8.258 as cash and cash equivalents which was included in trade receivables in the balance sheet as of December 31, 2015.

Changes in Accounting Policies

New standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements as at December 31, 2016 are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and IFRIC interpretations summarized below.

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

The new standards, amendments to published standards and interpretations effective applicable as of 31 December 2016:

- IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Annual improvements 2014; effective from annual periods beginning on or after 1 July 2016. These set of amendments impacts 4 standards:
 - IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
 - IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
 - IAS 19, 'Employee benefits' regarding discount rates.
 - IAS 34, 'Interim financial reporting' regarding disclosure of information.
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to IAS 16 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Amendments to IAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to IFRS 10 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Standards and amendments effective after 1 January 2017:

- Amendments to IAS 7 ‘Statement of cash flows’ on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments IAS 12 ‘Income Taxes’, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarify certain other aspects of accounting for deferred tax assets.
- 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. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- IFRS 9 ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- 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. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- 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.
- IFRS 16 ‘Leases’, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Standards and amendments effective after 1 January 2017:

- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard— IAS 39.
- Amendment to IAS 40, 'Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
 - IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
 - IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
 - IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRIC 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice

Group will evaluate the effects of new and revised standards and interpretations on its operations and will be implemented after its effective date.

Basis of Consolidation

The principal accounting policies adopted in preparing the consolidated financial statements of the Group are as follows:

Subsidiaries

Subsidiaries are all entities (including structured entities) 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 over 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.

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Subsidiaries (cont'd)

The consolidated financial statements of the Group include Yazıcılar Holding A.Ş. and subsidiaries under its control. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Non-controlling interests in the net assets of the subsidiaries included in consolidation, appears as a separate item in Group's equity. Non-controlling interest consists of non-controlling amount that already exists as of the first acquisition date and the amounts take place during the changes in the parent company's equity related to non-controlling interest after the first acquisition date. Losses exceeding the shares belonging to non-controlling interest are distributed to the shares of the Group, unless there is a mandatory obligation to compensate the recognized losses and an opportunity to make additional investments to cover the stated losses of the non-controlling interest. The equity and net income attributable to non-controlling shareholders' interests are shown separately in the consolidated balance sheet and income statement, respectively.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances. The balances given from subsidiaries are restated when necessary to conform to the Group's accounting policies.

Investments in Associates

The Group's investments in associates are accounted under the equity method of accounting. Investments in associates are undertakings over which the Group generally has between 20% and 50% of the voting rights and the Group has significant influence and which are not subsidiaries or joint ventures of the Group. The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The income statement reflects the Group's share of the results of operations of the associates. The group's investment in associates includes goodwill identified on acquisition.

The Group's investments in associates which the Group has direct interest or indirect interest by its subsidiaries are accounted under the equity method of accounting considering direct or indirect shareholding rate in total. Non-controlling interest is calculated regarding the effective shareholding rate through its subsidiaries.

The investments valued accounted through equity method are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associates. The effect of the amounts that has not reflected to the profit or loss of the associate on the equity of the associate may require an adjustment on the book value of the associate. Group's share in these changes is directly being recorded in Group's equity.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Subsidiaries (cont'd)

Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Investments in the Joint Ventures

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and its subsidiaries together with one or more other parties. The Group's interest in joint ventures is accounted for under the equity method of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognized at fair value within borrowings with a corresponding charge directly to equity. The charge to equity is recognized separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

The Group recognizes the cost of writing such put options, determined as the excess of the fair value of the option over any consideration received, as a financial expense. Such options are subsequently measured at amortized cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financial expense. In the event that the option expires unexercised, the liability is derecognized with a corresponding adjustment to equity.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Use of Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of balance sheet date. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

The source of the risk carrying estimates, assumptions and calculation indefinities which may cause to significant adjustments at assets and liabilities at following periods as of balance sheet date are; actuarial assumptions used for employee termination benefits, impairment of assets and useful lives of tangibles and intangibles. These estimates and assumptions are explained at related disclosure in detail.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Use of Accounting Estimates and Assumptions (cont'd)

Provision for doubtful receivables

Allowance for doubtful receivables reflect the future loss that the Group anticipates to incur from the trade receivables as of the balance sheet date which is subject to collection risk considering the current economical conditions. During the impairment test for the receivables, the debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The provision for doubtful receivables is explained in the Note 9.1.

Provisions for impairment in inventories

During the assessment of the provision for impairment in inventory the followings are considered; analyzing the inventories physically and historically, considering the employment and usefulness of the inventories respecting to the technical personnel view. Sales prices listed, average discount rates given for sale and expected cost incurred to sell are used to determine the net realizable value of the inventories. As a result of this, the inventories with the net realizable values below the costs are explained in the Note 11.1.

Employee termination benefit

Discount rates are determined using actuarial valuations which involve making assumptions about future salary increases and employee turnover rates. The details related with the defined benefit plans are explained in Note 17.1.

Warranty provision

Group has determined the warranty provision by considering the realized warranty expense per each product in the previous years for each product model/type and the warranty period left per each product. Group also takes into consideration the warranty expenses that can be recourse to the manufacturer along with expenses of previous years and contracts and does not make provisions for these amounts.

Summary of Significant Accounting Policies

2.1 Revenue Recognition

Revenue is recognized on accrual basis based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable. Net sales are calculated after deducting sales returns and sales discounts.

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group transfers the significant risks and rewards of ownership of the goods to the buyer,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recorded as revenue according to its percentage of completion when it is calculated reliably. In the case that it cannot be calculated reliably, the revenue is recognized only to the extent of the associated expenses that are recoverable.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

2.1 Revenue Recognition (cont'd)

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

Dividend income is recognized when the right to receive payment is established.

2.2 Inventories

Inventories are valued at the lower of cost and net realizable value after provision for obsolete and slow moving. Overheads that have been incurred in bringing the inventories to their present location and condition are accounted as stated below:

Costs are accounted for weighted average method for other companies. Finished goods and semi-finished goods include cost of direct materials, labor and a proportion of manufacturing overheads based on normal operating capacity. It excludes borrowing cost.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs incurred in order to realize sale.

Inventories related to the real estate operations comprise of construction costs of housing units (completed and in-progress) and the cost of land used for to these housing projects. Land held for future development of housing projects are also classified as inventory. Housing units which are completed and ready for delivery to customers together with work-in progress costs for housing units which will be completed within a year, are classified as short term inventories in the consolidated financial statements. Borrowing costs attributable to qualifying projects are capitalized.

2.3 Property, Plant and Equipment

Property, plant and equipment are carried with their cost after subtracting accumulated depreciation and impairment. Property, plant and equipment are depreciated principally on a straight-line basis. Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of assets are as follows:

Land improvements	5-50 years
Buildings	20-50 years
Machinery and equipment	5-10 years
Motor vehicles	5 years
Furniture and fixtures	5 years
Leasehold improvements	Lower of lease period or useful life

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement.

The profit or loss as a result of selling property, plant and equipment is calculated as the difference between the carrying amount and proceeds and included in income statement in the period the asset is disposed.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

2.4 Assets Used in Renting Activities

In the renting business, the ownership of the object which is subject to rent in the economic sense belongs to the renter. Assets used in renting covering motor vehicles are accounted with cost less depreciation calculated principally on a straight-line basis. Depreciation is calculated after reducing the residual value of the assets in accordance with their estimated useful lives (Note 20). The depreciable balance of assets used in renting is calculated by reducing the residual value calculated with expected market value at the end of the renting period from the cost. The residual value is the amount that is left after deducting the cost of sales at the end of the useful life of the Group. Residual values are accounted based on assumptions at the beginning. The residual values depend on the Group's extensive market conditions in the future market conditions.

Management periodically reviews if the residual values are appropriate, and in case there is a change in the value estimation, the change is recorded as a change in accounting estimate. Also vehicles used in renting which are in legal process with their lessees are subject to impairment testing.

2.5 Investment Properties

Investment properties are stated at cost less accumulated depreciation and any impairment in value. Investment properties are depreciated on a straight-line basis over the estimated useful live which is 50 years.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development to sell.

2.6 Intangible Assets

(i) Goodwill and impairment of goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary, associate or joint venture at the date of acquisition. The carrying values of goodwill is annually reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. In accordance with IFRS 3, goodwill is tested for impairment at least annually.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

2.6 Intangible Assets (cont'd)

(ii) Other intangible assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the period in which it is incurred.

Useful lives of intangible assets are determined as either finite or infinite.

Intangible assets are amortized on a straight line basis over the estimated useful lives which are between 3 and 20 years. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2.7 Impairment of Assets

All assets other than goodwill are tested whether there is an indication of impairment of asset or not for each periods of the balance sheet. If such an indication exists, recoverable amount of that asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.8 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs shall be recognized as an expense when incurred.

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

2.9 Financial Instruments

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

2.9 Financial Instruments (cont'd)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of financial assets

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

2.9 Financial Instruments (cont'd)

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and in hand, deposits at the Central Bank of Turkey, which are easily convertible into cash and do not carry any material value changes, have high liquidity, with an original maturity of three months or less. The amounts paid under the reverse repurchase agreements are included in cash and cash equivalents.

Repurchase (repo) and Resale (reverse repo) Transactions

The Group enters into sales of securities under agreements to repurchase such securities at a fixed price at a fixed future date. Such securities, which have been sold subject to a repurchase agreement ('repos'), are recognized in the balance sheet and are measured in accordance with the accounting policy of the security portfolio which they are part of. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreement using the effective interest method. Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as loaned securities when the transferee has the right by contract or custom to sell or re-pledge the collateral. The counterparty liability for amounts received under these agreements is included in "Other Money Market Deposits".

Securities purchased with a corresponding commitment to resell at a fixed price at a specified future date ('reverse repos') are not recognized in the balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using the effective interest method.

Trade Receivables and Payables

Trade receivables from the supply of products and services to a buyer, are carried at net of deferred finance income. Trade receivables net of deferred finance income, which are initially recorded at original invoice amounts, are measured at amortized cost of the amounts that will be collected in the subsequent periods with the effective interest rate. Short term trade receivables which do not have a determined interest rate, when the interest accrual effect is immaterial, are measured at the original invoice values.

If the collection period for the trade receivables and trade payables is less than or equal to 1 year (or if it is longer as long as it is in the Company's normal operational cycle), these receivables and payables are classified as short-term receivables or payables. Otherwise, these are classified as long-term receivables or payables.

The Group provides allowance for doubtful receivables when there is an indication that the collections are not probable. Related provision amount is the difference between the book value of the receivable and the probable collection amount. The probable collection amount is the cash flows, including collections from guarantees, which are discounted at the effective interest rate of the original receivable.

Subsequent to provide allowance for doubtful receivable, when all or a portion of the doubtful receivable is collected, the collection is deducted from the allowance and recorded as other income.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

2.9 Financial Instruments (cont'd)

Funds Borrowed and Borrowings

All deposits and borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs. After initial recognition interest-bearing deposits and borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. These derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair values.

Fair values are obtained from quoted market prices, to the extent publicly available, discounted cash flows and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

2.10 Foreign Currency Transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRL, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Company and its Turkish subsidiaries, transactions in currencies other than TRL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The foreign currency income or expenses incurred from the translation of foreign currency denominated transaction or restatement of monetary items is reflected within the statement of income in the related period.

Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings are recognized in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

2.11 Earnings per Share

Earnings per share disclosed in the consolidated statement of income are determined by dividing net income by the weighted average number of shares in existence during the period concerned.

In Turkey, companies can raise their share capital by distributing shares (“Bonus Shares”) to shareholders in their retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

2.12 Subsequent Events

Subsequent events cover all events between the balance sheet date and authorization date of balance sheet for issue even if subsequent event has occurred after any announcement about the profit or any other selected financial information made public.

The Group; reflects the effect of such post-period-end adjusting events to the consolidated financial statements.

2.13 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine whether the possibility of an outflow of resources embodying economic benefits is probable. When the possibility of an outflow of resources embodying economic benefits is probable for the accounts classified as contingent liabilities, provision is provided in the financial statements for related contingent liabilities except for the situations there is not a reliable estimation.

The Group discloses the contingent liabilities that are probable but there is not a reliable estimation for the amount of resources embodying economic benefits.

Assets that result from previous events that cannot be controlled fully by the Group and depend on the realization of one or more uncertain events, is considered as a contingent asset. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

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

2.14 Changes in Accounting Policies, Accounting Estimates and Errors

Changes in accounting policies or accounting errors are applied retrospectively and the consolidated financial statements of the comparative period are restated. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

2.15 Leases

The Group as a Lessee

Finance Lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating Lease

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of premises, which are cancellable subject to a period of notice. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Group as a Lessor

Operating Lease

The Group presents assets subject to operating leases in the balance sheets according to their nature. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Operating leases are amortized based on their cost after deducting their residual values.

IAS 16 “Property, Plant and Equipment”, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases.

2.16 Related Parties

Parties are considered related to the Group if;

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Company that gives it significant influence over the Company; or
 - (iii) has joint control over the Company;
- (b) the party is an associate of the Company;
- (c) the party is a joint venture in which the Company is a venture;
- (d) the party is member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
- (g) the party has a defined benefit plan for the employees of the Company or a related party of the Company.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

2.17 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group is organized and primarily managed in four principal segments: Automotive (including passenger vehicles, commercial vehicles, generators, spare and component parts, motor vehicle renting); retailing (stationery, chain restaurant management and tourism); energy (production and sale of electricity) and other (information technologies, trade, asset management, real estate). The Group has ended asset management operations as of June 29, 2016 as the details are mentioned in Note 30.

2.18 Government Incentives and Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to such grants, and that the grants will be received. They are recognized as income over the period to match them with the related costs that they are intended to compensate. Income relating to government grants is recognized as a deduction from the appropriate expense.

2.19 Taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The current income tax payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

2.19 Taxes (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.20 Employee Termination Benefits

Defined Benefit Plan

In accordance with existing social legislation in Turkey, the Group companies operating in Turkey are required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the consolidated financial statements, the Group has reflected a liability using the Projected Unit Credit Method and based upon estimated inflation rates and factors derived using the Group's experience of personnel terminating their services and being eligible to receive such benefits and discounted by using the current market yield at the balance sheet date on government bonds.

Defined Contribution Plan

The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are accrued.

2.21 Statement of Cash Flow

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows from investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

Cash flows from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

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NOTE 3 - BUSINESS COMBINATIONS

Transactions for the year of 2016

None.

Transactions for the year of 2015

Share transfer regarding the 40,25% indirect participation of AEH, a subsidiary of the Group, in Migros Ticaret A.Ş. (Migros) has been completed on July 15, 2015 after the approval of Competition Authority. Following the share transfer, 80,5% shares of MH Perakendecilik ve Ticaret A.Ş (MH Perakendecilik), which has 50% stake in Migros, belong to AEH and 19,5% shares of MH Perakendecilik belong to Moonlight Capital. Moonlight Capital owns 30,5% of the Migros shares directly and 19,5% of Migros shares are publicly traded. The balance paid for the acquisition of 80,5% shares of MH Perakendecilik, which has 50% stake in Migros, by AEH including the indirectly acquired Migros shares amounts to TRL 2.490.869.210 (full TRL) and this payment is the sum of TRL 1.061.957.852 (full TRL) and Euro 297.041.599 (full Euro) payments, which indicate an indirect purchase price of TRL 26,86 (full TRL) for each Migros share with a nominal value of TRL 1 (full TRL), and AEH's 80,5% share in total cash amount of MH Perakendecilik. Therefore, the net payment ends up as 1.924.655.768 (full TRL).

Under certain conditions and a time period, Migros will be managed jointly by AEH and the funds managed by BC Partners which controls Moonlight Capital. Therefore, in the financial statements Migros has been defined as a joint venture, and MH Perakendecilik which has 50% stake in Migros has been defined as a subsidiary of the Group. At the same time, for the 19,5% shares of Moonlight Capital in MH Perakendecilik, AEH has the right to buy (call option) and Moonlight Capital has the right to sell (put option) between May 1, 2017 and October 31, 2017. As of December 31, 2016 in Group's consolidated financial statements call option of AEH has not been accounted whereas put option liability arising from put option given to Moonlight Capital, amounting to TRL 474.515 has been accounted under "non-current liabilities". As a result of review of option's subjects and recognizing option liability, non-controlling interests related to regarding shares are not recognized in the Group's consolidated financial statements in accordance with related accounting standards. At the acquisition date, the difference amounting to TRL 549.701 between put option liability recognized in non-controlling interests and non-controlling interests amounting to TRL (92.524) that corresponds to 19,5% shares related to options, is recognized under investments accounted through equity method in the consolidated financial statements.

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NOTE 3 - BUSINESS COMBINATIONS (cont'd)

Transactions for the year of 2015 (cont'd)

Fair value of net assets in the financial statements as of the date on which shares of Migros and MH Perakendecilik were acquired is as the following:

	Fair Value	Book Value
Cash and cash equivalents	1.529.231	1.529.231
Trade and other receivables	69.273	69.273
Receivables due from related parties	41	41
Inventories	1.232.365	1.066.309
Derivative financial instruments	2.661	2.661
Other current assets	40.745	40.745
Financial instruments	1.165	1.165
Investment property	222.997	60.768
Property, plant and equipment	1.521.347	1.273.179
Intangible assets		
- Goodwill	-	2.251.427
- Other intangible assets	198.125	156.263
Other non-current assets	11.141	11.141
Financial borrowings	(2.463.696)	(2.463.696)
Trade and other payables	(2.192.917)	(2.192.917)
Trade payables due to related parties	(1.201)	(1.201)
Derivative financial instruments	(1.267)	(1.267)
Other liabilities	(296.820)	(296.820)
Deferred tax liability	(115.669)	(85.224)
Net carrying amount	(242.479)	1.421.078
Total cost of acquisition	2.490.869	2.490.869
Portion of the net assets acquired by the Group	185.644	855.225
Fair value difference in investments accounted through equity method	2.305.225	1.635.644
Total cost of acquisition	2.490.869	2.490.869
Proceeds due to the acquisition (-)	(567.133)	(567.133)
Net acquisition cost in consolidated financial statements	1.923.736	1.923.736

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NOTE 4 - JOINT VENTURES

Joint Ventures

Entity	Principle activities	Country	December 31, 2016			December 31, 2015		
			Carrying value	Effective shareholding and voting rights (%)	Group's share of income/ (loss)	Carrying value	Effective shareholding and voting rights (%)	Group's share of income/ (loss)
Anadolu Isuzu (*)(***)	Manufacturing and selling of Isuzu brand commercial vehicles	Turkey	101.498	37,57	(17.812)	124.885	37,56	6.819
Ana Gıda	Production and marketing of olive oil, sunflower and corn oil under Kırilangıç, Komili and Madra Brands	Turkey	33.977	37,57	907	33.132	37,57	744
Aslancık Faber-Castell Anadolu LLC	Production of electricity	Turkey	(692)	22,67	(14.889)	14.210	22,67	(24.922)
Migros (*) (**)	Trading of all kinds of stationery	Russia	1.294	19,34	161	-	19,34	-
Migros (*) (**)	Sales of food and beverages and durable goods	Turkey	2.104.941	34,00	(143.877)	2.238.866	34,00	(128.154)
			2.241.018		(175.510)	2.411.093		(145.513)

(*) Shares of Anadolu Isuzu and Migros are quoted on the BIST.

(**) AEH, the subsidiary of the Group, has 80,5% shares of MH Perakendecilik, which has 50% stake in Migros, to participate 40,25 % in Migros. Put option liability of AEH for the remaining 19,5% shares are accounted in the financial statements, as a result, the Company's shareholding rate in Migros is 34,00%.

(***) Within the framework of simplification studies of Anadolu Group subsidiary structures, the minority shares of Anadolu Isuzu were transferred to AEH. As a result, Yazıcılar's shareholding rate in Anadolu Isuzu has increased to 37,57% from 37,56%.

Summary financial information of the Group's joint venture Anadolu Isuzu is as follows:

	December 31, 2016	December 31, 2015
Anadolu Isuzu		
Total assets	885.067	881.203
Total liabilities	622.602	557.841
Net assets	262.465	323.362
Group's interest in net assets	101.498	124.885
Revenue	829.811	935.495
Net income (loss) for the period	(46.337)	17.744
Group's share in net (loss) / income of the joint venture	(17.812)	6.819

Summary financial information of the Group's investment in joint venture Ana Gıda is as follows:

	December 31, 2016	December 31, 2015
Ana Gıda		
Total assets	187.130	181.795
Total liabilities	118.189	114.381
Net assets	68.941	67.414
Group's interest in net assets	33.977	33.132
Revenue	322.792	306.105
Net income for the period	1.641	1.346
Group's share in net income of the joint venture	907	744

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NOTE 4 - JOINT VENTURES (cont'd)

Summary financial information of the Group's investment in joint venture Aslançık is as follows:

	December 31, 2016	December 31, 2015
Aslançık		
Total assets	465.905	470.309
Total liabilities	464.372	424.066
Net assets	1.533	46.243
Group's interest in net assets	(692)	14.210
Revenue	102.689	62.931
Net loss for the period	(44.673)	(74.773)
Group's share in net loss of the joint ventures	(14.889)	(24.922)

Summary financial information of the Group's investment in joint ventures Faber Castell Anadolu LLC is as follows:

	December 31, 2016	December 31, 2015
Faber Castell Anadolu LLC		
Total assets	9.982	6.621
Total liabilities	7.395	5.297
Net assets	2.587	1.324
Group's interest in net assets (*)	1.294	-
Revenue	14.724	11.853
Net income / (loss) for the period	322	(1.645)
Group's share in net income / (loss) of the joint ventures	161	-

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NOTE 4 - JOINT VENTURES (cont'd)

Summary financial information of the Group's investment in joint venture Migros is as follows:

	December 31, 2016	December 31, 2015
Migros		
Current assets	2.532.025	2.035.523
Non-current assets	3.805.379	3.725.194
Total assets	6.337.404	5.760.717
Short-term borrowings	340.525	212.910
Other current liabilities	2.980.235	2.512.761
Long-term borrowings	2.623.011	2.380.236
Other non-current liabilities	152.478	138.824
Total liabilities	6.096.249	5.244.731
Net assets	241.155	515.986
Attributable to:		
Non-controlling interests	820	644
Equity holders of the parent	240.335	515.342
Group's interest in net assets	2.104.941	2.238.866
Revenues	11.059.224	9.389.829
Net loss for the period	(292.918)	(370.453)
Non-controlling interests	51	11
Equity holders of the parent	(292.969)	(370.464)
Group's interest in net loss	(143.877)	(128.154)
- Non-controlling interests	(46.041)	(41.009)
- Equity holders of the parent	(97.836)	(87.145)

The movement of carrying value of the joint venture, Migros in the consolidated financial statements as of December 31, 2016 and December 31, 2015 is as follows:

	December 31, 2016	December 31, 2015
Balance at the beginning of period	2.238.866	2.381.834
Group's share in net loss	(143.877)	(128.154)
Group's share in currency translation differences	10.367	(16.313)
Group's share in remeasurement funds	(415)	1.499
Balance at the end of period	2.104.941	2.238.866

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NOTE 5 - SEGMENT REPORTING

The Group is organized and primarily managed in four principal segments: Automotive (including passenger vehicles, commercial vehicles, generators, spare and component parts, motor vehicle renting); retailing (stationery, chain restaurant management and tourism); energy (production and sale of electricity) and other (information technologies, trade, asset management, real estate). The Group has ended asset management operations as of June 29, 2016 as the details are mentioned in Note 30.

Since segment reporting and information used in the Group management reporting is consistent with consolidated balance sheet and consolidated income statement the Group does not need to perform reconciliation between the consolidated income statement, consolidated balance sheet and the segment reporting disclosure.

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NOTE 5 - SEGMENT REPORTING (cont'd)

31 December 2016	Automotive	Retailing	Energy	Other	Unallocated	Consolidated
Sales	1.989.984	862.110	57.690	120.329	-	3.030.113
Inter-segment sales	5.113	4.013	-	28.652	(37.778)	-
Total Sales	1.995.097	866.123	57.690	148.981	(37.778)	3.030.113
GROSS PROFIT(LOSS)	316.146	184.322	27.349	53.700	(30.799)	550.718
General administrative expenses	(63.060)	(57.226)	(12.191)	(91.735)	28.655	(195.557)
Marketing expenses	(77.587)	(80.559)	-	(25.798)	3.831	(180.113)
Research and development expenses	(2.011)	-	-	-	-	(2.011)
Other operating income	12.094	4.961	529	943	78	18.605
Other operating expenses	(15.398)	(12.076)	(69)	(6.881)	50	(34.374)
Gain (Loss) from the investments accounted through equity method (*)	-	161	-	-	(196.068)	(195.907)
OPERATING INCOME (LOSS)	170.184	39.583	15.618	(69.771)	(194.253)	(38.639)
Income from investing activities	861	2.064	-	647.183	(276.506)	373.602
Expenses from investing activities	(271)	(4.263)	-	(2.707)	531	(6.710)
OPERATING INCOME (LOSS) BEFORE FINANCIAL INCOME (EXPENSE)	170.774	37.384	15.618	574.705	(470.228)	328.253
Financial income	68.551	3.820	1.761	59.013	-	133.145
Financial expenses	(373.794)	(39.883)	(57.650)	(349.716)	(37.597)	(858.640)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(134.469)	1.321	(40.271)	284.002	(507.825)	(397.242)
Tax (Expense) Income from Continuing Operations	24.185	(12.975)	(6.004)	21.961	(2)	27.165
- Current period tax (expense) income	(445)	(9.158)	(169)	(7.618)	-	(17.390)
- Deferred tax (expense) income	24.630	(3.817)	(5.835)	29.579	(2)	44.555
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	(110.284)	(11.654)	(46.275)	305.963	(507.827)	(370.077)
NET INCOME (LOSS) FOR THE PERIOD FOR DISCONTINUED OPERATIONS	-	-	-	(8.174)	19	(8.155)
Attributable to:	(110.284)	(11.654)	(46.275)	297.789	(507.808)	(378.232)
- Non-controlling interest	(4.753)	-	(3.903)	-	(114.035)	(122.691)
- Equity holders of the parent	(105.531)	(11.654)	(42.372)	297.789	(393.773)	(255.541)
Total Assets	2.673.553	540.351	419.150	4.160.301	1.554.711	9.348.066
Investments accounted through equity method	-	1.294	-	-	5.010.257	5.011.551
Total Liabilities	2.388.109	292.067	408.616	1.417.471	371.271	4.877.534
Net debt	2.042.461	145.898	398.733	670.770	-	3.257.862
Purchases of tangible & intangible assets and investment property	18.775	18.072	463	4.503	-	41.813
Purchases of assets used in renting activities	1.289.224	-	-	-	-	1.289.224
Depreciation and amortization	62.766	28.737	14.131	17.640	(11)	123.263

(*) Income recognized from ABank and Ana Gıda amounting TRL 1.445 and expense recognized from Anadolu Efes, Anadolu Isuzu, Aslancık and Migros amounting TRL 197.513 which are accounted through equity method are recorded under gain/loss from the investments accounted through equity method in 'unallocated' segment; income recognized from Faber Castel Anadolu LLC amounting to TRL 161 is recorded in "retailing" segment.

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NOTE 5 - SEGMENT REPORTING (cont'd)

31 December 2015	Automotive	Retailing	Energy	Other	Unallocated	Consolidated
Sales	1.610.368	820.565	51.306	109.944	-	2.592.183
Inter-segment sales	5.071	3.612	-	26.007	(34.690)	-
Total Sales	1.615.439	824.177	51.306	135.951	(34.690)	2.592.183
GROSS PROFIT(LOSS)	267.905	179.044	20.358	57.205	(28.379)	496.133
General administrative expenses	(53.017)	(59.797)	(9.971)	(102.390)	24.929	(200.246)
Marketing expenses	(70.916)	(73.532)	-	(4.743)	3.184	(146.007)
Research and development expenses	(1.817)	-	-	-	4	(1.813)
Other operating income	4.500	8.013	351	1.073	(489)	13.448
Other operating expenses	(6.039)	(12.782)	(2.141)	(3.730)	258	(24.434)
Gain (Loss) from the investments accounted through equity method (*)	-	-	-	-	(180.338)	(180.338)
OPERATING INCOME (LOSS)	140.616	40.946	8.597	(52.585)	(180.831)	(43.257)
Income from investing activities	190.906	67.340	10	5.853	(244.123)	19.986
Expenses from investing activities	-	(8.551)	-	(1.111)	-	(9.662)
OPERATING INCOME (LOSS) BEFORE FINANCIAL INCOME (EXPENSE)	331.522	99.735	8.607	(47.843)	(424.954)	(32.933)
Financial income	45.806	12.799	3.690	219.972	(6)	282.261
Financial expenses	(225.871)	(39.276)	(96.524)	(196.980)	(16.410)	(575.061)
INCOME (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	151.457	73.258	(84.227)	(24.851)	(441.370)	(325.733)
Tax (Expense) Income from Continuing Operations	(509)	(5.758)	(2.618)	4.317	50.709	46.141
- Current period tax (expense) income	(812)	(7.770)	-	(3.415)	-	(11.997)
- Deferred tax (expense) income	303	2.012	(2.618)	7.732	50.709	58.138
NET INCOME (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	150.948	67.500	(86.845)	(20.534)	(390.661)	(279.592)
NET INCOME (LOSS) FOR THE PERIOD FOR DISCONTINUED OPERATIONS	-	-	-	(501)	88	(413)
Attributable to:	150.948	67.500	(86.845)	(21.035)	(390.573)	(280.005)
- Non-controlling interest	(79)	(7)	(8.214)	147	(61.265)	(69.418)
- Equity holders of the parent	151.027	67.507	(78.631)	(21.182)	(329.308)	(210.587)
Total Assets	2.024.166	646.186	403.998	4.330.523	1.435.798	8.840.671
Investments accounted through equity method	-	-	-	-	5.121.625	5.121.625
Total Liabilities	1.622.782	357.392	364.717	1.843.259	335.311	4.523.461
Net debt	1.408.727	140.142	353.365	1.385.318	-	3.287.552
Purchases of tangible & intangible assets and investment property	17.837	53.333	2.203	133.553	(9.798)	197.128
Purchases of assets used in renting activities	887.583	-	-	-	-	887.583
Depreciation and amortization	55.277	26.164	13.319	10.530	(22)	105.268

(*) Income recognized from ABank, Ana Gıda and Anadolu Isuzu amounting TRL 31.215 and expense recognized from Anadolu Efes, Aslancık and Migros amounting TRL 211.553 which are accounted through equity method are recorded under gain/loss from the investments accounted through equity method in 'unallocated' segment.

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NOTE 5 - SEGMENT REPORTING (cont'd)

Substantially all of the consolidated revenue is obtained from operations located in Turkey.

Associate: The Group's effective shareholding rate for Anadolu Efes is 27,66% (December 31, 2015: 27,66%). The operations of Anadolu Efes and its subsidiaries consist of production, distribution and marketing of beer under a number of trademarks and selling and distribution of sparkling and still beverages with The Coca-Cola Company trademark principally in Turkey, Central Asia and Middle East. The result of these operations, for the periods ended December 31, 2016 and December 31, 2015 are reflected in "gain/loss from the investments accounted through equity method" line of the consolidated income statement as losses amounting to TRL 20.935 and TRL 58.477 respectively. As of December 31, 2016 Group does not have shares in ABank which used to be an associate of the Group as mentioned in Note 12 (December 31, 2015: 17,00%). The result of ABank's operations for the periods ended December 31, 2016 and December 31, 2015 are reflected in "gain/loss from the investments accounted through equity method" line of the consolidated income statement as gains amounting to TRL 538 and TRL 23.652 respectively.

NOTE 6 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	December 31, 2016	December 31, 2015
Cash	2.514	2.035
Banks	360.789	331.643
Other cash and cash equivalents (*)	49.351	38.870
Cash and cash equivalents in the consolidated cash flow statement	412.654	372.548
Interest income accruals	709	636
	413.363	373.184

(*) Other liquid assets consist of credit card receivables with less than 3 months maturity, checks in collection and direct billing system (DBS) balances.

	December 31, 2016			December 31, 2015		
	Amount	Maturity	Interest rate (%)	Amount	Maturity	Interest rate (%)
Cash in banks						
Demand deposit	28.774	-	-	28.664	-	-
-EUR	11.250	-	-	8.801	-	-
-USD	6.649	-	-	8.473	-	-
-GBP	16	-	-	2	-	-
-TRL	10.273	-	-	10.898	-	-
-GEL	586	-	-	490	-	-
Time deposit	332.724			303.615		
-EUR	50.657	1 - 46 days	0,25 - 2,60	133.735	1 - 42 days	0,10 - 2,80
-USD	150.892	1 - 46 days	0,25 - 3,90	99.437	1 - 42 days	0,02 - 2,50
-TRL	131.175	1 - 42 days	6,75 - 12,00	70.443	1 - 67 days	7,50 - 13,60
	361.498			332.279		

Cash and cash equivalents of Yazıcılar as of December 31, 2016 amounts to TRL 91.937, cash and cash equivalents of AEH, a subsidiary of the Company amounts to TRL 166.433. (December 31, 2015: TRL 62.352 and TRL 135.328).

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NOTE 7 - FINANCIAL INVESTMENTS

	December 31, 2016		December 31, 2015	
	Amount	Effective interest rate (%)	Amount	Effective interest rate (%)
Investment funds	937	-	2.426	-
Shares listed on the BIST	483	-	8.382	-
Credit card receivables	8.031	-	4.341	-
Time deposits (*)	-	-	29.157	-
- Polinas Plastik ve Ticaret A.Ş. (Polinas) (**)	-	-	6.276	10,57
- Other	327	-	383	-
	9.778		50.965	

- (*) As of December 31, 2016 there are no time deposits with maturities over three months. (December 31, 2015: time deposits with maturities over three months are denominated in EUR. They are made for 100 days period and interest rate is 2,67%.)
- (**) The Company's 10,50% share and 0,10% share of AEH, a subsidiary of the Company in Polinas Plastik Sanayii ve Ticareti A.Ş.'s capital which makes 954.000 shares in total representing TRL 9.540 capital share have been sold to İsmet Ambalaj Yatırımları A.Ş., a subsidiary of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. on March 16, 2016 for USD 9.217.391 (full USD) to be paid in cash.

NOTE 8 - BORROWINGS

	December 31, 2016	December 31, 2015
Bank borrowings	529.141	755.190
Bills issued (*)	81.537	-
Bonds issued (**)	100.000	-
Current portion of long term borrowings	809.418	740.956
Financial leasing payables	9.390	1.005
Interest accruals of bonds issued (**)	3.938	4.057
Short term borrowings	1.533.424	1.501.208
Bank borrowings	2.123.202	2.101.912
Financial leasing payables	24.050	1.922
Bonds issued (**)	-	100.000
Long term borrowings	2.147.252	2.203.834
Total borrowings	3.680.676	3.705.042

- (*) Çelik Motor, a subsidiary of the Company, has issued a bill to qualified investors without public offering at November 23, 2016, with 176 days maturity and 11,5 % interest rate. The carrying amount of the bill amounts to TRL 81.537 as of December 31, 2016.
- (**) Çelik Motor, a subsidiary of the Company, has issued a bond to qualified investors without public offering at September 17, 2015, with 729 days maturity, 13,8 % interest rate and fixed coupon payment in every 6 months. The carrying amount of the bond amounts to TRL 103.938 as of December 31, 2016. Çelik Motor, has issued a bond to qualified investors without public offering at April 22, 2013, with 728 days maturity, 7,9% interest rate and fixed coupon payment in every 6 months. The carrying amount of the bond amounts to TRL 104.057 as of December 31, 2015.

Total borrowings of AEH, a subsidiary of the Company as of December 31, 2016 amounts to TRL 602.746 (December 31, 2015: TRL 1.160.502).

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NOTE 8 - BORROWINGS (cont'd)

AEH, the subsidiary of the Group, has pledged shares of MH Perakendecilik for the payment of the long term loan to indirectly participate 40,25% in Migros, and since the mentioned long term loan has been paid off on December 20, 2016, the Company does not have any secured bank borrowings as of December 31, 2016.

Short term	December 31, 2016			December 31, 2015		
	Amount	Fixed interest rate	Floating interest rate	Amount	Fixed interest rate	Floating interest rate
Borrowing in Turkish Lira	425.165	10,4% - 15,0%	-	599.731	8,6% - 17,0%	-
Borrowing in foreign currency (EUR)	701.854	2,2% - 4,9%	Libor + (3,5% - 4,4%)	724.165	1,8% - 4,9%	Libor + (3,2% - 4,4%)
Borrowing in foreign currency (USD)	211.540	3,5% - 6,8%	Libor + (3,0% - 4,4%)	176.307	3,5% - 4,2%	Libor + (2,9% - 4,4%)
Financial leasing payables in Turkish Lira	9.390	11,5% - 13,6%	-	1.005	7,2% - 8,0%	-
Bonds issued in Turkish Lira	103.938	13,8%	-	-	-	-
Bills issued in Turkish Lira	81.537	11,5%	-	-	-	-
	1.533.424			1.501.208		
Long term	Amount	Fixed interest rate	Floating interest rate	Amount	Fixed interest rate	Floating interest rate
Borrowing in Turkish Lira	-	-	-	47.618	10,8% - 14,6%	-
Borrowing in foreign currency (EUR)	1.579.830	2,8% - 4,4%	Libor + (3,5% - 5,1%)	1.492.037	3,2% - 4,9%	Libor + (3,8% - 4,4%)
Borrowing in foreign currency (USD)	543.372	-	Libor + (3,5% - 4,4%)	562.257	3,5% - 4,0%	Libor + (3,0% - 4,4%)
Financial leasing payables in Turkish Lira	24.050	11,5% - 12,6%	-	1.922	8,6% - 8,9%	-
Bonds issued in Turkish Lira	-	-	-	100.000	13,8%	-
	2.147.252			2.203.834		
	3.680.676			3.705.042		

Repayments schedules of long-term borrowings are as follows:

	December 31, 2016	December 31, 2015
2017	-	355.382
2018	629.412	165.988
2019	1.076.558	902.553
2020	109.297	518.251
2021 and thereafter	331.985	261.660
	2.147.252	2.203.834

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NOTE 9 - TRADE RECEIVABLES AND TRADE PAYABLES

9.1 Trade Receivables, Third Parties

	December 31, 2016	December 31, 2015
Trade receivables	212.753	141.632
Post-dated cheques and notes receivables	103.603	68.453
Less: provision for doubtful trade receivables	(6.195)	(4.987)
	310.161	205.098

As of December 31, 2016, the Group has long term trade receivables from third parties amounting to TRL 9.957 (December 31, 2015: TRL 3.215).

Movement of provision for doubtful trade receivables is as follows:

	December 31, 2016	December 31, 2015
Balance at January 1	4.987	3.215
Provisions	1.217	1.774
Reversal of provision (including collections)	(9)	(2)
Balance at the end of the period	6.195	4.987

The aging table of trade receivables, third parties as of December 31, 2016 and 2015 is as follows:

Total	Neither past due nor impaired trade receivables	Past due but not impaired trade receivables					
		1 - 30 days	1 - 3 months	3 - 12 months	1 - 5 years	More than 5 years	
2016	320.118	279.015	29.745	5.943	4.286	1.047	82
2015	208.313	186.319	17.029	1.846	1.959	923	237

The amount of collaterals taken for the past due but not impaired trade receivables is TRL 10.672 (December 31, 2015: TRL 5.509). Collaterals consist of letters of guarantee and mortgages.

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NOTE 9 - TRADE RECEIVABLES AND TRADE PAYABLES (cont'd)

9.1 Trade Receivables, Third Parties (cont'd)

The total minimum collection of the receivables from non-cancelable operational leases of Çelik Motor and AND Anadolu Gayrimenkul, subsidiaries of the Group, for subsequent periods is as follows:

	December 31, 2016	December 31, 2015
- Less than one year	368.073	248.305
- Between one year and five years	305.243	170.581
- More than five years	22.078	-
	695.394	418.886

9.2 Trade Payables, Third Parties

	December 31, 2016	December 31, 2015
Trade Payables	306.726	188.709
	306.726	188.709

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

10.1 Other Short Term Receivables, Third Parties

	December 31, 2016	December 31, 2015
Receivables from loans (*)	-	81.677
Other	14.879	3.403
	14.879	85.080

(*) Receivables from loans consist of the loans carried at ABank and other banks that are transferred to Artı Anadolu and Atlas Varlık, subsidiaries of the Company. The entire NPL portfolio under Artı Anadolu and Atlas Varlık's assets were sold to Turkasset Varlık Yönetim A.Ş. on June 29, 2016 for TRL 71.100 and asset management activities have been ceased since then. (The amount of provision for the related receivable as of December 31, 2015 is TRL 21.697).

10.2 Other Long Term Receivables, Third Parties

	December 31, 2016	December 31, 2015
Deposits and collaterals given	2.937	3.454
	2.937	3.454

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NOTE 10 - OTHER RECEIVABLES AND PAYABLES (cont'd)

10.3 Other Short Term Payables, Third Parties

	December 31, 2016	December 31, 2015
Taxes payable	33.898	25.556
Due to personnel	5.340	3.280
Deposits and collaterals taken	820	3.412
Other	587	442
	40.645	32.690

As of December 31, 2016 the non-current portion of other payables to third parties is amounting to TRL 1.463 (December 31, 2015: TRL 436).

NOTE 11 – INVENTORIES

11.1 Short term inventories

	December 31, 2016	December 31, 2015
Raw materials	33.839	39.050
Semi-finished goods	8.622	9.026
Finished goods	56.416	57.589
Merchandise	118.063	180.625
Other inventories	4.578	1.003
Provisions for impairment (-)	(388)	(4.293)
	221.130	283.000

The movement of provision for impairment in inventories is as follows:

	December 31, 2016	December 31, 2015
Balance at January 1	4.293	2.873
Provision	-	3.569
Reversal of provision (-)	(3.905)	(2.149)
Balance at the end of the period	388	4.293

Amount for provisions of impairment in inventories has been recorded in cost of sales account.

11.2 Long term inventories

	December 31, 2016	December 31, 2015
Incomplete housing project (*)	62.025	21.708
	62.025	21.708

(*) Balance is related to the housing project of Kartal Gayrimenkul, a subsidiary of the Company which is operating in real estate development business located in Kartal district of İstanbul province and it includes capitalized financial expense amounting TRL 7.423. (December 31, 2015: TRL 4.777)

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NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

	December 31, 2016	December 31, 2015
Investment in associate	2.770.533	2.710.532
Interest in joint ventures (Note 4)	2.241.018	2.411.093
	5.011.551	5.121.625

12.1 Associates

Entity	Principle Activities	Country of business	December 31, 2016			December 31, 2015		
			Carrying value	Effective shareholding and voting rights (%)	Group's share of income/(loss)	Carrying value	Effective shareholding and voting rights (%)	Group's share of income/(loss)
Anadolu Efes (*)	Production, bottling and distribution of beer, sparkling and still beverages	Turkey	2.770.533	27,66	(20.935)	2.310.884	27,66	(58.477)
ABank (**)	Banking services	Turkey	-	-	538	399.648	17,00	23.652
			2.770.533		(20.397)	2.710.532		(34.825)

(*) Shares of Anadolu Efes is currently quoted on the BIST.

(**) Based on the shareholders agreement concluded on July 18, 2013 with The Commercial Bank of Qatar ("CBQ"), AEH, the subsidiary of the Group which has 25% share in ABank, has collected total sales price of USD 224.913.332 (full USD) on December 19, 2016 based on use of its option to sell shares. Therefore the sale option has been completed and AEH does not have any shares in ABank. "Gain from sale of an associate" amounting to TRL 344.859 resulting from the sale of the shares of an associate is recorded under "Income From Investing Activities" in the consolidated financial statements.

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NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (cont'd)

12.1 Associates (cont'd)

Summary financial information of associate Anadolu Efes is as follows:

<i>Summary balance sheet:</i>	Anadolu Efes	Anadolu Efes
	December 31, 2016	December 31, 2015
Current Assets	6.008.675	4.942.542
Non-Current Assets	19.619.884	17.101.548
Total Assets	25.628.559	22.044.090
Short-Term Borrowings	500.870	744.593
Other Current Liabilities	2.185.587	1.880.570
Long-Term Borrowings	5.682.403	4.638.623
Other Non-Current Liabilities	2.442.677	2.206.799
Total Liabilities	10.811.537	9.470.585
Net Assets	14.817.022	12.573.505
Attributable to:		
Non-controlling interests	5.554.521	4.865.449
Net assets of the equity holders of the parent	9.262.501	7.708.056
Group's share in net assets	2.770.533	2.310.884
<i>Summary income statement:</i>	Anadolu Efes	Anadolu Efes
	December 31, 2016	December 31, 2015
Revenue	10.420.257	10.205.146
Net Loss	(40.055)	(137.154)
Non-controlling interests	30.740	60.605
Equity holders of the parent	(70.795)	(197.759)
Group's share in net loss	(20.935)	(58.477)
-Non-controlling interest	(1.350)	(3.772)
-Equity holders of the parent	(19.585)	(54.705)

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NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (cont'd)

12.1 Associates (cont'd)

The movement of carrying value of the associate, Anadolu Efes in the consolidated financial statements as of December 31, 2016 and December 31, 2015 is as follows:

	December 31, 2016	December 31, 2015
Balance at January 1	2.310.884	2.281.668
Group's share in net loss	(20.935)	(58.477)
Group's share in currency translation differences	513.147	161.584
Non-controlling put option valuation fund	4.177	(894)
Dividends received	(42.896)	(80.539)
Cash flow hedge reserve	7.670	8.916
Group's share in remeasurement funds	(1.514)	(1.374)
Balance at the end of the period	2.770.533	2.310.884

Summary financial information of ABank, which used to be an associate of the Group is as follows:

Summary balance sheet:	ABank	ABank
	December 31, 2016	December 31, 2015
Total assets	17.495.969	13.942.041
Total liabilities	16.238.581	12.907.337
Net assets	1.257.388	1.034.704
Attributable to:		
Non-controlling interests	13	11
Net assets of the equity holders of the parent	1.257.375	1.034.693
Group's share in net assets	-	399.648
Summary income statement:	ABank	ABank
	December 31, 2016	December 31, 2015
Interest, fee and commission income	1.181.363	1.224.238
Net income	2.152	95.717
Non-controlling interests	2	(1)
Equity holders of the parent	2.150	95.718
Group's share in net income	538	23.652

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NOTE 12 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (cont'd)**12.1 Associates (cont'd)**

The movement of carrying value of ABank which used to be an associate of the Group in the consolidated financial statements as of December 31, 2016 and December 31, 2015 is as follows:

	December 31, 2016	December 31, 2015
Balance at January 1	399.648	380.701
Capital increase	37.500	-
Group's share in net income	538	23.652
Group's share in revaluation funds	(34.427)	(5.259)
Group's share in remeasurement	(441)	(377)
Disposals through sale of an associate (*)	(402.818)	-
Group's share in transactions with non-controlling interests	-	926
Group's share in share premium	-	5
Balance at the end of the period	-	399.648

(*) Based on the shareholders agreement concluded on July 18, 2013 with The Commercial Bank of Qatar ("CBQ"), AEH, the subsidiary of the Group which has 25% share in ABank, has collected total sales price of USD 224.913.332 (full USD) on December 19, 2016 based on use of its option to sell shares. Therefore the sale option has been completed and AEH does not have any shares in ABank. "Gain from sale of an associate" amounting to TRL 344.859 resulting from the sale of the shares of an associate is recorded under "Income From Investing Activities" in the consolidated financial statements.

12.2 Joint Ventures

Entity	Principle activities	Country	December 31, 2016			December 31, 2015		
			Carrying value	Effective shareholding and voting rights (%)	Group's share of income/ (loss)	Carrying value	Effective shareholding and voting rights (%)	Group's share of income/ (loss)
Anadolu Isuzu (*)(***)	Manufacturing and selling of Isuzu brand commercial vehicles	Turkey	101.498	37,57	(17.812)	124.885	37,56	6.819
Ana Gıda	Production and marketing of olive oil, sunflower and corn oil under Kirlangıç, Komili and Madra Brands	Turkey	33.977	37,57	907	33.132	37,57	744
Aslançık	Production of electricity	Turkey	(692)	22,67	(14.889)	14.210	22,67	(24.922)
Faber-Castell Anadolu LLC	Trading of all kinds of stationery	Russia	1.294	19,34	161	-	19,34	-
Migros (*)(**)	Sales of food and drinks along with durable goods	Turkey	2.104.941	34,00	(143.877)	2.238.866	34,00	(128.154)
			2.241.018		(175.510)	2.411.093		(145.513)

(*) Shares of Anadolu Isuzu and Migros are quoted on the BIST.

(**) AEH, the subsidiary of the Group, has 80,5% shares of MH Perakendecilik, which has 50% stake in Migros, to participate 40,25% in Migros. Put option liability of AEH for the remaining 19,5% shares are accounted in the financial statements, as a result, the Company's shareholding rate in Migros is 34,00%.

(***) Within the framework of simplification studies of Anadolu Group subsidiary structures, the minor shares of Anadolu Isuzu were transferred to AEH. As a result, Yazıcılar's shareholding rate in Anadolu Isuzu has increased to 37,57% from 37,56%.

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NOTE 13 - INVESTMENT PROPERTY

	December 31, 2016	December 31, 2015
Net book value at the beginning of the period	257.254	149.123
Additions (*)	377	108.494
Transfers (**)	883	-
Disposals (***)	(1.095)	-
Depreciation charge for the period	(5.485)	(363)
Net book value at the end of the period	251.934	257.254
Cost	262.083	261.918
Accumulated depreciation	(10.149)	(4.664)
Net book value	251.934	257.254

(*) There is no capitalized financial expense included in investment property as of December 31, 2016. (December 31, 2015: TRL 32.397).

(**) TRL 869 of property, plant and equipment and TRL 14 of intangible assets are transferred to investment properties.

(***) The disposals have occurred during the final acceptance process of the investment property which belongs to AND Anadolu Gayrimenkul, a subsidiary of the Company and the related amount has been deducted from trade payables due to the contracting company.

As of a result of valuation, the fair value of the investment property is calculated as TRL 708.250 as of December 31, 2016 (December 31, 2015: TRL 633.081).

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (PP&E)

Movements of property, plant and equipment for the year ended on December 31, 2016 are as follows:

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Other tangible assets	Leasehold improvements	Construction in progress	Total
Cost									
January 1, 2016	37.907	370.883	365.844	18.523	58.640	3.381	136.317	13.161	1.004.656
Additions	321	3.512	8.270	4.591	5.766	146	1.288	13.500	37.394
Disposals (-)	-	-	(5.351)	(4.769)	(1.988)	-	(6.753)	-	(18.861)
Currency translation differences	1.732	24.208	10.193	64	111	-	-	63	36.371
Transfers (*)	-	174	4.786	(109)	(290)	-	1.942	(11.614)	(5.111)
December 31, 2016	39.960	398.777	383.742	18.300	62.239	3.527	132.794	15.110	1.054.449
Accumulated depreciation									
January 1, 2016	3.361	16.047	138.236	5.043	29.451	1.944	53.378	-	247.460
Depreciation charge for the period (**)	1.262	8.502	29.286	3.225	8.019	340	9.034	-	59.668
Disposals (-)	-	-	(3.226)	(1.996)	(1.361)	-	(2.244)	-	(8.827)
Currency translation differences	117	932	1.399	49	54	-	-	-	2.551
Transfers (*)	-	-	1.205	(114)	(7)	-	-	-	1.084
December 31, 2016	4.740	25.481	166.900	6.207	36.156	2.284	60.168	-	301.936
Net carrying amount	35.220	373.296	216.842	12.093	26.083	1.243	72.626	15.110	752.513

(*) TRL 869 of PP&E is transferred to investment properties, TRL 5.670 of PP&E is transferred to rights under intangible assets, TRL 157 of PP&E is transferred to other intangible assets under intangible assets and TRL 230 of PP&E is transferred to current assets used in renting activities. TRL 731 of intangible assets is transferred to machinery and equipment under PP&E.

(**) Depreciation charge of property, plant and equipment for the period December 31, 2016 includes charges for discontinued operations amounting TRL 121.

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NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (PP&E) (cont'd)

Movements of property, plant and equipment for the year ended on December 31, 2015 are as follows:

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Other tangible assets	Leasehold improvements	Construction in progress	Total
Cost									
January 1, 2015	39.032	334.626	375.336	13.175	50.460	2.736	139.864	69.701	1.024.930
Additions (*)	173	605	17.173	10.111	11.631	987	5.399	33.824	79.903
Disposals (-)	-	(7.377)	(43.118)	(5.516)	(3.790)	(652)	(12.663)	-	(73.116)
Currency translation differences	(452)	(6.318)	(2.814)	(15)	(31)	-	-	-	(9.630)
Transfers (**)	(846)	49.347	19.267	768	370	310	3.717	(90.364)	(17.431)
December 31, 2015	37.907	370.883	365.844	18.523	58.640	3.381	136.317	13.161	1.004.656
Accumulated depreciation									
January 1, 2015	3.857	20.093	151.985	4.298	26.112	2.006	48.194	-	256.545
Depreciation charge for the period (***)	1.110	6.686	26.704	3.263	6.782	269	9.402	-	54.216
Disposals (-)	(23)	(2.538)	(38.690)	(2.539)	(3.417)	(606)	(4.218)	-	(52.031)
Currency translation differences	(10)	-	2	21	(8)	-	-	-	5
Transfers (**)	(1.573)	(8.194)	(1.765)	-	(18)	275	-	-	(11.275)
December 31, 2015	3.361	16.047	138.236	5.043	29.451	1.944	53.378	-	247.460
Net carrying amount	34.546	354.836	227.608	13.480	29.189	1.437	82.939	13.161	757.196

(*) Capitalized financial expense amounting TRL 5.408 is included in property, plant and equipment additions.

(**) TRL 5.030 of property, plant and equipment is transferred to inventories, TRL 1.126 of property, plant and equipment is transferred to rights under intangible assets.

(***) Depreciation charge of property, plant and equipment for the period December 31, 2015 includes charges for discontinued operations amounting TRL 216.

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NOTE 15 - INTANGIBLE ASSETS

Movements of intangible assets for the year ended on December 31, 2016 are as follows:

	Rights	Patents and licenses	Franchise	Other intangible non-current assets	Total
Cost					
January 1, 2016	40.657	40	1.051	3.087	44.835
Additions	4.019	-	-	23	4.042
Disposals (-)	(359)	-	-	-	(359)
Currency translation differences	-	109	-	-	109
Transfers (*)	3.708	-	-	157	3.865
December 31, 2016	48.025	149	1.051	3.267	52.492
Accumulated amortization					
January 1, 2016	18.870	11	555	1.193	20.629
Amortization charge for the period (**)	5.304	7	53	531	5.895
Disposals (-)	(48)	-	-	-	(48)
Currency translation differences	-	2	-	-	2
Transfers (*)	(1.217)	-	-	-	(1.217)
December 31, 2016	22.909	20	608	1.724	25.261
Net carrying amount	25.116	129	443	1.543	27.231

Movements of intangible assets for the year ended on December 31, 2015 are as follows:

	Rights	Patents and licenses	Franchise	Other intangible non-current assets	Total
Cost					
January 1, 2015	30.853	27	1.051	3.037	34.968
Additions	8.678	-	-	53	8.731
Disposals (-)	-	-	-	(3)	(3)
Currency translation differences	-	13	-	-	13
Transfers (***)	1.126	-	-	-	1.126
December 31, 2015	40.657	40	1.051	3.087	44.835
Accumulated amortization					
January 1, 2015	14.688	6	502	652	15.848
Amortization charge for the period (**)	4.182	5	53	541	4.781
December 31, 2015	18.870	11	555	1.193	20.629
Net carrying amount	21.787	29	496	1.894	24.206

(*) As of December 31, 2016, TRL 5.670 of property, plant and equipment is transferred to rights, TRL 157 of PP&E is transferred to other intangible assets. TRL 731 of intangible assets is transferred to machinery and equipment under PP&E and TRL 14 is transferred to investment properties.

(**) Amortization charges of intangible assets for the periods December 31, 2016 and 2015 includes charges for discontinued operations amounting TRL 45 and TRL 81 respectively.

(***) As of December 31, 2015, TRL 1.126 of property, plant and equipment is transferred to rights under intangible assets.

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NOTE 16 - GOVERNMENT INCENTIVES AND GRANTS

As of December 31, 2016, the Group has investment incentives amounting to TRL 27.951 (December 31, 2015: TRL 21.420). As of December 31, 2016 deferred tax asset recognized from related investment incentives amounts to TRL 4.279 (December 31, 2015: TRL 4.284).

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

17.1 Provision for Employee Benefits

The provisions for employee benefits as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Short-term	12.010	11.764
Provision for bonus	7.484	7.098
Provision for vacation pay liability	4.526	4.666
Long-term	25.199	22.778
Provision for employee termination benefits	25.199	22.778
	37.209	34.542

Provision for Employee Termination Benefits

In accordance with the existing social legislation, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TRL 4,2972/year at December 31, 2016 and TRL 3,8284/year December 31, 2015) per year of employment at the rate of pay applicable at the date of retirement or termination.

In the consolidated financial statements as of December 31, 2016 and December 31, 2015 the Group reflected a liability calculated using the Projected Unit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The principal actuarial assumptions used at the balance sheet dates are as follows:

	December 31, 2016	December 31, 2015
Discount rate – yearly (%)	3,77	3,77
Turnover rate to estimate the probability of retirement (%)	94,23	94,73

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TRL 4,426 effective from January 1, 2017 (January 1, 2016: TRL 4,0925) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

17.1 Provision for Employee Benefits (cont'd)

The movement of provision for employee termination benefits is as follows:

	December 31, 2016	December 31, 2015
Balance at January 1	22.778	20.804
Interest cost	2.342	2.107
Charge for the period (net)	6.981	4.917
Payments (-)	(7.660)	(6.258)
Actuarial loss	758	1.208
Balance at the end of the period	25.199	22.778

17.2 Other Provisions

The provisions as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Provision for litigations	13.698	4.097
Warranty provisions (*)	1.256	730
	14.954	4.827

(*) Warranty provisions are resulting from sales of Anadolu Motor which is a subsidiary of the Company. Çelik Motor a subsidiary of the Company has the right of recourse the compensation payments of imported vehicles under warranty to the manufacturer company.

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NOTE 18 - COMMITMENTS

As of December 31, 2016 and December 31, 2015 letter of guarantees, pledges and mortgages (GPMs) given in favor of the parent company and non-banking subsidiaries included in full consolidation are as follows:

31 December 2016	Total TRL Equivalent	Original Currency TRL	Original Currency Thousand USD	Original Currency Thousand EUR
Letter of guarantees, pledge and mortgages provided by the Group				
A. Total amount of GPMs given on behalf of the Company's legal personality	409.552	49.865	76.662	24.232
B. Total amount of GPMs given in favor of subsidiaries included in full consolidation	56.592	-	16.081	-
C. Total amount of GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-
D. Total amount of other GPM's	-	-	-	-
i. Total amount of GPMs given in favor of the parent Company	-	-	-	-
ii. Total amount of GPMs given in favor of other group companies not in the scope of B and C above	-	-	-	-
iii. Total amount of GPMs given in favor of third party companies not in the scope of C above	-	-	-	-
	466.144	49.865	92.743	24.232
31 December 2015	Total TRL Equivalent	Original Currency TRL	Original Currency Thousand USD	Original Currency Thousand EUR
Letter of guarantees, pledge and mortgages provided by the Group				
A. Total amount of GPMs given on behalf of the Company's legal personality	305.619	70.818	78.644	1.931
B. Total amount of GPMs given in favor of subsidiaries included in full consolidation	70.971	24.214	16.081	-
C. Total amount of GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-
D. Total amount of other GPM's	-	-	-	-
i. Total amount of GPMs given in favor of the parent Company	-	-	-	-
ii. Total amount of GPMs given in favor of other group companies not in the scope of B and C above	-	-	-	-
iii. Total amount of GPMs given in favor of third party companies not in the scope of C above	-	-	-	-
	376.590	95.032	94.725	1.931

As of December 31, 2016, the ratio of other GPMs over the Group's equity is 0%. (December 31, 2015: 0%).

ABH has service agreement liabilities for 1 to 5 years with its customers.

The Group's letter of guarantees; letters of guarantee, cheques and notes of guarantee, mortgage and other guarantees received from its customers in consideration of its receivables amount to TRL 286.750, TRL 5.303, TRL 51.655 and TRL 4.858, respectively (December 31, 2015: TRL 190.556, TRL 4.538, TRL 35.912 and TRL 1.823).

The tax authority and other authorities (Social Security Institution) can inspect tax returns and the related accounting records for a retrospective maximum period of five years. Group has not provided any tax provision regarding prior years.

AEH, the subsidiary of the Company, has undertaken the obligation of preserving the corporate presence of McDonald's within the period of its license contract and the obligation of supporting to fulfill the financial and fiscal liabilities.

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NOTE 18 - COMMITMENTS (cont'd)

AEH, which is a subsidiary of the Company, is a guarantor of the long term loan that GUE, which is a subsidiary of the Company, borrowed for construction of a hydroelectric power plant with a capacity of 87 MW in Georgia amounting to USD 115.500.000, for the period until start of electricity production following the fulfillment of specified conditions. “Total amount of GPMs given in favor of subsidiaries included in full consolidation” stated in the table of the letter of guarantees, pledges and mortgages (GPMs) given in favor of the parent company and subsidiaries included in full consolidation consists of guarantee amounting to TRL 56.591 (December 31, 2015 : TRL 46.756)

Çelik Motor, the subsidiary, operates in motor vehicles lease business for the various rental periods.

AEH, the subsidiary of the Company, has acted as a guarantor in the proportion of its capital (33,33%), to its joint venture Aslancık's long term project finance loan which was taken in 2011 amounting to USD 160.000.000 in relation to its 120 MW hydro power plant under construction in Giresun.

Regarding the 19,5% shares of Moonlight Capital in MH Perakendecilik, a subsidiary of the Group which is to take place between May 1, 2017 and October 31, 2017, AEH has given “the right to sell” option to Moonlight Capital and Moonlight Capital has given “the right to buy” option to AEH. Put option liability of Moonlight Capital amounting to TRL 512.111 (December 31, 2015: 474.515 TRL under non-current liabilities) has been recognized under “current liabilities” and put option liability valuation expense amounting TRL 37.596 has been recognized under “financial expenses” while call option of AEH has not been recognized in the consolidated financial statements as at December 31, 2016.

NOTE 19 – PREPAID EXPENSES

19.1 Short-term Prepaid Expenses

	December 31, 2016	December 31, 2015
Prepaid expenses	28.340	30.224
Advances given	6.306	18.930
	34.646	49.154

19.2 Long-term Prepaid Expenses

	December 31, 2016	December 31, 2015
Prepaid expenses	17.985	16.374
	17.985	16.374

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NOTE 20 - OTHER ASSETS AND LIABILITIES

20.1 Other Current Assets

	December 31, 2016	December 31, 2015
Assets used in renting activities	369.599	247.518
VAT receivable	130.263	114.398
Work advances	7.284	5.509
Other current assets	4.685	3.310
	511.831	370.735

Movements of current assets used in renting activities for periods ended December 31, 2016 and 2015 are as the following:

Current Assets Used in Renting Activities

	December 31, 2016	December 31, 2015
Cost		
Balance at January 1	251.376	171.604
Additions	443.547	372.169
Disposals	(731.704)	(538.500)
Transfers (*)	411.766	246.103
Balance at the end of the period	374.985	251.376
Accumulated depreciation		
Balance at January 1	3.858	7.093
Depreciation charge for the period	58	1.293
Disposals	(46.864)	(48.972)
Transfers (*)	48.334	44.444
Balance at the end of the period	5.386	3.858
Net carrying amount	369.599	247.518

(*) TRL 230 of property, plant and equipment is transferred to current assets used in renting activities.

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NOTE 20 - OTHER ASSETS AND LIABILITIES

20.2 Other Non-Current Assets

	December 31, 2016	December 31, 2015
Assets used in renting activities	1.461.854	1.031.536
VAT receivable	30.677	26.664
Other non-current assets	63	54
	1.492.594	1.058.254

Movements of non-current assets used in renting activities for periods ended December 31, 2016 and 2015 are as the following:

Non-Current Assets Used in Renting Activities

	December 31, 2016	December 31, 2015
Cost		
Balance at January 1	1.098.693	829.382
Additions	845.677	515.414
Transfers	(411.422)	(246.103)
Balance at the end of the period	1.532.948	1.098.693
Accumulated depreciation		
Balance at January 1	67.157	66.986
Depreciation charge for the period	52.157	44.615
Transfers	(48.220)	(44.444)
Balance at the end of the period	71.094	67.157
Net carrying amount	1.461.854	1.031.536

20.3 Other Current Liabilities

	December 31, 2016	December 31, 2015
Put option liability (Note 18)	512.111	-
Other payables	-	87
	512.111	87

20.4 Other Non-Current Liabilities

	December 31, 2016	December 31, 2015
Put option liability (Note 18)	-	474.515
	-	474.515

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NOT 21 - DEFERRED INCOME

21.1 Current Deferred Income

	December 31, 2016	December 31, 2015
Advances taken	10.490	7.722
Other deferred income	31.545	20.806
	42.035	28.528

21.2 Non-Current Deferred Income

	December 31, 2016	December 31, 2015
Advances taken (*)	211.218	-
Other deferred income	4.420	3.736
	215.638	3.736

(*) Full amount of the advances taken is the balance received due to pre-sale related to the housing project that Kartal Gayrimenkul, a subsidiary of the Company which operates in real estate, started in Kartal province in İstanbul. TRL 187.733 of the advances taken is received in cash, and TRL 23.485 of the balance consists of bills.

NOTE 22 - EQUITY

Shared Capital / Adjustments to Share Capital and Equity Instruments

	December 31, 2016		December 31, 2015	
	Amount	(%)	Amount	(%)
Yazıcı Families	60.422	37,76	60.640	37,90
Kamil Yazıcı Yönetim ve Danışma A.Ş.	54.163	33,85	54.163	33,85
Anadolu Ecopack Üretim ve Pazarlama A.Ş. (*)	218	0,14	-	-
Publicly traded (**)	45.197	28,25	45.197	28,25
Paid-in share capital - historical	160.000	100,00	160.000	100,00
Inflation adjustment to share capital	-	-	-	-
Total share capital	160.000		160.000	

(*) Anadolu Ecopack Üretim ve Pazarlama A.Ş. has purchased total of 217.990 shares owned by Yazıcı Family members on March 16, 2016. 26,85% of Anadolu Ecopack Üretim ve Pazarlama A.Ş. shares belong to Kamil Yazıcı Yönetim ve Danışma A.Ş. and 73,15% belong to Yazıcı Family members.

(**) As of December 31, 2016 TRL 5.073 of the publicly traded portion of shares, which is 3,17% of the paid-in share capital, is owned by Kamil Yazıcı Yönetim ve Danışma A.Ş. (December 31, 2015: TRL 5.073 of the publicly traded portion, which is 3,17% of the paid-in share capital).

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NOTE 22 - EQUITY (cont'd)

Shared Capital / Adjustments to Share Capital and Equity Instruments (cont'd)

Movement of paid in share capital as at December 31, 2016 and December 31, 2015 is as follows (historical amounts):

	December 31, 2016		December 31, 2015	
	Number of shares	Amount	Number of shares	Amount
Balance at January 1	160.000.000	160.000	160.000.000	160.000
-Inflation adjustment to share capital	-	-	-	-
Balance at the end of the period	160.000.000	160.000	160.000.000	160.000

Kamil YAZICI Yönetim ve Danışma A.Ş. (henceforth as Management Company) is a professional management company established by members of the Kamil YAZICI Family to manage their investments. With the special board nomination rights granted to Class A and Class B shares (1 + 3) which it owns, it is entitled to appoint four of the six directors to the Company's board of directors. Namely;

Yazıcılar's common shares are divided into four classes, with each class of shares having equal voting rights on all matters except for the election of directors. Classes B, C and D consist of registered shares and are owned by the members of the three YAZICI Families. Class A shares are all bearer type shares; shares belonging to three YAZICI Families and publicly traded shares are included in Class A.

Class	Number of shares	Percentage of capital (%)	Number of members on Board
A (Bearer)	87.818.037	54,89	1
B (Registered)	31.999.964	20,00	3
C (Registered)	19.235.049	12,02	1
D (Registered)	20.946.950	13,09	1
	160.000.000	100,00	6

Restricted Reserves Allocated from Net Profit, Revaluation and Remeasurement Loss / Gain

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory net income (inflation-restated income in accordance with CMB at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's issued capital (inflation restated issued capital in accordance with the communiqués and announcements of CMB). The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's issued capital (inflation restated capital in accordance with CMB). The legal reserves are not available for distribution unless they exceed 50% of the issued capital, other than that legal reserves cannot be used.

Quoted companies are subject to dividend requirements regulated by the Capital Markets Board of Turkey. Based on the CMB Decree 1/6, dated January 9, 2009, companies that take their consolidated financial statements as basis for their distributable profit, shall consider the profits of their subsidiaries, joint ventures and associates to the extent that such profits do not exceed the amount recorded in the statutory financial statements of these companies and without considering whether a profit distribution resolution is taken at their annual general meetings. Such profits as reported in the financial statement as per Communiqué shall be subject to distributable dividend computations.

As a result of the decision of CMB on January 27, 2010, there are no obligations for the minimum dividend payments subject to public incorporated companies whose shares are traded in the stock exchange.

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NOTE 22 - EQUITY (cont'd)

Restricted Reserves Allocated from Net Profit, Revaluation and Remeasurement Gain/Loss (cont'd)

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders. Inflation adjustment to shareholders' equity, in the case of cash used for profit distribution will be subject to corporate income tax.

While the Company has no distributable net income for year ended 2016, other sources which may be subject to profit distribution amount to TRL 251.611.

	December 31, 2016	December 31, 2015
Revaluation and remeasurement income /(loss)	-	(1.913)
-Available for sale financial assets	-	(1.913)

	December 31, 2016	December 31, 2015
Restricted reserves allocated from net profit	32.000	30.090

Retained Earnings

As of December 31, 2016 and December 31, 2015 the summary of equity reserves, extraordinary reserves, other profit reserves, and retained earnings are as follows:

	December 31, 2016	December 31, 2015
Equity reserves	1.166	1.166
Extraordinary reserves	271.729	201.897
Other profit reserves	2.558	2.558
Retained earnings	3.092.552	3.384.881
	3.368.005	3.590.502

Non-Controlling Interest

Non-controlling interests are separately classified in consolidated financial statements.

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NOTE 23 - SALES AND COST OF SALES

	December 31, 2016	December 31, 2015
Revenue	2.961.818	2.523.095
Service income	68.295	69.088
Cost of goods sold (-)	(2.479.395)	(2.096.050)
	550.718	496.133

The details of cost of sales realized in years 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Cost of inventories and merchandises	1.801.494	1.448.260
Payroll expenses	180.622	156.654
Depreciation and amortization expenses of tangible and intangible assets and assets used in renting activities	102.530	87.996
Rent expenses	101.517	99.120
Other expenses	293.232	304.020
	2.479.395	2.096.050

NOTE 24 - OPERATING EXPENSES

	December 31, 2016	December 31, 2015
General administrative expenses	195.557	200.246
Marketing expenses	180.113	146.007
Research and development expenses	2.011	1.813
	377.681	348.066

	December 31, 2016	December 31, 2015
General administrative expenses		
Payroll expenses	125.935	121.886
Depreciation and amortization expenses of tangible and intangible assets and investment properties	14.121	12.540
Consultancy and services rendered expenses	8.041	15.006
Rent expenses	7.682	8.350
Transportation expenses	3.868	3.115
Taxes and duties	3.267	2.755
Maintenance and repair expenses	2.105	2.463
Insurance expenses	2.047	1.573
Utility expenses	1.916	2.070
Other expenses	26.575	30.488
	195.557	200.246

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NOTE 24 - OPERATING EXPENSES (cont'd)

	December 31, 2016	December 31, 2015
Marketing expenses		
Advertisement and promotion expenses	78.084	58.043
Payroll expenses	30.771	27.221
Services rendered expenses	7.803	2.398
Transportation expenses	7.545	6.913
Depreciation and amortization expenses	6.098	4.074
License expenses	3.703	3.322
Contribution to dealers' selling expenses	1.268	868
Fair expenses	864	3.519
Exportation expenses	691	934
Other expenses	43.286	38.715
	180.113	146.007

NOTE 25 - EXPENSES BY NATURE

The amounts of depreciation and amortization expenses recorded in the consolidated income statement accounts are as follows:

	December 31, 2016	December 31, 2015
Depreciation and amortization expenses		
Cost of sales	102.530	87.996
General administrative expenses	14.121	12.540
Marketing expenses	6.098	4.074
Research and development expenses	348	361
	123.097	104.971

The amounts of payroll expenses recorded in the consolidated income statement accounts are as follows:

	December 31, 2016	December 31, 2015
Payroll expenses		
Cost of sales	180.622	156.654
General administrative expenses	125.935	121.886
Marketing expenses	30.771	27.221
Research and development expenses	1.134	1.032
	338.462	306.793

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NOTE 26 - OTHER OPERATING INCOME/EXPENSES

26.1 Other Operating Income

	December 31, 2016	December 31, 2015
Distributor contribution	6.102	757
Foreign exchange gains arising from trading activities	5.161	3.528
Withdrawal income from second hand vehicle sale	1.316	558
Reversal of provision	814	653
Corporate identity income	752	466
Rediscount gain from trading activities	354	24
Commission income	316	475
Restaurant contract termination and contract violation compensation income	87	2.196
Other	3.703	4.791
	18.605	13.448

26.2 Other Operating Expenses

	December 31, 2016	December 31, 2015
Litigation and litigation provision expenses	9.912	1.084
Tax penalties	4.494	1.000
Foreign exchange losses arising from trading activities	3.965	3.461
Restaurant closing expenses	2.925	4.432
Rediscount expenses from trading activities	2.610	1.305
Donations	1.999	7.992
Provision for doubtful receivables	1.217	2.342
Other	7.252	2.818
	34.374	24.434

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NOTE 27 - INCOME/EXPENSES FROM INVESTING ACTIVITIES

27.1 Income from Investing Activities

	December 31, 2016	December 31, 2015
Gain on sale of an associate (*)	344.859	-
Gain on sale of financial investment (**)	20.317	-
Rent income	4.448	4.238
Gain on sale of property, plant and equipment	2.465	15.248
Gain on sale of marketable securities	1.287	-
Dividend income	213	143
Gain on sale of a subsidiary (***)	13	-
Gain on revaluation of marketable securities	-	357
	373.602	19.986

(*) Based on the shareholders agreement concluded on July 18, 2013 with The Commercial Bank of Qatar (“CBQ”), AEH, the subsidiary of the Group which has 25% share in ABank, has collected total sales price of USD 224.913.332 (full USD) on December 19, 2016 based on use of its option to sell shares. Therefore the sale option has been completed and AEH does not have any shares in ABank.

(**) The Company’s 10,50% share and 0,10% share of AEH, a subsidiary of the Company in Polinas Plastik Sanayii ve Ticareti A.Ş.’s capital which makes 954.000 shares in total representing TRL 9.540 capital share have been sold to İsmet Ambalaj Yatırımları A.Ş., a subsidiary of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. on March 16, 2016 for USD 9.217.391 (full USD) to be paid in cash.

(***) This amount is due to gain from sale of shares of Atlas Varlık, a subsidiary of the Company as details are noted in Note 30.

27.2 Expenses from Investing Activities

	December 31, 2016	December 31, 2015
Loss on sale of property, plant and equipment	6.455	8.564
Loss on revaluation of marketable securities	130	1.030
Loss on sale of intangible assets	102	-
Loss on sale of marketable securities	23	68
	6.710	9.662

NOTE 28 - FINANCIAL INCOME

	December 31, 2016	December 31, 2015
Foreign exchange gain	110.906	242.495
Interest income	22.031	31.136
Derivative transactions income	208	8.630
	133.145	282.261

NOTE 29 - FINANCIAL EXPENSES

	December 31, 2016	December 31, 2015
Foreign exchange loss	543.161	392.104
Interest expense	258.982	160.660
Put option liability revaluation expense (Note 18)	37.596	16.417
Other expenses	18.901	5.880
	858.640	575.061

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NOTE 30 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The entire NPL portfolio under Artı Anadolu and Atlas Varlık's assets were sold to Turkasset Varlık Yönetim A.Ş. on June 29, 2016 for TRL 71.100 and asset management activities have been ceased. Also, 100% shares of Atlas Varlık have been transferred to Turkasset Varlık Yönetim A.Ş. on September 29, 2016 for TRL 10.748. In the consolidated financial statements as at December 31, 2016 and to conform to changes in presentation with the current period financial statements in the consolidated financial statements as at December 31, 2015, income or loss have been reclassified as income/loss for the period for discontinued operations in accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations'.

Summary income statements of discontinued operations are as the following:

	December 31, 2016	December 31, 2015
General administrative expenses	(7.783)	(14.124)
Other operating income/expense, net (*)	(4.299)	(7.813)
Income/expense from investing activities, net	(394)	290
Financial income/expense, net	3.807	19.899
Eliminations	845	1.402
(Loss)/gain before tax from discontinued operations	(7.824)	(346)
Tax (expense) / income	(331)	(67)
(Loss)/gain after tax from discontinued operations	(8.155)	(413)

(*) The balances include TRL 4.342 loss from sale of NPL portfolios under Artı Anadolu and Atlas Varlık's assets at the date of June 29, 2016.

Summary cash flow statement for discontinued operations are as the following:

	December 31, 2016	December 31, 2015
Cash flow from operating activities	76.629	21.355
Cash flow from (used in) investing activities	(34)	49
Cash flow from (used in) financing activities	(25.947)	(24.321)
Net increase (decrease) in cash and cash equivalents	50.648	(2.917)
Cash and cash equivalents at the beginning of the period	827	3.744
Cash and cash equivalents at the end of the period	51.475	827

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NOTE 31 - TAX ASSETS AND LIABILITIES

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in the countries in which the Group companies operate.

The corporation tax rate for the fiscal year is 20% in Turkey (2015: 20%). Corporate tax returns are required to be filed until the twenty-fifth of the fourth month following the balance sheet date and paid in one installment until the end of the related month. The tax legislation provides for a provisional tax of 20% (2015: 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the fiscal year.

According to the Turkish Tax Law, corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

In Turkey, the tax legislation does not permit to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

The corporation tax rate in Georgia in where GUE and Kheledula, subsidiaries of the Group, operate is 15%. (2015: 15%).

31.1 Current Income Tax Assets and Tax Provision

	December 31, 2016	December 31, 2015
Current income tax assets	12.777	41.111
Income tax payable (-)	(2.648)	(444)
Net tax asset	10.129	40.667

	December 31, 2016	December 31, 2015
Balance at January 1	40.667	8.547
Income tax expense (*)(**)	(17.565)	(12.060)
Paid taxes (-)	19.303	44.180
Tax refund	(26.992)	-
Other	(5.284)	-
Balance at the end of the period	10.129	40.667

(*) As of December 31, 2016, as a result of the increase in the tax base within the scope of the "Law on Restructuring of Certain Receivables" numbered 6736, there is income tax expense related to prior periods amounting TRL 4.252 within the income tax expense of the period.

(**) As of December 31, 2016 and December 31, 2015 tax expenses due to discontinued operations are TRL 175 and TRL 63 (Note 30).

31.2 Deferred Tax Assets and Liabilities

The distribution of deferred tax assets and liabilities is as follows:

	December 31, 2016	December 31, 2015
Deferred tax asset	100.688	77.068
Deferred tax liability (-)	(23.036)	(44.168)
Total deferred tax asset / (liability), net	77.652	32.900

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NOTE 31 - TAX ASSETS AND LIABILITIES (cont'd)

31.2 Deferred Tax Assets and Liabilities (cont'd)

Movement of net deferred tax asset as of year ended on December 31, 2016 is as follows:

	Balance December 31 ,2015	Recorded to income statement	Balance December 31, 2016
Property, plant and equipment, intangibles, investment property, assets used in renting activities	(42.464)	25.325	(17.139)
Tax loss carried forward	19.055	22.184	41.239
Employee termination benefit	4.544	475	5.019
Inventories	48.754	4.542	53.296
Investment incentive	4.284	(5)	4.279
Provision for doubtful receivables	400	79	479
Hedge accounting	(4.475)	(7.788)	(12.263)
Other	2.802	(60)	2.742
Net deferred tax asset	32.900	44.752	77.652
Currency translation difference	-	(201)	-
Loss on remeasurements of defined benefit plans	-	(152)	-
Reclassification of discontinued operations	-	156	-
	32.900	44.555	77.652

The movement of net deferred tax asset as of year ended on December 31, 2015 is as follows:

	Balance December 31 , 2014	Recorded to income statement	Balance December 31, 2015
Property, plant and equipment, intangibles, investment property and assets used in renting activities	(61.927)	19.463	(42.464)
Tax loss carried forward	27.984	(8.929)	19.055
Employee termination benefit	4.142	402	4.544
Inventories	-	48.754	48.754
Investment incentive	299	3.985	4.284
Provision for doubtful receivables	299	101	400
Hedge accounting	(471)	(4.004)	(4.475)
Other	2.694	108	2.802
Net deferred tax (liability)/asset	(26.980)	59.880	32.900
Currency translation difference	-	(1.504)	-
Loss on remeasurements of defined benefit plans	-	(242)	-
Reclassification of discontinued operations	-	4	-
	(26.980)	58.138	32.900

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NOTE 31 - TAX ASSETS AND LIABILITIES (cont'd)

31.2 Deferred Tax Assets and Liabilities (cont'd)

The redemption schedule of carry forward tax losses which are not subject to deferred tax calculation is as follows:

	December 31, 2016	December 31, 2015
2021	161.458	-
2020	119.233	101.508
2019	79.003	34.218
2018	186.612	164.696
2017	18.399	12.327
2016	-	58.764
	564.705	371.513

31.3 Tax Expense

	December 31, 2016	December 31, 2015
Income tax expense (-) (*)	(17.390)	(11.997)
Deferred tax income	44.555	58.138
	27.165	46.141

(*) As of December 31, 2016, as a result of the increase in the tax base within the scope of the "Law on Restructuring of Certain Receivables" numbered 6736, there is income tax expense related to prior periods amounting TRL 4.252 within the income tax expense of the period.

	December 31, 2016	December 31, 2015
Loss/profit before tax from continuing operations	(397.242)	(325.733)
Tax ratio of the Company using different ratio 15% (2015: 15%)	-	11.912
Tax ratio used by the parent company 20% (2015: 20%)	79.448	49.263
Non-deductible expenses	(4.271)	(5.004)
Non-taxable income (-)	93.985	43.588
Effect of investments accounted through equity method	(39.181)	(36.068)
Liabilities that are not subject to deferred tax in prior periods	(50.985)	-
Carry forwards tax losses that are not subject to deferred tax	(48.049)	(21.763)
Tax base increase effect	(4.185)	-
Investment incentive (-)	-	4.783
Other	403	(570)
	27.165	46.141

NOTE 32 - EARNINGS PER SHARE

	December 31, 2016	December 31, 2015
Net loss	(255.541)	(210.587)
Weighted average number of shares	160.000.000	160.000.000
- Loss per share from continuing operations (full TRL)	(1,55)	(1,32)
- Loss per share from discontinued operations (full TRL)	(0,05)	(0,00)
- Loss per share (full TRL)	(1,60)	(1,32)

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NOTE 33 - RELATED PARTY BALANCES AND TRANSACTIONS

33.1 Balances with Related Parties

The Company has no shares left in ABank, an associate of the Company, due to sale of ABank shares to The Commercial Bank of Qatar (“CBQ”) by use of sale option as mentioned in Note 12. As of December 31, 2016 ABank is not defined as a related party of the Group. As a result, as of reporting period the trade receivables and payables related to ABank are shown under “trade receivables, third parties” and “trade payables, third parties” in the consolidated balance sheet. As of December 31, 2015 trade receivables and payables related to ABank are shown under “trade receivables due from related parties and trade payables due to related parties” in the consolidated balance sheet.

Bank Balances with Related Parties

As of December 31, 2016 ABank is not defined as a related party of the Group. As of December 31, 2015 deposits of the Group in ABank amounts to TRL 43.854, loans given by ABank to the Group amount to TRL 133.896 and the Group’s financial leasing payables to ALease amount to TRL 2.927.

33.2 Due from Related Parties

	December 31, 2016	December 31, 2015
Migros (2)	10.774	8.867
Anadolu Efes (1)	3.937	1.466
Efes Pazarlama Ticaret A.Ş. (Efpa) (3)	3.003	1.044
JSC Moscow Efes Brewery (Russia) (3)	2.435	1.336
Faber-Castell Anadolu LLC (Russia) (2)	1.454	1.168
Coca-Cola Satış ve Dağıtım A.Ş. (3)	1.329	1.075
Anadolu Eğitim ve Sosyal Yardım Vakfı Sağlık Tes. İkt. İşl. (5)	1.247	761
Anadolu Isuzu (2)	997	503
JSC Efes Kazakhstan Brewery (Kazakhstan) (3)	979	439
Coca-Cola İçecek A.Ş. (2)	917	611
AEP Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş. (3)	534	359
JSC Lomisi (Georgia) (3)	284	367
PJSC Efes Ukrayna (3)	213	257
Anadolu Efes Spor Kulübü (5)	162	470
Efes Vitanta Moldova Brewery JSC (Moldova) (3)	148	400
Other	359	493
	28.772	19.616

As of December 31, 2016 there is no amount in long term portion of due from related parties (December 31, 2015: None).

- (1) An associate
- (2) A joint venture
- (3) A Company controlled by an associate
- (4) Shareholder of the Company
- (5) Other

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NOTE 33 - RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

33.3 Due to Related Parties

	December 31, 2016	December 31, 2015
Migros (2)	308	81
Anadolu Isuzu (2)	24	5.382
Anadolu Efes (1)	13	91
Efpa (3)	11	157
Other	37	26
	393	5.737

As of December 31, 2016 there is no amount in long term portion of due to related parties (December 31, 2015: None).

33.4 Related Party Transactions

Terms and conditions of transactions with related parties

Outstanding balances at the end of the period are unsecured and interest free. Their settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended December 31, 2016, the Group has not recorded any provisions for doubtful receivables, relating to amounts owned by related parties (December 31, 2015: None). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related parties operate.

Significant transactions with related parties during the period ended as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Sales of goods and services, net		
Anadolu Efes (1)	32.395	29.096
Efpa (3)	26.026	25.179
Efes Breweries International N.V. (3)	25.233	18.308
Coca-Cola Satış ve Dağıtım A.Ş. (3)	18.788	19.614
Anadolu Isuzu (2)	13.788	13.431
ABank (1)	9.864	8.373
Migros (2)	7.535	4.886
Tarbes (3)	4.992	6.262
Coca-Cola İçecek A.Ş. (3)	4.490	4.962
AEP Anadolu Etap Penkon Gıda ve Tarım Ürünleri San. ve Tic. A.Ş. (3)	2.779	2.023
Anadolu Eğitim ve Sosyal Yardım Vakfı Sağlık Tes. İkt. İşl. (5)	2.268	2.583
Anadolu Efes Spor Kulübü (5)	2.237	2.583
Other	6.688	7.811
	157.083	145.111

- (1) An associate
- (2) A joint venture
- (3) A Company controlled by an associate
- (4) Shareholder of the Company
- (5) Other

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NOTE 33 - RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

33.4 Related Party Transactions (cont'd)

	December 31, 2016	December 31, 2015
Purchases of goods, property, plant & equipment and other charges		
Anadolu Isuzu (2)	3.798	5.982
Anadolu Efes Spor Kulübü (5)	1.709	-
Anadolu Eğitim ve Sosyal Yardım Vakfı (5)	1.290	7.826
Migros (2)	1.220	588
ALease (3)	308	433
ABank (1)	226	25
Anadolu Efes (1)	20	849
Other	301	665
	8.872	16.368
	December 31, 2016	December 31, 2015
Financial Income / (Expense), Net		
ABank (1)	2.459	5.758
Alternatif Menkul A.Ş. (AMenkul) (3)	-	(2)
	2.459	5.756
	December 31, 2016	December 31, 2015
Various sales included in other income (includes dividends received)		
ABank (1)	3.761	3.446
Anadolu Efes (1)	1.014	71
Anadolu Isuzu (2)	633	155
A Menkul (3)	271	309
Other	13	114
	5.692	4.095

(1) An associate

(2) A joint venture

(3) A Company controlled by an associate

(4) Shareholder of the Company

(5) Other

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NOTE 33 - RELATED PARTY BALANCES AND TRANSACTIONS (cont'd)

33.4 Related Party Transactions (cont'd)

Compensation of Key Management Personnel of the Group

Group has defined the key management personnel as follows; the managers directly reporting to the general manager and board of directors, and the board of directors and general managers in the rest of the subsidiaries.

The details of benefits provided to the key management personnel for the years ended on December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Short term benefits provided to key management personnel	32.728	34.068
Post-employment benefits	2.301	232
Total gain	35.029	34.300
Social Security employer share	497	422

Other

The Company and its subsidiaries other than McDonald's and Hamburger are obligated to donate 1% - 5% of their profit before corporate tax and such fiscal obligations to Anadolu Eğitim ve Sosyal Yardım Vakfı as stated in the entities' foundation agreements as long as these donations are exempt from tax. As of December 31, 2016, donations amount to TRL 1.290 (December 31, 2015: TRL 7.826).

NOTE 34 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

General

The Group's principal financial instruments comprise bank borrowings, finance leases, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, price risk, credit risk, and liquidity risk. The Group manages these risks as stated below. The Group also monitors the market price risk arising from all financial instruments.

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NOTE 34 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Credit Risk

Financial instruments have a counterparty risk as they may not fulfill requirements of the agreement. The Group's credit risk mostly arises in Turkey where the Company predominantly operates.

The Group manages credit risk by constantly evaluating the credibility of the related parties and by determining counterparty credit limits and due dates based on customer. Group also receives collaterals from customers as needed. Instruments that increase the credit reliability as guarantees received to determine the maximum amount of credit risk as of reporting date, are not taken into account.

As of December 31, 2016 and December 31, 2015 details of maximum credit risk exposure and aging of assets overdue but not impaired are stated below:

December 31, 2016	Receivables						
	Trade Receivables		Other Receivables		Deposits in Banks	Derivative Financial Instruments	Other
	Related Party	Other Party	Related Party	Other Party			
Maximum credit risk exposure as of reporting date (A+B+C+D+E)	28.772	320.118	-	17.816	361.498	61.314	57.382
- Maximum risk secured by guarantee	-	196.867	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	28.772	279.015	-	17.816	361.498	61.314	57.382
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-	-
C. Net book value of assets overdue but not impaired	-	40.074	-	-	-	-	-
- Under guarantee	-	9.643	-	-	-	-	-
D. Net book value of impaired assets	-	1.029	-	-	-	-	-
- Overdue (gross book value)	-	7.224	-	2.001	-	-	-
- Impairment (-)	-	(6.195)	-	(2.001)	-	-	-
- Net value under guarantee	-	1.029	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-	-	-	-

December 31, 2015	Receivables						
	Trade Receivables		Other Receivables		Deposits in Banks	Derivative Financial Instruments	Other
	Related Party	Other Party	Related Party	Other Party			
Maximum credit risk exposure as of reporting date (A+B+C+D+E)	19.616	208.313	-	88.534	361.436	22.374	43.211
- Maximum risk secured by guarantee	-	137.317	-	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	19.616	186.319	-	88.534	361.436	22.374	43.211
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-	-
C. Net book value of assets overdue but not impaired	-	19.849	-	-	-	-	-
- Under guarantee	-	3.364	-	-	-	-	-
D. Net book value of impaired assets	-	2.145	-	-	-	-	-
- Overdue (gross book value)	-	7.132	-	23.698	-	-	-
- Impairment (-)	-	(4.987)	-	(23.698)	-	-	-
- Net value under guarantee	-	2.145	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-	-	-	-

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NOTE 34 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Credit Risk (cont'd)

The collateral amounting to TRL 196.867 that belongs to the guaranteed part of trade receivables as of December 31, 2016 consists of a letter of guarantee amounting to TRL 95.663, a DBS (direct billing system) guarantee amounting to TRL 72.206, a mortgage amounting to TRL 28.998. (December 31, 2015: letter of guarantee: TRL 88.816; DBS guarantee: TRL 25.642; mortgage: TRL 22.859)

December 31, 2016	Receivables				
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	Deposits in banks
1-30 days past due	-	29.745	-	-	-
1-3 months past due	-	5.943	-	-	-
3-12 months past due	-	4.286	-	-	-
1-5 years past due	-	1.047	-	-	-
Over 5 years past due	-	82	-	-	-
Amount secured with guarantee	-	10.672	-	-	-

December 31, 2015	Receivables				
	Trade receivables		Other receivables		
	Related party	Other party	Related party	Other party	Deposits in banks
1-30 days past due	-	17.029	-	-	-
1-3 months past due	-	1.846	-	-	-
3-12 months past due	-	1.959	-	-	-
1-5 years past due	-	923	-	-	-
Over 5 years past due	-	237	-	-	-
Amount secured with guarantee	-	5.509	-	-	-

Foreign currency risk

The Group predominantly operates in Turkey.

The following table summarizes the exchange rate of Turkish Lira to 1 USD and 1 EUR:

		Exchange buying rate at December 31, 2015	Average exchange buying rate in the period	Exchange buying rate at December 31, 2016
TRL /USD	Turkey	2,9076	3,0181	3,5192
TRL /EUR	Turkey	3,1776	3,3375	3,7099

Çelik Motor, a subsidiary of the Group, hedges its foreign exchange risk on commitments to provide operational leasing services resulting from off balance sheet foreign currency denominated operating lease receivables (hedged item) with foreign currency denominated loans (hedging instrument). In addition, AEH, a subsidiary of the Company, performs forward and swap transactions to reduce the cost of foreign currency denominated loans. The Group does not hedge investments, receivables, accounts payables, lease obligations and borrowings denominated in a foreign currency. The Group does not hedge their estimated foreign currency exposure in respect of sales and purchases.

Foreign currency risk arises from the EUR, USD, GBP, JPY, CAD, NOK denominated assets and liabilities of the Group. The Group has transactional currency exposures. Such exposures arise from sales or purchases or borrowings by the Group in currencies other than the Group's functional currency. The Group manages foreign currency risk by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities.

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NOTE 34 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Foreign Currency Risk (cont'd)

December 31, 2016	TRL Equivalent (Functional currency)	Thousand USD	Thousand EUR	Thousand GBP	Thousand JPY
1. Trade receivables	8.341	984	1.315	-	-
2a. Monetary financial assets (cash and cash equivalents included)	200.647	43.439	12.874	4	-
2b. Non - monetary financial assets	-	-	-	-	-
3. Other	1.702	392	83	3	66
4. Current assets (1+2+3)	210.690	44.815	14.272	7	66
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non - monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non - current assets (5+6+7)	-	-	-	-	-
9. Total assets (4+8)	210.690	44.815	14.272	7	66
10. Trade payables	19.141	4.612	371	2	50.807
11. Short - term borrowings and current portion of long - term borrowings	913.394	60.110	189.184	-	-
12a. Monetary other liabilities	-	-	-	-	-
12b. Non - monetary other liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	932.535	64.722	189.555	2	50.807
14. Trade payables	-	-	-	-	-
15. Long - term borrowings	2.123.202	154.402	425.842	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non - monetary other liabilities	-	-	-	-	-
17. Non - current liabilities (14+15+16)	2.123.202	154.402	425.842	-	-
18. Total liabilities (13+17)	3.055.737	219.124	615.397	2	50.807
19. Off balance sheet derivative items' net asset / (liability) position (19a-19b)	481.206	1.530	128.257	-	-
19a. Total hedged assets	481.206	1.530	128.257	-	-
19b. Total hedged liabilities	-	-	-	-	-
20. Net foreign currency asset / (liability) position (9-18+19)	(2.363.841)	(172.779)	(472.868)	5	(50.741)
21. Monetary items net foreign currency asset / (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(2.846.749)	(174.701)	(601.208)	2	(50.807)
22. Total fair value of financial instruments used to manage the foreign currency position	-	-	-	-	-
23. Export	58.651	3.891	14.054	-	-
24. Import	993.469	41.607	256.352	30	439.780

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NOTE 34 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Foreign Currency Risk (cont'd)

December 31, 2015	TRL Equivalent (Functional currency)	Thousand USD	Thousand EUR	Thousand GBP	Thousand JPY
1. Trade receivables	14.498	3.077	1.747	-	-
2a. Monetary financial assets (cash and cash equivalents included)	260.165	34.663	50.156	-	-
2b. Non - monetary financial assets	-	-	-	-	-
3. Other	7.769	1.990	619	4	-
4. Current assets (1+2+3)	282.432	39.730	52.522	4	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non - monetary financial assets	-	-	-	-	-
7. Other	39	13	-	-	-
8. Non - current assets (5+6+7)	39	13	-	-	-
9. Total assets (4+8)	282.471	39.743	52.522	4	-
10. Trade payables	22.952	7.779	94	8	-
11. Short - term borrowings and current portion of long - term borrowings	900.472	60.637	227.897	-	-
12a. Monetary other liabilities	518	162	15	-	-
12b. Non - monetary other liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	923.942	68.578	228.006	8	-
14. Trade payables	-	-	-	-	-
15. Long - term borrowings	2.054.294	193.375	469.548	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non - monetary other liabilities	-	-	-	-	-
17. Non - current liabilities (14+15+16)	2.054.294	193.375	469.548	-	-
18. Total liabilities (13+17)	2.978.236	261.953	697.554	8	-
19. Off balance sheet derivative items' net asset / (liability) position (19a-19b)	338.218	4.880	101.973	-	-
19a. Total hedged assets	338.218	4.880	101.973	-	-
19b. Total hedged liabilities	-	-	-	-	-
20. Net foreign currency asset / (liability) position (9-18+19)	(2.357.547)	(217.330)	(543.059)	(4)	-
21. Monetary items net foreign currency asset / (liability) position (=1+2a+5+6a-10-11-12a-14-15-16a)	(2.703.573)	(224.213)	(645.651)	(8)	-
22. Total fair value of financial instruments used to manage the foreign currency position	-	-	-	-	-
23. Export	35.156	6.871	5.457	-	-
24. Import	931.215	49.729	261.701	57	257.376

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NOTE 34 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Foreign Currency Risk (cont'd)

Foreign currency position sensitivity analysis		
December 31, 2016		
	Income / (loss)	Income / (loss)
	Increase of the	Decrease of the
	foreign currency	foreign currency
Change in the USD against TRL by 10% +/-:		
1- USD denominated net asset / liability	(61.343)	61.343
2- USD denominated hedging instruments(-)	539	(539)
3- Net effect in USD (1+2)	(60.804)	60.804
Change in the EUR against TRL by 10% +/-:		
4- Euro denominated net asset / liability	(223.011)	223.011
5- Euro denominated hedging instruments(-)	47.581	(47.581)
6- Net effect in Euro (4+5)	(175.430)	175.430
Change in the other foreign currencies against TRL by 10% +/-:		
7- Other foreign currency denominated net asset / liability	(150)	150
8- Other foreign currency hedging instruments(-)	-	-
9- Net effect in other foreign currency (7+8)	(150)	150
TOTAL (3+6+9)	(236.384)	236.384

Foreign currency position sensitivity analysis		
December 31, 2015		
	Income / (loss)	Income / (loss)
	Increase of the	Decrease of the
	foreign currency	foreign currency
Change in the USD against TRL by 10% +/-:		
1- USD denominated net asset / liability	(64.610)	64.610
2- USD denominated hedging instruments(-)	1.419	(1.419)
3- Net effect in USD (1+2)	(63.191)	63.191
Change in the EUR against TRL by 10% +/-:		
4- Euro denominated net asset / liability	(204.965)	204.965
5- Euro denominated hedging instruments(-)	32.403	(32.403)
6- Net effect in Euro (4+5)	(172.562)	172.562
Change in the other foreign currencies against TRL by 10% +/-:		
7- Other foreign currency denominated net asset / liability	(2)	2
8- Other foreign currency hedging instruments(-)	-	-
9- Net effect in other foreign currency (7+8)	(2)	2
TOTAL (3+6+9)	(235.755)	235.755

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NOTE 34 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group manages interest rate risk by using natural hedges that arise from offsetting interest rate of assets and liabilities or derivative financial instruments.

Certain parts of the interest rates related to borrowings are based on market interest rates; therefore the Group is exposed to interest rate fluctuations on domestic and international markets. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

Interest position table		December 31, 2016	December 31, 2015
	Financial instruments with fixed interest rate		
Financial assets	Time deposits	332.724	332.772
Financial liabilities		1.621.206	1.447.369
	Financial instruments with floating interest rate		
Financial liabilities		2.059.470	2.257.673

The table below shows the effect of a 1% increase in interest rates, on floating rate credits in profit before tax basis.

Interest Increase	Effect on profit before tax	
	December 31, 2016	December 31, 2015
1% increase	(19.688)	(21.954)

Liquidity Risk

Liquidity risk arises from the possibility that customers may not be able to settle within the normal terms of trade. To manage this risk the Group periodically assesses the financial liability of customers. In addition, with the support of the reliable lenders cash inflows and outflows are balanced. Liquidity risk arises from the possibility that a market for derivatives may not exist in some circumstances.

December 31, 2016

Maturities according to agreement	Book Value	Total cash outflow according to agreement (=I+II+III+IV)	Less than 3	3 to 12	1 to 5 years	More than
			months (I)	months (II)	(III)	5 years (IV)
Non-derivative financial liabilities	4.029.903	4.356.902	1.044.836	882.881	2.219.390	209.795
Borrowings	3.647.236	3.961.868	715.696	853.179	2.183.198	209.795
Financial lease payables	33.440	45.635	-	9.443	36.192	-
Trade payables	307.119	307.291	287.032	20.259	-	-
Other payables	42.108	42.108	42.108	-	-	-

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NOTE 34 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial Risk Management Objectives and Policies (cont'd)

Liquidity Risk (cont'd)

December 31, 2015

Maturities according to agreement	Book Value	Total cash outflow according to agreement (=I+II+III+IV)	Less than 3	3 to12	1 to 5 years	More than 5
			months (I)	months (II)	(III)	years (IV)
Non-derivative financial liabilities	3.932.614	4.314.043	870.282	957.867	2.295.233	190.661
Borrowings	3.702.115	4.083.591	645.920	951.777	2.295.233	190.661
Financial lease payables	2.927	2.927	1.411	1.516	-	-
Trade payables	194.446	194.399	190.252	4.147	-	-
Other payables	33.126	33.126	32.699	427	-	-

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. Regarding capital risk management the Group follows net financial debt/equity ratio. Net financial debt is calculated by subtracting cash and cash equivalents from total financial debt.

NOTE 35 – FINANCIAL INSTRUMENTS

35.1 Derivative Financial Instruments

Fair Value Hedge Accounting

Çelik Motor, a subsidiary of the Group, started to apply fair value hedge accounting from 1 January, 2012. Çelik Motor hedges its foreign exchange risk on commitments to provide operational leasing services resulting from off balance sheet foreign currency denominated operating lease receivables (hedged item) with foreign currency denominated loans (hedging instrument). Fair value changes resulting from the exchange risk of the hedged item has been accounted in "derivative financial instruments" as an asset or liability on the balance sheet, current year fair value changes has been accounted for under foreign exchange gain/losses in "financial income/expense" accounts in the statement of income, prior period's fair value changes has been accounted under "revenue". Fair value of derivative financial instruments as of December 31, 2016 is as follows:

	December 31, 2016		December 31, 2015		
	Contract / Notional amount	Fair values		Fair values	
		Assets	Liabilities	Assets	Liabilities
Derivatives held for hedging:					
Receivables from operating leases	490.763	61.314	22.374	-	
	61.314	-	22.374	-	
Short term	40.747	-	15.852	-	
Long term	20.567	-	6.522	-	
	61.314	-	22.374	-	

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NOTE 35 - FINANCIAL INSTRUMENTS (cont'd)

35.1 Derivative Financial Instruments (cont'd)

Fair Value Hedge Accounting

The Group documented the relationship between hedging instruments and hedged items at the beginning of the hedge transaction and also documented risk management objectives and the strategy for performing a variety of hedging transactions. Group, both at the beginning of the process of hedging transaction and on a regular basis of the hedging transaction, documented the assessment whether instruments used in hedging transactions are effective in high-level balancing changes in values of hedged items.

Although the Group's functional currency is Turkish Lira, due to a significant portion of lease receivables denominated in foreign currencies, the Group is exposed to currency risk. Lease receivables represented in Turkish Lira. As a result, changes in exchange rates affect both the Group's financial position and net income.

In accordance with the Group's currency risk strategy, currency risk arising from future operating lease receivables has been taken under protection with foreign currency loans.

Type of hedging relationship is fair value hedges. The Group's currency risk arising from operating lease receivables based on the commitments to provide operating leasing has been begun to take under protection with foreign currency loans as of January 1, 2012.

35.2 Fair Values

Since cash and cash equivalents, trade receivables, other current assets, trade payables and other payables are of short term; their fair values are the same with their values in the balance sheet.

Investments are recorded with their carrying values due to the lack of determined market values and inefficiency of other methods on determining fair values.

Short-term and long term lease obligations are identical with their carrying values in the balance sheet since they are in foreign currencies and revalued as of year-end.

The methods and assumptions used to determine the fair values of financial assets and liabilities

The fair values of financial lease receivables are calculated by discounting their cash flows to the present value by using current market rates.

The fair values of held to maturity financial assets are calculated based on their market prices.

The fair values of other assets and liabilities are calculated by discounting their cash flows to the present value by using current market rates (current libor rates).

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NOTE 35 - FINANCIAL INSTRUMENTS (cont'd)

35.2 Fair Values (cont'd)

	December 31, 2016		December 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial Assets				
Financial investments	9.451	9.451	44.306	44.306
	9.451	9.451	44.306	44.306
Financial Liabilities				
Borrowings	3.680.676	3.900.726	3.705.042	4.036.240
	3.680.676	3.900.726	3.705.042	4.036.240

Fair value measurements

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques including direct or indirect observable inputs

Level 3: Valuation techniques which does not contain observable market inputs

	December 31, 2016	Level 1	Level 2	Level 3
Financial assets at fair value through profit /loss	483	483	-	-
Derivative financial assets	61.314	-	61.314	-
Derivative financial liabilities	-	-	-	-

	December 31, 2015	Level 1	Level 2	Level 3
Financial assets at fair value through profit/ loss	8.382	8.382	-	-
Derivative financial assets	22.374	-	22.374	-
Derivative financial liabilities	-	-	-	-

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NOTE 36 - DISCLOSURES OF INTERESTS IN OTHER ENTITIES

The summary financial information of the subsidiary of the Group, of which non-controlling interest is at considerable level, is presented below:

December 31, 2016				
Subsidiary	Non-controlling interest (%)	Profit/loss allocated to non-controlling interest	Accumulated non-controlling interest	Dividend paid to non-controlling interest
AEH	32	(117.195)	632.702	-
December 31, 2015				
Subsidiary	Non-controlling interest (%)	Profit/loss allocated to non-controlling interest	Accumulated non-controlling interest	Dividend paid to non-controlling interest
AEH	32	(89.164)	690.914	-

Summary financial information for the related subsidiary is presented below:

<i>Summary balance sheet:</i>	AEH December 31, 2016	AEH December 31, 2015
Current Assets	1.504.677	1.415.195
Non-Current Assets	5.443.615	5.384.394
Total Assets	6.948.292	6.799.589
Short-Term Borrowings	1.533.424	1.501.208
Other Current Liabilities	929.015	272.235
Long-Term Borrowings	2.147.252	2.203.834
Other Non-Current Liabilities	264.985	545.473
Total Liabilities	4.874.676	4.522.750
Net Assets	2.073.616	2.276.839
Attributable to:		
Non-controlling interests	96.421	117.734
Net assets of the equity holders of the parent	1.977.195	2.159.105
<i>Summary income statement:</i>	AEH 2016	AEH 2015
Revenue	3.030.767	2.592.773
Net loss	(373.369)	(247.454)
Non-controlling interests	(7.134)	31.184
Equity holders of the parent	(366.235)	(278.638)

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NOTE 36 - DISCLOSURES OF INTERESTS IN OTHER ENTITIES (cont'd)

<i>Summary cash flow:</i>	AEH	AEH
	December 31, 2016	December 31, 2015
Cash flows from (used in) operating activities	22.126	(267.205)
Cash flows (used in) investing activities	743.823	(2.085.097)
Cash flows from (used in) financing activities	(783.992)	1.525.440
Net increase (decrease) in cash and cash equivalents	10.539	(754.050)
Cash and cash equivalent at the beginning of the period	310.355	1.064.405
Total cash and cash equivalent at the end of the period	320.894	310.355

NOTE 37 - SUBSEQUENT EVENTS

- 1) The capital of Mc Donald's, a subsidiary of the Company, has been reduced from TRL 71.080 to TRL 1.500 by reducing TRL 69.580. The transaction performed was announced in the Turkish Trade Registry Gazette on January 12, 2017.
- 2) Capital of Anadolu Taşıt, a subsidiary of the Company, has been raised to TRL 14.000 from TRL 8.000 by increasing TRL 6.000 on January 19, 2017. TRL 3.000 of the capital increase is paid in cash and the remaining amount (TRL 3.000) will be paid within 24 months. AEH, a subsidiary of the Company, sold its 1.513.400 shares of Anadolu Taşıt representing 10,81% of Anadolu Taşıt's capital to Paravani Energy B.V. for USD 280.000 (full USD) on February 28, 2017. As a result of this transaction, The Company's stake in Anadolu Taşıt has decreased to 60,65% from %68,00, therefore the Company's stake in Kheledula has decreased to 60,65% from 68,00%.
- 3) Capital of Kheledula Enerji Ltd., a subsidiary of the Company, has been raised to Lari 8.131.038 from Lari 1.741.278 by increasing USD 2.400.000 on January 20, 2017. USD 125.000 of the capital increase is paid in cash and the remaining amount (full USD 2.275.000) will be paid within 24 months.
- 4) Based on the Intention Agreement (Memorandum of Understanding) signed between Anadolu Taşıt Ticaret A.Ş., a subsidiary of the Company and Georgia Ministry of Energy in May 2015, after completion of feasibility and site studies at the Kheledula Hydroelectric Power Plant (HEPP) Project, as part of the Intention Agreement Initiation Agreement to Construction Works was signed and the agreement was registered by The Ministry of Energy of Georgia. In the next stage, construction phase will start after the construction permits are taken from official institutions. USD 82 million of investment is envisioned for Kheledula HEPP which is located on Kheledula Lake in Racha-Lechkhumi and Kvemo Svaneti area of Georgia and plans to have 50,7 MW installed capacity and 257 million kilowatt-hours of electricity production capacity per year.
- 5) Borrowing instruments with TRL 110.000 nominal value, 177 days maturity, redemption date of August 18, 2017 and " TRFCLKM81714" ISIN coded sold by Çelik Motor, a subsidiary of the Company, to qualified investors other than BIST, have started to be quoted among only qualified investors in Outright Purchases and Sales Market since February 27, 2017 based on Board of BIST's decision dated October 19, 2016.
- 6) The sale of 55.25% shares of Anadolu Endüstri Holding A.Ş.(AEH) in Ana Gıda İhtiyaç Maddeleri Sanayi ve Ticaret A.Ş (Ana Gıda) to Koninklijke Bunge B.V. has been completed on February 21, 2017 and the share sale proceeds of TRL 55.622 was received in cash. At present, AEH does not have any shares in Ana Gıda anymore.

YAZICILAR HOLDİNG ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

(Currency – Thousands of Turkish Lira (TRL) unless otherwise indicated)

NOTE 37 - SUBSEQUENT EVENTS (cont'd)

- (7) It was disclosed in the Company's material event disclosure dated June 28, 2016 that negotiations have been started between Kamil Yazıcı Yönetim ve Danışma A.Ş. ("KYYDAŞ") and Özilhan Sınai Yatırım A.Ş. ("ÖSYAŞ") in order for the integration of the corporate and legal management structure of Anadolu Group and its enhancement through institutionalization. As stated in such disclosure, due to the lack of consensus with various privileged shareholders of Yazıcılar Holding A.Ş. ("Yazıcılar Holding") regarding the realization of the ultimate target, the process would advance on the basis of collaborating within equal representation and equal governance principle.

As of February 24, 2017, progress has been achieved on the realization of the ultimate target within the scope of collaboration works, the ultimate target of which being the merger of Yazıcılar Holding, ÖSYAŞ and Anadolu Endüstri Holding A.Ş. ("AEH") under Yazıcılar Holding and establishment of a significantly large public company; and consensus has been reached between KYYDAŞ, ÖSYAŞ, Yazıcılar Holding and (C) and (D) group privileged shareholders of Yazıcılar Holding with respect to the commencement of negotiations regarding the merger of ÖSYAŞ and AEH under Yazıcılar Holding.

It is anticipated that following this planned merger, Yazıcılar Holding, which will be merged with above mentioned ÖSYAŞ and AEH, will be controlled by KYYDAŞ and Özilhan Family on the basis of equal representation and equal governance principle. In order to ensure this, it is anticipated that a new company, in which KYYDAŞ and Özilhan Family will participate with 50%-50% shares, will be established which will own all of (B) group privileged shares and part of (A) group unprivileged shares of Yazıcılar Holding. During the general assembly of Yazıcılar Holding to be held for the approval of the merger, the privileges of (A), (C) and (D) group shares will be removed and these shares will be all converted to (A) group unprivileged shares.

The above-mentioned transactions will be finalized following the consensus to be reached by the parties on final binding agreements; the receipt of regulatory approvals from legal authorities such as Competition Board, Capital Markets Board ("CMB") and Ministry of Customs and Trade; and the approval at ÖSYAŞ's, AEH's and Yazıcılar Holding's general assemblies.

In the event that this planned merger is finalized, retirement right must be granted to the shareholders of Yazıcılar Holding in accordance with relevant legislation and the date of this disclosure will be the base date for the calculation of the exercise price of such retirement right.

On the other hand, through this transaction, Yazıcılar Holding, which will be acquiring the merging companies under its entity, will acquire the shares of Anadolu Group companies which are in the assets of AEH and ÖSYAŞ. It has been presumed that there will be no need for a mandatory tender offer for the shareholders of public Anadolu Group companies in the context of this transaction. Nevertheless, the final decision regarding this matter is dependent upon CMB's evaluation and in case any obligation appears following the completion of the transaction, the date of this disclosure will also be the base date for the calculation of the exercise prices for such mandatory tender offers.

The public will be informed of additional information and details as they emerge following the signing of final binding agreements and during the course of abovementioned regulatory approvals.

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