İhlas Holding A.Ş.

Convenience Translation into English of Financial Statements
and Independent Auditor's Report for
the Period between January 1, 2016 and December 31, 2016
(Originally Issued in Turkish)

(Convenience Translation into English of Independent Auditor's Report Originally Issued in Turkish)

Independent Auditor's Report
for the Period Between
January 1, 2016 and December 31, 2016
İhlas Holding A.Ş.

To the Board of Directors of İhlas Holding Anonim Şirketi,

We have audited the accompanying consolidated financial positions of İhlas Holding A.Ş. and its subsidiaries (all together referred to as "the Group") as of December 31, 2016 and the related 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 year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the consolidated financial statements

The Group's management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/ or fraud.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Holding's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Issues

The Group's financial statements for the year ended December 31, 2015 were audited by another audit firm and the entity decleared an unqualified opinion on the financial statements in its report on February 29, 2016.

Reports on other responsibilities arising from regulatory requirements

Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 13, 2017.

In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period January 1 - December 31, 2016 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors of the Group submitted to us the necessary explanations and provided required documents within the context of audit.

Additional paragraph for convenience translation to English:

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting which ceased to apply one year earlier than IFRS and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying annual consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

İstanbul, March 13, 2017
İRFAN BAĞIMSIZ DENETİM ve
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Hayati ÇİFTLİK, YMM
Engagement Partner

İhlas Holding A.Ş.

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Consolidated Statement of Financial Positions at December 31, 2016 and 2015
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited **December 31, 2016**	Audited **December 31, 2015**
ASSETS			
Current Assets		**1,852,217,423**	**2,190,700,876**
Cash and Cash Equivalents	6	24,202,969	27,676,055
Financial Investments	7	-	4,171,871
Trade Receivables		809,314,837	905,509,411
- Trade Receivables From Related Parties	*10-38*	*1,955,033*	*3,546,717*
- Trade Receivables From Non-Related Parties	*10*	*807,359,804*	*901,962,694*
Other Receivables		1,970,204	3,279,327
- Other Receivables from Related Parties		-	-
- Other Receivables from Non-Related Parties	*11*	*1,970,204*	*3,279,327*
Inventories	13	802,538,784	1,008,047,178
Prepaid Expenses	24	174,123,895	180,831,226
Current Tax Assets	25	1,210,730	546,304
Other Current Assets	26	38,856,004	60,639,504
Non-Current Assets		**633,158,655**	**615,232,907**
Financial Investments	7	914,306	3,241,365
Trade Receivables	10	77,359,737	30,505,821
Other Receivables	11	1,534,771	1,160,185
Investments Accounted for Using Equity Method	16	14,073,825	14,220,693
Investment Property	17	211,824,813	233,452,519
Property, Plant and Equipment	18	247,653,049	260,620,688
Intangible Assets		19,876,581	24,858,118
- Goodwill	*19*	*14,442,639*	*19,838,211*
- Other Intangible Assets	*19*	*5,433,942*	*5,019,907*
Prepaid Expenses	24	2,031,534	1,311,535
Deferred Tax Asset	36	57,890,039	45,861,983
TOTAL ASSETS		**2,485,376,078**	**2,805,933,783**

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

Consolidated Statement of Financial Positions at December 31, 2016 and 2015
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited **December 31, 2016**	Audited **December 31, 2015**
LIABILITIES			
Current Liabilities		**1,264,747,033**	**1,344,662,276**
Short-Term Financial Borrowings	8	128,019,895	109,619,238
Short-Term Portion of Long-Term Financial Borrowings	8	54,314,120	50,248,047
Trade Payables		178,985,966	238,343,088
- Trade Payables to Related Parties	*10-38*	*4,104,891*	*6,629,275*
- Trade Payables to Non-Related Parties	*10*	*174,881,075*	*231,713,813*
Payables Related to Employee Benefits	22	19,644,225	20,429,700
Other Payables		3,435,653	8,368,600
- Other Payables to Related Parties	*11-37*	*250,000*	*405,000*
- Other Payables to Non-Related Parties	*11*	*3,185,653*	*7,963,600*
Deferred Income		833,583,347	867,830,455
- Deferred Income from Related Parties	*24-38*	*-*	*2,025,230*
- Deferred Income from Non-Related Parties	*24*	*833,583,347*	*865,805,225*
Current Tax Provision	36	5,648,598	686,644
Short-Term Provisions	21	11,203,346	9,029,461
- Other Short-Term Provisions	*21*	*11,203,346*	*9,029,461*
Other Current Liabilities	26	29,911,883	40,107,043
Non-Current Liabilities		**432,167,809**	**720,528,789**
Long-Term Financial Borrowings	8	91,416,922	126,808,544
Other Payables		30,594	40,594
- Other Payables to Related Parties		*-*	*-*
- Other Payables to Non-Related Parties	*11*	*30,594*	*40,594*
Deferred Income	24	235,243,053	512,630,843
Long-Term Provisions		41,855,851	39,212,566
- Long-Term Provisions for Employee Benefits	*22*	*40,635,156*	*38,159,802*
- Other Long-Term Provisions	*21*	*1,220,695*	*1,052,764*
Deferred Tax Liability	36	29,166,484	22,998,609
Other Non-Current Liabilities	26	34,454,905	18,837,633
EQUITY		**788,461,236**	**740,742,718**
Equity Holders of the Parent		**503,173,740**	**447,631,888**
Paid-in Share Capital	27	790,400,000	790,400,000
Share Premium	27	7,218,627	7,218,627
Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss		94,747,995	91,975,551
- Increases/Decreases on Revaluation of Property, Plant and Equipment	*27*	*97,681,199*	*92,378,266*
- Gains/Losses on Remeasurements of Defined Benefit Plans	*27*	*(2,958,805)*	*(453,249)*
- Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	*27*	*25,601*	*50,534*
Restricted Reserves Appropriated From Profits	27	20,067,133	8,711,715
Other Reserves	27	(39,020,867)	(29,813,823)
Prior Years' Profits or Losses	27	(433,327,470)	(337,321,321)
Profit/Loss for the period	37	63,088,322	(83,538,861)
Non-Controlling Interests	**27**	**285,287,496**	**293,110,830**
TOTAL LIABILITIES AND EQUITY		**2,485,376,078**	**2,805,933,783**

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended December 31, 2016 and 2015
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited January 1 - December 31, 2016	Audited January 1 - December 31, 2015
Revenue	28	1,082,075,506	409,473,340
Cost of Sales (-)	28	(854,895,456)	(302,829,719)
GROSS PROFIT/LOSS		**227,180,050**	**106,643,621**
General Administrative Expenses (-)	29-30	(115,499,290)	(195,347,321)
Marketing, Selling and Distribution Expenses (-)	29-30	(23,290,116)	(17,168,119)
Research and Development Expenses (-)	29-30	(812,509)	(659,465)
Other Operating Income	31	129,223,934	130,876,531
Other Operating Expenses (-)	31	(55,552,082)	(71,555,172)
OPERATING PROFIT/LOSS		**161,249,987**	**(47,209,925)**
Income from Investment Activities	32	26,318,855	56,919,879
Expenses from Investment Activities (-)	32	(27,316,144)	(31,559,604)
Share of Profit/Loss from Investments Accounted for Using Equity Method	16	(98,505)	305,071
OPERATING PROFIT BEFORE FINANCIAL INCOME/ EXPENSE		**160,154,193**	**(21,544,579)**
Financial Income	34	13,358,227	45,395,047
Financial Expense (-)	33	(88,202,068)	(116,856,347)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**85,310,352**	**(93,005,879)**
Tax Income/ Expense of Continuing Operations	**36**	**(24,772,190)**	**6,944,987**
- Current Tax Expense for the Period	*36*	*(31,451,437)*	*(3,798,985)*
- Deferred Tax Income/ Expense	*36*	*6,679,247*	*10,743,972*
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**60,538,162**	**(86,060,892)**
PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS		**-**	**-**
PROFIT (LOSS) FOR THE PERIOD	**37**	**60,538,162**	**(86,060,892)**
Distribution of profit of the year			
Non- Controlling Interests	37	(2,550,160)	(2,522,031)
Parent Shares	37	63,088,322	(83,538,861)
Basic Earnings Per Share	**37**	**0.0766**	**(0.109)**
- Basic Earnings / Loss per Share from Continuing Operations	*37*	*0.0766*	*(0.109)*
- Basic Earnings / Loss per Share from Discontinued Operations		-	-
Diluted Earnings Per Share		**-**	**-**
- Diluted Earnings / Loss per Share from Continuing Operations		**-**	**-**
- Diluted Earnings / Loss per Share from Discontinued Operations		**-**	**-**

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended December 31, 2016 and 2015
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited **January 1 - December 31, 2016**	Audited **January 1 - December 31, 2015**
PROFIT (LOSS) FOR THE PERIOD	**37**	**60,538,162**	**(86,060,892)**
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss			
Gains/Losses on Remeasurements of Defined Benefit Plans	27	(3,044,179)	(405,233)
Increases/Decreases on Revaluation of Property, Plant and Equipment	27	7,505,523	30,448,707
Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	27	(24,933)	50,534
OTHER COMPREHENSIVE INCOME		**4,436,411**	**30,094,008**
TOTAL COMPREHENSIVE INCOME		**64,974,573**	**(55,966,884)**
Distribution of Total Comprehensive Income			
Non- Controlling Interests		(886,193)	3,137,382
Parent Shares		65,860,766	(59,104,266)

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

(Convenience translation to English of Consolidated Financial Statements Originally Issued in Turkish)
İhlas Holding A.Ş.

Consolidated Stement of Changes in Equity for the year ended December 31, 2016 and 2015

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

						Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss			Retained earnings/losses				
	Notes	Paid-in Share Capital	Share Premium	Restricted Reserves Appropriated From Profits	Other Reserves	Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	Increases/Decreases on Revaluation of Property, Plant and Equipment	Gains/Losses on Remeasurements of Defined Benefit Plans	Prior Years' Profits or Losses	Profit for the period	Equity Holders of the Parent	Non-Controlling Interests	Total Equity
January 1, 2016		**790,400,000**	**7,218,627**	**8,711,715**	**(29,813,823)**	**50,534**	**92,378,266**	**(453,249)**	**(337,321,321)**	**(83,538,861)**	**447,631,888**	**293,110,830**	**740,742,718**
Total comprehensive income/ loss	27-37	-	-	-	-	(24,933)	5,302,933	(2,505,556)	-	63,088,322	**65,860,766**	(886,193)	**64,974,573**
Transfers		-	-	-	-	-	-	-	(83,538,861)	83,538,861	**-**	-	-
Dividends paid	27	-	-	11,954,698	-	-	-	-	(11,954,698)	-	**-**	-	-
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	27	-	-	(567,180)	(9,207,044)	-	-	-	-	-	**(9,774,224)**	(4,060,168)	**(13,834,392)**
Effects of combinations of entities or businesses under common control	27	-	-	(32,100)	-	-	-	-	(512,590)	-	**(544,690)**	(2,876,973)	**(3,421,663)**
December 31, 2016		**790,400,000**	**7,218,627**	**20,067,133**	**(39,020,867)**	**25,601**	**97,681,199**	**(2,958,805)**	**(433,327,470)**	**63,088,322**	**503,173,740**	**285,287,496**	**788,461,236**

						Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss			Retained earnings/losses				
	Notes	Paid-in Share Capital	Share Premium	Restricted Reserves Appropriated From Profits	Other Reserves	Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	Increases/Decreases on Revaluation of Property, Plant and Equipment	Gains/Losses on Remeasurements of Defined Benefit Plans	Prior Years' Profits or Losses	Profit for the period	Equity Holders of the Parent	Non-Controlling Interests	Total Equity
January 1, 2015		**790,400,000**	**7,218,627**	**7,988,660**	**(29,813,823)**	**-**	**67,867,584**	**(326,628)**	**(248,838,310)**	**(88,381,424)**	**506,114,686**	**285,247,398**	**791,362,084**
Total comprehensive income/ loss	27-37	-	-	-	-	50,534	24,510,682	(126,621)	-	(83,538,861)	**(59,104,266)**	3,137,382	**(55,966,884)**
Transfers		-	-	123,775	-	-	-	-	(88,505,199)	88,381,424	**-**	-	**-**
Increase /decrease through other changes, equity	27	-	-	599,280	-	-	-	-	-	-	**599,280**	720	**600,000**
Transactions with non-controlling shareholders	27	-	-	-	-	-	-	-	22,188	-	**22,188**	4,725,330	**4,747,518**
December 31, 2015		**790,400,000**	**7,218,627**	**8,711,715**	**(29,813,823)**	**50,534**	**92,378,266**	**(453,249)**	**(337,321,321)**	**(83,538,861)**	**447,631,888**	**293,110,830**	**740,742,718**

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

Consolidated Statement of Cash Flow
for the year ended December 31, 2016 and 2015
(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited **January 1 - December 31, 2016**	Audited **January 1 - December 31, 2015**
Cash Flows from Operating Activities			
Profit/Loss for the period	37	60,538,162	(86,060,892)
Adjustments to reconcile Profit/Loss			
Adjustments for depreciation and amortisation expense	18-19	12,332,490	16,994,011
Adjustments for provision for employee benefits	22	11,371,299	10,261,830
Tax income/expense	36	24,772,190	(6,944,987)
Interest income	34	(2,102,280)	(14,823,752)
Interest expenses	33	67,904,612	86,882,396
Adjustments for impairment loss/reversal of impairment loss of investment properties	32	(14,767,057)	(20,750,360)
Adjustments for losses (gains) on disposal of non-current assets	32	281,557	(9,861,354)
Adjustments for impairment loss of goodwill	32	5,395,572	-
Adjustments for impairment loss of property, plant and equipment	32	7,773,201	2,971,441
Other adjustments to reconcile profit /loss		1,523,953	(2,967,514)
Changes in working capital			
Decrease/increase in financial investments	7	6,498,930	15,248,851
Decrease/increase in trade receivables from non-related parties	10	47,748,974	152,676,229
Decrease/increase in trade receivables from related parties	10-37	1,591,684	2,252,195
Decrease/increase in other receivables from non-related parties	11	934,537	14,919,135
Decrease/increase in other receivables from related parties	11-37	-	15,958,340
Decrease/increase in inventories	13	205,508,394	(286,432,892)
Decrease/increase in prepaid expenses	24	5,987,332	(112,118,071)
Decrease/increase in other assets	26	21,783,500	(5,324,141)
Decrease/increase in trade payables to non-related parties	10	(56,832,738)	(110,404,476)
Decrease/increase in trade payables to related parties	10-37	(2,524,384)	2,056,058
Decrease/increase in payables related to employee benefits	22	(785,475)	(3,167,278)
Decrease/increase in deferred income (short-long term)	24	(311,634,898)	433,012,898
Decrease/increase in other payables to non-related parties	11	(4,787,947)	7,435,754
Decrease/increase in other payables to related parties	11-37	(155,000)	(11,145,000)
Decrease/increase in other liabilities	26	5,422,112	17,377,213
Cash Flows from Operations			
Income taxes paid	25-36	(27,700,213)	(5,090,840)
Retirement pay provision paid	22	(8,895,945)	(7,043,548)
Net cash generated from operations (A)		**57,182,562**	**95,911,246**
Cash Flows from Investing Activities			
Purchase of property, plant, equipment and investment property	17,18	(15,660,981)	(20,263,736)
Purchase of intangible assets	19	(2,069,132)	(825,341)
Proceeds from sales of property, plant, equipment and investment property		24,814,439	22,415,970
Cash outflows arising from additional share purchases of subsidiaries		(13,100,000)	-
Other inflows/outflows of cash		-	2,512,120
Cash inflows caused by share sales of associates		-	14,315,150
Net cash generated from investing activities (B)		**(6,015,674)**	**18,154,163**
Cash Flows from Financing Activities			
Interest paid		(45,032,362)	(80,971,538)
Interest received		2,102,280	6,084,569
Proceeds from ıssuing shares or other equity instruments - payments of paid in capital related to non-controlling interest		1,215,000	-
Proceeds/repayments from financial borrowings, net	8	(12,924,892)	(141,868,599)
Net cash used in financing activities (C)		**(54,639,974)**	**(216,755,568)**
Net increase/(decrease) in cash and cash equivalents (D=A+B+C)		**(3,473,086)**	**(102,690,159)**
Cash and cash equivalents at the beginning of the period (E)	**6**	**27,676,055**	**130,366,214**
Cash and cash equivalents at the end of the period (F=D+E)	**6**	**24,202,969**	**27,676,055**

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

Note 1 – Group Organization ve its Operations

İhlas Holding A.Ş. ("Parent Company") was founded under the name of İhlas Matbaacılık ve Dağıtım Anonim Şirketi" on December 25, 1980. The Parent Company changed its name first to İhlas Matbaacılık ve Sağlık Hizmetleri A.Ş. on March 6, 1986, and subsequently to İhlas Holding A.Ş. on August 2, 1993. As a result of amendments to the Articles of Association; the Parent Company set construction, healthcare, marketing, domestic trade, education and soft drinks as its areas of business; and removed printing, newspaper and magazine publishing from the list. Although the Articles of Association of the Parent Company includes a diverse range of businesses, the legal entity of the Parent Company was active only in the construction, healthcare, education services and domestic trade sectors on the report date.

As of the balance sheet date, the Group employed a total of 2,662 people (December 31, 2015: 2,935), of which 854 (December 31, 2015: 939) worked for the Parent Company.

The Parent Company headquarters is located at "Merkez Mahallesi, 29 Ekim Cad., İhlas Plaza No:11, B/21 Yenibosna, Bahçelievler, Istanbul."

The principal shareholders and their respective shareholding rates in the Parent Company are as follows:

	December 31, 2016		December 31, 2015	
Shareholder Name/Title	**Share Ratio**	**Share Amount**	**Share Ratio**	**Share Amount**
Publicly traded	86.37%	682,674,283	86.37%	682,674,283
Ahmet Mücahid Ören	10.58%	83,563,047	10.58%	83,563,047
Others	3.05%	24,162,670	3.05%	24,162,670
Total Capital	**100,00%**	**790,400,000**	**100,00%**	**790,400,000**

The distribution of the privileged shares of the Parent Company (Group B shares) as of the balance sheet date is as follows:

Shareholder Name/Title	**Series**	**Group**	**Bearer/ Registered**	**Number of Shares**	**Amount**
Ahmet Mücahid Ören	I	B	Bearer	3,579,750	35,797.5
Others	I	B	Bearer	920,250	9,202.5

The Parent Company's Board of Directors are selected from Group B shareholders' nominees of at least three board members if the Board of Directors are determined as 5 members; at least five board members if the Board of Directors are determined as 7 members; at least five board members if the Board of Directors are determined as 9 members; at least nine board members if the Board of Directors are determined as 11 members by the General Assembly.

Information regarding the operations of subsidiaries and associates of İhlas Holding A.Ş. is provided below, listed on the basis of their effective rates and number of privileged shares.

Subsidiaries Included in Consolidation

1. İhlas Pazarlama A.Ş.: Involved in the manufacturing and sale of electrical, electronic and mechanical kitchen appliances, durable goods, as well as construction works.

2. İhlas Gazetecilik A.Ş.: Publishes, sells, distributes and markets newspapers and all other types of publications, in Turkish and in foreign languages, both in Turkey and abroad.

3. İhlas Ev Aletleri İmalat San.Tic.A.Ş.: Manufactures electrical home appliances.

4. İhlas Haber Ajansı A.Ş.: Operates as a news agency.

5. İhlas Yayın Holding A.Ş.: Joins or participates in the capital, management, and control of all types of partnerships, whether existing or to be established, which are, or will be, involved in all types of printed, audio-visual publishing, advertising and news agency activities as well as in other related industries, and establishes businesses and companies on its behalf in the aforementioned industries

6. Kuzuluk Kaplıca İnşaat Turizm Sağlık ve Petrol Ürünleri Tic.A.Ş.: Operates a hot spring and health facility in Akyazı, Kuzuluk village of Sakarya.

7. İhlas Motor A.Ş.: Involved in the manufacturing, assembling, trading, importing and exporting of all types of motorized and non-motorized vehicles and spare parts, and serves as a representative for real estate and durable/non-durable goods.

8. TGRT Haber TV A.Ş.: Mainly broadcasts; produces and performs audio and visual recordings for television and radio programs, television films, videos and commercials; leases TV channels and sets up radio stations.

9. TGRT Dijital TV Hizmetleri A.Ş.: Mainly broadcasts - produces and performs audio and visual recordings for television and radio programs, television films, videos and commercials; leases TV channels and sets up radio stations.

10. Bisan Bisiklet Moped Oto. San. Tic. A.Ş.: Manufactures and trades bicycles, mopeds, automotive components and spare parts.

11. Bisiklet Pazarlama ve Tic. A.Ş.: Markets bicycles, mopeds and spare parts.

12. İhlas Net A.Ş.: Mainly offers IT and internet services, sets up networks and trades computers and computer components.

13. İletişim Magazin Gazt. Yan. San ve Tic. A.Ş.: Prints and markets newspapers, magazines, books, etc.

14. İhlas Yapı Turizm ve Sağlık A.Ş.: Involved in the construction, installation and undertaking of projects; also invests, builds, sells and operates tourism and health facilities.

15. Cyprus Branch: Established in the Turkish Republic of Northern Cyprus as a branch of İhlas Holding, this division distributes newspapers and markets electric home appliances.

16. İhlas Medya Planlama ve Satınalma Hiz. Ltd.Şti.: Operates as an advertising, publicity, and photography agency.

17. İhlas Gelişim Yayıncılık A.Ş.: The Company's core business line is to circulate, sell, distribute and market newspapers and all forms of publications in Turkish and foreign languages in both Turkey and foreign countries.

18. Armutlu Tatil ve Turizm İşletmeleri A.Ş.: Operates as a thermal spring tourism entrepreneur, the Company also manages the İhlas Armutlu Timeshare Holiday Village.

19. İhlas İnşaat Holding A.Ş.: The main purpose of the Company is to participate in the management and capital of primarily construction companies that are either established or will be established; and to establish commercial, industrial and financial enterprises for this purpose.

20. İhlas İnşaat Proje Taahhüt Turizm ve Tic. A.Ş.: Involved in tourism investments and management, real estate purchases and sales, construction projects, and the like.

21. Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.: Involved in representation, consultancy, import, export and domestic trading activities with regard to advertising, publicity, photography, publication and advertising agencies.

22. Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.: Mainly involved in the production and marketing of catering.

23. KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.: Mainly involved in the operation of domestic and international shipping, personnel transport, storage and bonded warehousing.

24. İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Ordinary Partnership: İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Ordinary Partnership based on revenue sharing and apartment-for-land models to develop a project with the owners of the 92,293-square meter land registered on block 498, parcel 1 in the Güzelce neighborhood of Büyükçekmece district in Istanbul. The company was established as an ordinary partnership to mutually carry out the "revenue sharing in return for land" task on the land.

Associates Included in Consolidation through Equity Method

1. İhlas Madencilik A.Ş.: The company is engaged in mining operations.

Subsidiaries Not Included in Consolidation (Based on Effective Rates)

1. İhlas Dış Ticaret A.Ş.: Involved in tourism investments and management, real estate purchase and sale, construction projects, etc.

2. İhlas Finans Kurumu A.Ş. in Liquidation: Utilizes the funds acquired through private current accounts and profit/loss accounts. The company is in the process of liquidation, with its operations having been discontinued as of the balance sheet date.

Financial Investments Not Included in Consolidation

1. Detes Enerji Üretim A.Ş.: The Company is currently inactive. Its core business involves building, operating and renting electric power plants, producing electricity, and selling customers the electricity and/or capacity produced.

2. Mir Maden İşletmeciliği Enerji ve Kimya San. Ltd. Şti.: Involved in mining, energy and chemical activities.

3. İhlas Holding A.Ş. - Belbeton Beton Elemanları Sanayi Üretim ve Tic. A.Ş. - Ulubol İnşaat Harfiyat Gıda Tur. San. ve Tic. Ltd. Şti. Ordinary Partnership: Ordinary partnership established in order to become involved in construction operations.

4. Swiss PB AG: The company is one of Switzerland's prime international financial institutions involved in businesses such as asset management and professional brokerage.

5. Doğu Yatırım Holding A.Ş.: Established to make investments in Eastern and Southeastern Anatolia regions.

Note 2 – Basis of Presentation of Consolidated Financial Statements

A. Basis of Presentation

Preparation of Financial Statements

The Group keeps accounting records and statutory financial statements in Turkish lira (TL) in compliance with trade legislation, financial legislation and Uniform Chart of Accounts requirements issued by the Ministry of Finance. Based on the Group's legal records, consolidated financial statements have been rectified and classified so as to ensure compliance with the Turkish Accounting Standards (TAS) and the Turkish Financial Reporting Standards (TFRS), issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA), and with the appendices and footnotes related to them.

The Capital Markets Board Communiqué Serial II, No: 14.1 on "Principles Regarding Financial Reporting in Capital Markets" was issued in the Official Gazette dated June 13, 2013, and entered into effect on the date of issue to be valid as of the interim period of financial reports ending after April 1, 2013. The communiqué sets the policies, procedures and principles regarding the financial statements that will be drawn up by the businesses, and regarding their preparation and submission to the authorities. This communiqué annuls the Communiqué Serial XI, No: 29 on "Principles Regarding Financial Reporting in the Capital Markets."

In the preparation of financial statements, businesses refer to the TAS and TFRS provisions issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA) in compliance with the provisions of the Capital Markets Board Communiqué Serial: II, No: 14.1 on "Principles Regarding Financial Reporting in Capital Markets." Accordingly, the attached consolidated financial statements have been prepared based on the TAS and TFRS, and on the related appendices and comments. Moreover, the consolidated financial statements and footnotes have been presented in the formats and with the information required by the POA.

Related Parties

For the purpose of these consolidated financial statements, the Group's shareholders and group companies with indirect capital relationships with the Group, as well as board members and senior managers and other key executive personnel are defined as "related parties." Key management personnel include executives (administrative or otherwise) with direct or indirect authority and responsibility to plan, manage and control the Group's operations (Note 38).

Related party transactions consist of the transfer of assets, services, or liabilities between related parties, regardless of whether a fee is applicable.

Due to ordinary activities, related party transactions have generally been performed at prices compatible with market conditions.

Note 38 provides information on the Group's balances and all transactions with regard to the companies it has direct or indirect relationships.

Comparatives and adjustment of prior periods' financial statements

The Group's financial statements are prepared comparatively with the previous year's so as to allow for the identification of financial status and performance trends. In order to provide comparability when the presentation or classification of items of financial statements changes, the financial statements are also reclassified accordingly.

If the Group retroactively applies an accounting policy or retrospectively restates an entity's financial statements or reclassifies items in its financial statements; the footnotes related to the 2-period table are presented for each of the following three tables of the consolidated statement of financial position (balance sheet), the other statements (profit or loss and other comprehensive income statement, consolidated statements of cash flows, consolidated statement of changes in shareholders' equity).

Within the scope of compliance with the TAS Taxonomy of 2016 approved by the resolution 30 dated June 2, 2016, the amount corresponding to the Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss account in the consolidated statement of financial position as of December 31, 2015 has been presented separately Increases/Decreases on Revaluation of Property, Plant and Equipment account, Gains/Losses on Remeasurements of Defined Benefit Plans account, the total amount remaining unchanged.

Explanation of Inflation Accounting and Presentation Currency

In accordance with a decision made by the CMB dated March 17, 2005, effective from January 1, 2005, companies that operate in the Turkish market and prepare financial statements according to the CMB Financial Reporting Standards do not need to apply inflation accounting. Therefore, starting from January 1, 2005, the TAS 29 standard titled "Financial Reporting Standard on High-Inflation Economies" published by the POA was not applied to the Group's consolidated financial statements.

The enclosed consolidated financial statements have been prepared in Turkish lira (TL) with the inclusion of the consolidated financial statements dated December 31, 2016, and the consolidated financial statements from previous periods to be used for comparison.

As per TAS 21 standard "Effects of Changes in Foreign Exchange Rates", the Group records foreign currency transactions based on the spot exchange rate amount that is calculated as the difference between the foreign currency and the functional currency at the time of the transaction.

Foreign currency closing rates published by the Central Bank of Turkey for the December 31, 2016 - December 31, 2015 period:

	Foreign Exchange Rates (TL/Foreign Currency)	
Currency	**December 31, 2016**	**December 31, 2015**
USD	3.5192	2.9076
EUR	3.7099	3.1776
GBP	4.3189	4.3007
SEK	0.38585	0.34538
CHF	3.4454	2.9278

The New Standards, Amendments and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. The effects of these standards and

interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as of January 1, 2015 are as follows:

TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, TAS 1 has been amended. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments have not affected the Group's financial position and performance.

TAS 16 and TAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendment made to TAS 16 Property, Plant and Equipment clarifies that income-based depreciation methods cannot be used in depreciation calculations of property, plant and equipment. The amendment to TAS 38 Intangible Assets puts a provable assumption that the depreciation of intangible assets will not be appropriate to use income-based depreciation methods.

These amendments are effective for annual periods beginning on or after 1 January 2016. Early application of the standard is allowed. These amendments have not affected the Group's financial position and performance.

TAS 27 – Equity Method in Separate Financial Statements (Amendments to TAS 27)

In February 2015, the POA amended IAS 27 to represent the option to use the equity method of accounting for investments in subsidiaries and associates in the seperate financial statements of the entity.

According to these investments of enterprises; At cost or in accordance with TFRS 9 or using the equity method of accounting as defined in TAS 28.

Businesses need to apply the same accounting to each category of investment. This change is effective for annual periods beginning on or after January 1, 2016 and should be applied retrospectively. Early application is allowed and early application should be explained. These amendments have not affected the Group's financial position and performance.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

In February 2015, TAS 1 has been amended. The amendments to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognized only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments have not affected the Group's financial position and performance.

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10 and TAS 28)

In February 2015, amendments have been made to TFRS 10, TFRS 12 and TAS 28 to address issues that arise during the application of the investment enterprise exception in accordance with TFRS 10 Consolidated Financial Statements standard: The amendments are effective for annual reporting periods beginning on or after January 1, 2016. Early application is allowed. The amendments do not apply to the Group and will not affect the Group's financial position or performance.

TFRS 11 – Acquisition of an Interest in a Joint Operation

TFRS 11 has been amended to provide guidance on acquisition of equity interest accounting in joint operations that constitute an entity. This amendment clarifies that all the principles of accounting for business combinations in TFRS 3 and other TFRS, except for those contradictory to the guidance referred to in this IFRS, for an entity that acquired a partnership interest in a joint activity that constitutes an entity as stated in the TFRS 3 Business Combinations Application. In addition, the acquirer should disclose information required by TFRS 3 and other TFRS related to business combinations. The amendments are effective for annual reporting periods beginning on or after January 1, 2016. This change has no effect on the Group's financial condition and performance.

TFRS 14 Regulatory Deferral Accounts

The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral balances. The interim standard is effective for financial reporting periods beginning on or after January 1, 2016, although early adoption is permitted. These amendments have not affected the Group's financial position and performance.

Annual Improvements to TAS/TFRSs

In September 2014, the POA has issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle".

Annual Improvements - 2010–2012 Cycle

TFRS 2 "Share-based Payment": Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

TFRS 3 "Business Combinations": Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

TFRS 8 "Operating Segments": The changes are as follows:

i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard.

ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

TAS 16 "Property, Plant and Equipment" and TAS 38 "Intangible Assets": The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or

ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 "Related Party Disclosures": The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

TFRS 3 "Business Combinations": The amendment clarifies that:

i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures

ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively

TFRS 13 "Fair Value Measurement": As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

TAS 40 "Investment Property": The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Group does not expect that those amendments will have significant impact on the financial position or performance of the Group.

Annual Improvements – 2012-2014 Cycle

In February 2015, the POA has issued the below amendments to the standards in relation to "Annual Improvements - 2012–2014 Cycle". The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- TFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

- TFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to TFRS 7 to condensed interim financial statements.

- TAS 19 Employee Benefits – regional market issue regarding discount rate

- TAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. These amendments have not affected the Group's financial position and performance.

Standards published but not implemented and no early implemention

New standards, interpretations and amendments published as of the date of approval of the financial statements but not yet effective for the current reporting period and not early adopted by the Company are as follows. The Company will make necessary changes to affect its financial statements and footnotes after the new standards and interpretations have entered into force, unless otherwise stated.

New and revised standards and interpretations issued by the International Accounting Standards Board (IASB) but not published by the POA:

The new standards, interpretations and amendments to existing IFRS standards listed below have been published by the IASB but have not yet entered into force for the current reporting period. These new standards, interpretations and amendments have not yet been adapted to the TFRS by the POA and therefore do not form part of TFRS. The Company will make the necessary changes to its financial statements and footnotes after such standards and interpretations have been entered into force in TFRS.

IAS 7 Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows. The amendments are intended to clarify IAS 7 to improve the information provided to users of the financial statements about the financing activities of the company. Improvements in footnote disclosures require companies to provide information about changes in their financial liabilities. The amendments will apply to annual periods beginning on or after January 1, 2017. Early application is allowed. For the first time, the Group does not need to provide comparative information on prior periods. The Group's financial position and its impact on its performance are assessed.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued its amendments to the IAS 12 Income Taxes standard. The amendments clarify the deferred tax accounting for borrowing instruments measured at fair value. Changes are designed for the deferred tax assets for unrealized losses. The amendments will be applied retrospectively for annual periods beginning on or after January 1, 2017. Early application is allowed. However, the period in which the changes are applied for the first time may be recognized in the opening retained earnings (or, where appropriate, in another equity item), without any distinction between the opening equity of the first period presented, the opening retained earnings/losses and other equity items. If the Company applies this exemption, the Company will make disclosures in the footnotes of the financial statements. The Group's financial position and its impact on its performance are assessed.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

In June 2014, the IASB issued an amendment to require that "bearer plants" be accounted for under the "IAS 16 - Property, plant and equipment" standard. TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant

and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016.

Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 "Leases". The new standard removes the distinction between operating leases and financial leases, requiring that many leases for leaseholders be included in a single model. The accounting for the leaseholders has not changed substantially and the difference between operating lease and financial leasing continues. IFRS 16 and IAS 17 and is effective for annual periods beginning on or after January 1, 2019. Early application is permitted for IFRS 16 as long as IFRS 15 "Revenue from Contracts with Customers" is also applied. The financial status of the Group and the effects on its performance are assessed.

IFRS 2 Share-based Payments

In June 2016, the development related to IFRS 2 "Share-based Payments" standard was published by IASB. This arrangement provides some clarification on accounting for cash based share-based payment transactions and the classification of share-based payment transactions by new agreement features. The amendments will be applied prospectively for annual periods beginning on or after January 1, 2018. The amendment does not have any effect on the financial position and performance of the Group.

IFRS 4 Insurance Contracts

IASB issued IFRS 4 "Insurance Contracts" standard in September 2016. The amendments will be applied prospectively for annual periods beginning on or after January 1, 2018. The amendment does not have any effect on the financial position and performance of the Group.

IAS 40 Investment Property

In December 2016, the IASB issued an amendment to IAS 40 "Investment Property" standard. In this amendment, the transfer of real estate used by the owner of the investment property and the real estate used by the owner is clarified. The amendments will be applied prospectively for annual periods beginning on or after January 1, 2018. The financial status of the Group and the effects on its performance are assessed.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

This IFRIC is an interpretation published in December 2016. This interpretation includes an explanation of the recognition of advances received or paid in foreign currency. According to this interpretation, it is stated that the transaction date should be based on the first transaction dates in non-monetary payments/purchases, and in case of multiple payments/purchases, transactions should be made according to each payment/purchase dates. This interpretation will be applied prospectively for annual periods beginning on or after January 1, 2018. There is a retrospective application option. The financial status of the Group and the effects on its performance are assessed.

Annual Improvements to IFRSs - 2014–2016 Cycle

The IASB issued the " Annual Improvements to IFRSs - 2014–2016 Cycle " in December 2016. The document changes three standards, with the exception of the standards and related justifications that have changed as a result of the changes. Affected standards and changes are as follows:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1.

- IFRS 12 Disclosure of Interests in Other Entities – Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16.

- IAS 28 Investments in Associates and Joint Ventures – Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity.

Improvements to IFRS 1 and IAS 28 will be applied prospectively for annual periods beginning on or after January 1, 2018 and Improvements to IFRS 12 are effective for annual reporting periods beginning January 1, 2017. These changes are not expected to have an impact on the Group's financial position and performance.

New and amended standards and interpretations that have not been issued by the IASB and the POA, but whose effective dates are an advanced date:

IFRS 9 Financia Instruments – Final Standard

IFRS 9 Financial Instruments issued the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 relies on a rational, single classification and measurement approach that reflects the business model and cash flow characteristics that are managed within financial assets. Based on this, a single model has been established that can be applied to all financial instruments that are subject to impairment accounting, with a forward-looking expected credit loss model that will enable credit losses to be accounted for more timely. In addition, IFRS 9 requires that banks and other entities choose an option to measure their financial liabilities at fair value, which is the so-called "own credit risk" that results in the recording of income in the profit or loss table due to a decrease in the fair value of the financial liability, The problem is addressed. The standard also includes a financial hedging model developed to better correlate the risk management economy with accounting practices. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, early application is allowed. In addition, early amendments to 'own credit risk' are allowed to be applied alone, without changing the accounting for financial instruments. The Group assesses the impact of the standard on its financial position and performance.

IFRS 15 Revenue from Contracts with Customers

The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard establishes a model for accounting for and measuring the sale of certain non-financial assets (e.g. property, plant and equipment) that are not related to the ordinary activities of an entity to be applied to revenue generated from contracts with customers. IFRS 15 shall be applied for annual periods beginning on or after January 1, 2017. There are two alternative applications for transition to IFRS 15; full retroactive application or modified retroactive application. When modified retroactive application is preferred, prior periods will not be restated but comparative numerical information will be provided in the footnotes of the financial statements. This amendment will replace IAS 11 "Construction Contracts" and IAS 18 "Revenue" standards. The financial status of the Group and the effects on its performance are assessed.

Continuity of Business

The Group's consolidated financial statements are prepared under the going concern principle.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously. Offsetting does not pertain to showing assets after deducting regulatory accounts, such as inventory impairment provisions and doubtful payables provisions.

B. Changes in Accounting Policies

Users of the financial statements should have the ability to compare the entity's financial statements over time with a view to determining the entity's financial position, performance and trends in cash flows. For this reason, the same accounting policies are applied in each interim period and every accounting period.

The following are not considered changes in accounting policies;

- the application of an accounting policy for transactions or events that differ intrinsically from those that occurred before,

- Implementation of a new accounting policy for transactions or events that have not arisen or are not significant.

The same accounting policies are applied by the Group as per the period consistency principle.

C. Accounting Policies, Estimates and Errors

Accounting policy changes arising from the initial application of a new standard are, if any, applied retroactively or in accordance with the transition provisions. Significant changes in the accounting policy or changes in accounting policy that are not included in any transition clause are applied retrospectively and the financial statements are restated in the previous period's consol. Changes in accounting estimates are only applied in the current period in which the change is made, in the period in which the change is made, and prospectively, if it relates to future periods.

D. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible into cash, and that do not pose a risk of significant value change. The book value of these assets approximates their fair value.

Financial Investments

Financial investments are classified into three categories: financial assets held for trading (those classified as fair value through profit or loss), held-to-maturity financial assets and available for sale financial assets.

During the initial recognition of financial assets at fair value through profit or loss, transaction costs directly attributable to the acquisition of the related financial asset are added to the fair value.

Financial assets held for trading consist of short-term securities, which are part of a short-term profitable portfolio, either for the purpose of generating profits from short-term fluctuations in the market or from fluctuations in similar items, or independently of the reason for the acquisition. Financial assets held for trading are measured at their fair value at initial recognition. Transaction costs related to the acquisition of the financial asset are also added to fair value and are measured at fair value in subsequent periods. The resulting valuation gain and loss are included in the profit/loss accounts. Trading investments that are not traded in an active market are carried at cost. Interests earned during the sale of securities held for trading are primarily included in interest income and dividends are included in dividend income. The purchase and sale transactions of securities held for trading are taken into account according to the "delivery date" and are excluded from the records.

Investments held to maturity are financial investments that have fixed and determinable payments and fixed valuation where the entity has the intent and ability to hold to maturity. Financial assets held to maturity are stated at amortized cost using the effective interest method in the periods subsequent to their acquisition. The resulting valuation gains and losses are included in the statement of comprehensive income.

Available-for-sale financial assets are financial assets that are designated as available-for-sale, held-to-maturity investments or financial assets that are not classified as at fair value through profit or loss. Available-for-sale financial assets are valued at their fair value if there is an active market and the resulting gains and losses are presented in equity until the asset is derecognised. If an active market is not available, it is valued over cost.

Trade Receivables

Trade receivables arising from forward sales are valued at amortized cost using the effective interest method. Short-term trade receivables with no stated interest rate are assessed on the basis of the invoice amount if the interest accrual effect is insignificant.

If effective interest rates of trade receivables are not known, comparative interest rates are taken as basis. LIBOR rates are used as the effective interest rate for the Group due to the absence of any cash and cash equivalents in accordance with the commercial practices and due to the fact that the maturity difference is not applied to sales.

Notes and deferred checks classified as trade receivables are reported at discounted values (amortized cost) using the effective interest rate method, subject to rediscount. The difference between the nominal amount of trade receivables and the amortized cost is recognized in the statement of comprehensive income as interest expense.

The provision for doubtful receivables is reflected in the records as expense. Provision is the amount that is estimated by the Group management and considered to cover probable losses that may arise from the economic condition or the nature of the accident. When the Group assesses a receivable as a doubtful receivable, it is based on the uncollected receivables from previous years, the ability to pay off the debt and the extraordinary circumstances that arise in the current sector and current economic environment.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories includes all procurement costs, conversion costs and other costs incurred to bring the inventories to their present state and position. The unit cost of inventories is determined by the average cost method.

When the cost of inventories falls below the net realizable value, inventories are reduced to net realizable value and are recorded in "Cost of Sales" in the statement of comprehensive income for the year of impairment. The provision for impairment loss is reversed if it is proven that the circumstances causing the reduction of the net realizable value of the inventory have become invalid or the net realizable value has increased due to the changing economic conditions. The amount that has been canceled is limited to the amount of impairment that is previously recorded and is recorded in the "Cost of Sales" line. The Company management assesses whether there is any impairment in inventories as of the balance sheet date and if any. Replacement costs for the first materials and materials are used as the best measure reflecting the net realizable value.

If inventories are acquired on a deferred payment basis, if the difference between the purchase price and the prepaid price includes the financing element, these elements are recognized as interest expense in the period in which they are financed.

Investment Properties, Property, Plant, Equipment and Intangible Assets

Investment Properties

Investment properties are real estate held (held by the lessee according to ownership or lease contract) (some or both of land or building or building) in order to obtain rental income or value increase gain or both.

Investment property is initially measured at cost. Transaction costs are also included in the initial measurement. Investment property acquired through finance leases are accounted for at fair value less the present value of the minimum lease payments.

In subsequent periods, the investment property is valued using either the fair value method or the cost method and the Group uses the fair value method to valuate the investment property.

Fair value of an investment property is determined as the price to be paid between market participants in a normal transaction at the measurement date, on the sale of an asset, or on a payback period. The fair value is determined based on the best estimate even if the real estate does not have a market. From this point of view, fair value can change depending on the forecast and changes in market conditions. Factors such as the inherent risks of the asset, market conditions, and depreciation are taken into account in determining the fair value. Accordingly, the Group has associated the resulting value increases/decreases with the Income/Expense from Investment Activities (Note 32) in the statement of comprehensive income as a result of the work carried out with respect to the impairment of the investment properties or the value increase.

Gains or losses arising from changes in the fair value of the investment property are included in profit or loss in the period in which they are incurred and are recognized in the Income/Expense from Investment Activities.

Lands and buildings are a separate tangible asset even though they are taken together and are accounted separately.

The properties leased and used by the parent or its subsidiaries are not included in the scope of investment property in the consolidated financial statements. These real estates are treated as real estates used by the owner and reported in property, plant and equipment.

Property, plant, equipment and Intangible assets

An item of property, plant, equipment and intangible asset that meets the criteria for recognition as an asset is measured at cost at initial recognition. In subsequent periods, they are valued using either cost or revaluation method.

Intangible assets represent rights and other intangible items. Intangible assets are reflected to the purchases before January 1, 2005 by deducting the accumulated amortization and impairment losses from the purchase cost values for items purchased after December 31, 2004 and the cost values adjusted for the effect of inflation as of 31 December 2004.

The initial costs of fixed assets are comprised of the purchase price including the customs taxes, non-refundable purchase taxes, direct costs incurred until the asset becomes operational and the asset is returned to its use.

In the cost model, presentations are made by subtracting accumulated depreciation and impairment losses from the cost values of property, plant, equipment and intangible assets.

In the revaluation model, the fair value is the depreciation based on the revalued amount of a property, plant, equipment and intangible asset that can be measured reliably, after the asset is accounted for as an asset. The revaluation gross or net value method is used. Revaluations are made at the balance sheet date in such a way that the amount to be obtained by using the fair value is not significantly different from the carrying amount. Appreciation of the resulting value is attributable to the value increase fund under equity, while the value decreases are deducted from the pre-existing value increases if any, otherwise they are recorded in the account of Expense from Investment Activities.

The Group revaluates the revaluation model when there are significant changes in the real estates it uses and it uses the cost model because there is no active market for other property, plant, equipment assets and intangible assets other than real estate. The increase/decrease in the revaluation made by the Group is presented in Note 18.

Provisions of TAS 2 "Inventories" and TAS 16 "Property, Plant and Equipment" are applied in the transfers of the Group to property, plant, equipment assets for use in operating activities. Accordingly, the fair value at the date of transfer is based on fair value.

Depreciation is measured by the straight-line method based on a pro-rata basis according to the useful lives and methods indicated below:

	Useful Life (Years)	Method
Land improvements	5-50	Straight-Line
Buildings	50	Straight-Line
Machinery and equipments	3-15	Straight-Line
Vehicles	3-10	Straight-Line
Furniture and fixtures	3-15	Straight-Line
Other property, plant, equipment	3-10	Straight-Line
Other Rights	2-10	Straight-Line
Other intangible assets	5-15	Straight-Line

The useful life and depreciation method are regularly monitored and accordingly the method and the period of depreciation are considered to be consistent with the economic benefit to be gained from the related asset. If there is a change in the useful life, changes from the current year are reflected in the statement of comprehensive income.

Lands and buildings are a separate tangible asset even though they are taken together and are accounted separately. Depreciation is not allocated for assets such as land and land whose useful lives can not be determined or which have an indefinite useful life.

If there are any events or changes in the existing conditions that the carrying values of the property, plant and equipment cannot be recovered, the value of the property, plant and equipment is examined. In the event that such indications exist or the carrying amount exceeds the recoverable amount, the related assets are reduced to their recoverable amount. Realizable value is the higher of net selling price and value in use. When usage value is found, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects the risks specific to that asset. For assets that do not independently generate cash inflows in large amounts, the recoverable amount is calculated for the cash-generating unit to which that asset belongs. The related tangible asset is depreciated over the remaining estimated useful life. Depreciation amounts of property, plant and equipment are associated with operating expenses and cost of sales items in the statement of comprehensive income. Impairment losses are recognized in Expense from Investment Activities in the statement of comprehensive income.

The Group tests for impairment of assets and determines net selling prices by taking into consideration "second hand market values" of some assets and "amortized replacement costs" for non-second hand assets. Since the net selling prices for these assets are equal to or greater than the net carrying amount of the assets, the calculation of the value in use is not required and no provision for impairment is made. For certain assets (e.g. goodwill), if it is not possible to determine the net selling prices, the impairment test is performed based on the usage values.

An intangible asset does not have an indefinite useful life. Gains or losses on disposal of property, plant and equipment and intangible assets are determined by comparing net book value with sales amounts and reflected in statement of profit or loss in accounts of Income/Expense from Investment Activities.

The Group measures significant investment property and property, plant, equipment using the revaluation model on the basis of valuation transactions made by an independent expert who has relevant expertise and relevant professional background and up-to-date knowledge of the class and location of the property. Information on significant real estate properties is presented in the following table;

List of Real Estates Appraised for Fair Value	Fair Value	Revaluation Gain / Loss	Appraisal Date	Appraisal Methods	Fair Value Hierarchy
Yenibosna - İstanbul Real Estates	157,660,000	4,889,307	December 31, 2016	Peer Comparison, Discounted Income and Cost Methods	Level 2 and 3
Armutlu - Yalova Real Estates	76,685,000	4,745,000	December 31, 2016	Peer Comparison, Project Developments, Replacement Cost, Discounted Income Methods	Level 2 and 3
Konak - İzmir Real	19,645,000	702,970	January 5-9, 2017	Peer Comparison, Replacement Cost Methods	Level 2
Avcılar - İstanbul Real Estates	6,106,229	694,857	December 31, 2016	Peer Comparison, Discounted Income, Cost Methods	Level 2 and 3
Kuzuluk - Adapazarı Real Estates	14,962,000	1,015,000	January 9, 2017	Replacement Cost, Peer Comparison Methods	Level 2
Beylikdüzü - İstanbul Real Estates	11,000,000	285,000	December 31, 2016	Peer Comparison, Project Developments Methods	Level 2
Kahramanlar - İzmir Real Estates	3,890,000	190,000	January 9, 2017	Peer Comparison, Replacement Cost Methods	Level 2
Zonguldak Real Estates	2,325,000	217,272	January 2-10, 2017	Peer Comparison Method	Level 2
Tekkeköy - Samsun Real Estates	2,121,000	172,947	January 4-6, 2017	Peer Comparison and Replacement Cost Methods	Level 2
Germany Real Estates	29,700,000	1,880,000	February 24, 2017	Peer Comparison, Discounted Income and Cost Methods	Level 2 and 3
Other Real Estates	22,750,000	411,989	December 31, 2016-January 17, 2017	Peer Comparison, Discounted Income, Cost ve Project Development Methods	Level 2 and 3

The significant unobservable data for non-financial assets measured by Level 3 inputs are expected market rent payments growth. If the expected market lease payment growth is high, the estimated fair value will also increase (decrease).
Significant unobservable data for non-financial assets measured by Level 2 inputs are precedent values based on the location and characteristics of the property. If the precedent values of similar properties increase (decrease) due to their location and characteristics, the predicted fair value will also increase (decrease).

Assets Held for Sale and Discontinued Operations

Assets are presented as assets classified as held for sale in the event that the intention is to recover the result of the sale rather than using their carrying amount. These assets are; a business unit, a sales group, or a separate property, plant and equipment. Sales of non-current assets held for sale are expected to be realized

within twelve months following the balance sheet date. Various events or circumstances may extend the completion of the sales process over a period of one year. Where there is sufficient evidence that the delay has occurred due to events or circumstances beyond the control of the operator and that the entity has a continuing sales plan for the sale of the related asset (or disposal group); The delay of the period required to complete the sale transaction does not prevent the related asset (or disposal group) from being classified as held for sale.

Impairment of Non-Financial Assets

If there are events or situations which the book value of assets subject to amortization may not be recoverable, the impairment test is applied. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. For purposes of assessing impairment, assets are grouped at the lowest level of identifiable cash flows (cash generating unit). At each reporting date, the Company assesses whether there is any indication that carrying value of assets except financial assets and deferred tax assets is impaired or not.

Taxation and Deferred Taxes

Tax expense / (income) of the Group is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

Current year tax liability is calculated on the portion of the period profit subject to taxation. The taxable profit differs from the profit stated in the income statement because it excludes income or expense items that can be taxable or deductible in other years and items that are not taxable or deductible. The Group's current tax liability is calculated by using the tax rate that is either legally enacted or the tax law is final.

Current tax payable is netted off with prepaid tax amounts in case they are paid or paid to the same tax authority. Deferred tax assets and liabilities are also netted.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values (balance sheet method/balance sheet liability method). These differences are divided into two categories: deductible and taxable. For all temporary differences in the nature of taxable deductible expenses, it is highly probable that future taxable income will be available for the reduction of these expenses in the future and is recognized in the deferred tax asset if the transaction is not part of a business combination or is not the result of the initial recognition of the obligation. All temporary differences subject to taxation are recognized in deferred tax liability. However, deferred tax is not recognized for temporary differences arising from the initial recognition of goodwill arising from the initial recognition of an asset or a liability, or from transactions that are not transactional.

In accordance with tax laws, unused tax losses and tax benefits are recognized as deferred tax assets if it is probable that future taxable income will be sufficient to offset them in the future.

Deferred income tax is calculated using tax rates that are currently enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized (Note 36).

Deferred tax assets and deferred tax liabilities are offset against each other if the same entity is subject to taxation and there is a legally enforceable right to offset current tax assets against current tax liabilities.

75% of the profits arising from the sale of real estate and participation shares, founding shares, usufruct shares and preferential rights in the assets of the institutions for at least two full years are exempted from the corporate tax.

Business Combination and Goodwill

The purchase method is applied when all business combinations are accounted. Goodwill is calculated as the difference between the cost at the date of acquisition of the acquiree's share or the assets acquired and the fair value of net assets (assets for acquired assets).

Over the fair value of net assets acquired with purchase price, the difference is reflected in the statement of financial position as goodwill. If the purchase price is less than the fair value of the acquired net assets, the difference is reflected in the statemtn of comprehensive income as a bargain purchase gain (negative

goodwill). The honoraria resulting from the acquisition of the associates is included in the cost of the subsidiary and presented under the heading "Investments in Equity Instruments".

At each balance sheet date, the Group assesses goodwill for any indication that there is an impairment loss related to the cash-generating units that related to the goodwill. If such an indicator exists, the recorded value of that asset is compared with the net realizable value that is higher than the amounts that would be obtained through use or sale. If the value of the asset or any unit generating cash that the asset belongs to is higher than the net realizable value, the value has become impaired. Impairment losses are recognized in the statement of comprehensive income.

Business Combinations under Common Control

There is no specific accounting policy related to this transaction in TFRS since the main partnership is still unaffected and the main partnership is still jointly controlled. Accordingly, the Group has considered such business combinations within the scope of "TAS 8 Accounting Policies, Accounting Estimates and Errors Standard" and within the framework of the Resolution on Implementation of Turkish Accounting Standards dated July 21, 2013 regarding Accounting of Business Combinations under Common Control of the POA.

There are no goodwill or bargain purchase gain as a result of the legal mergers that have taken place by the entities controlled by the Group. The resulting difference between the amount of the associate and the amount of the share of the acquired company is directly accounted under "Prior Years' Profit/Loss" as "Effect of Associations Including Enterprises or Enterprises Subject to Common Control" within Equity.

Leases

Finance Lease:

Finance leases that transfer all the risks and benefits of ownership of the leased asset to the Group are recognized at the inception of the lease on the basis of the fair value of the leased asset and the present value of the lease payments. Finance lease payments are allocated as principal and finance interest during the lease term to generate a fixed periodic rate of interest for the remaining debt for each period.

The fair value of financial leases is the purchase price used to purchase the asset and determined between the parties. Minimum lease payments include total liabilities such as principal, interest and tax, which are accounted for at the acquisition cost since their present value is not lower than the purchase price (capital).

Principal rent payments are shown as liabilities and are reduced as payments are made. Interest payments are expensed as interest expense in the comprehensive income statement over the term of the lease. Property, plant and equipment acquired under finance lease contracts are depreciated over the useful life of the asset.

Operational Lease:

Leases where the leaseholder holds all risks and benefits of the leased asset are classified as operating leases. Operational lease payments are recorded in the income statement as a straight line expense over the lease term.

Sale and Leaseback:

The Group has entered into a sale and leaseback agreement under which some of the land and buildings in investment properties are subject. The Group has considered this contract within the scope of TAS 17 "Leases" and the amount corresponding to the fair value of the real estate subject to the contract and collected from the financial leasing institution is accounted under "Financial borrowings" account in the financial statements.

Provisions for Employee Benefits

In accordance with Turkish Labor Law, the retirement pay provision shall be made in accordance with the Law on the Regulation of the Relations between the Employees of the Press Personnel and the Turkish Labor Code or by the completion of at least one year of service (at least 5 years service for the press staff), calling for military service, represents the discounted value of the estimated total liability of future liabilities at the balance sheet date. The actuarial valuation method has been used to reduce the retirement pay liability. Actuarial assumptions have been made for this. The most important of these is the discount rate used in discounts.

The rate to be used to discount defined benefit obligations (provisions for employee benefits) after leaving the office is determined by looking at the market returns for high quality corporate bonds at the balance sheet date. Because of the lack of a deep market for such securities, the real interest rate has been used, taking into account the market returns (compound interest rates) of government bonds (on the balance sheet date). In other words, inflation-adjusted interest rate (real interest rate) is used (Note 22).

In this context, financial institutions subject to labor law have accounted for the provision for severance indemnity at the actuarial method in the financial statements for the retirement of retirement benefits for all personnel or for the termination of the business relationship by calling for military service or for the future probable liability amounts in case of death.

The assumptions used in calculating the provision for employment termination benefits are explained in Note 22.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are only recognized if the entity has a present and legally enforceable obligation (legal or constructive), it is probable that the economic benefits of the entity will be derecognized because of the obligation, and the amount of the obligation can be reliably determined.

In cases where it is expected that some or all of the expenditures required to fulfill an obligation related to the obligation are to be compensated by another party, the related indemnification shall be recognized in the financial statements. However, it is highly probable that the compensation will be obtained if the operator fulfills the obligation.

One of three methods is used according to the situation which is subject to compensation in the case of provisioning. This method is applied when the time value of money is important. When the value of money is significant over time, the provisions are reflected by the reduced value of the possible future costs incurred on the balance sheet date. When discounted value is used, increases due to the passage of time are recorded as interest payments. Assuming that the time value of the money is significant, it is reduced by using the risk-free discount rate, which is based on the estimated cash flows at the same time as the estimated cash flow, assuming no risk or uncertainty in determining the estimated cash flows. The second method is the expected value method. This method is used when the counterpart is related to a large cluster or to a large number of events, and the liability is estimated taking into account all possible outcomes. The third method is to estimate the most probable outcome of a single obligation or event and to reflect the reversal in the balance sheet to the financial statements.

Liabilities and assets arising from past events that may be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not fully under the control of the entity are disclosed in footnotes, but not in the financial statements, but as contingent assets, liabilities and commitments (Note 21).

Warranty Provisions

Warranty provisions are the repairs and maintenance costs of the goods manufactured and sold by the companies, the labor and material costs incurred by the authorized services without customer compensation under the guarantee, the first maintenance costs incurred by the companies and the products that are recorded as income during the following years and the estimates of repair levels resulting from past experience are recorded (Note 21).

Revenue

Revenue is recorded when it is probable that the economic benefit will come into operation and that the amount of income can be reliably measured. Revenues, discounts, value added tax and sales taxes are shown net after deduction. The following criteria must be met in order for income to be generated.

Sale of Goods;

Revenue is recognized when the interest and benefits of the goods sold are transferred to the buyer and the amount of income can be reliably calculated. Net sales, discounts and commissions are the estimated future sales price.

Service Revenues;

The revenue generated from the service revenue is deemed to have occurred when the measurable completion rate is reached. Where income can not be reliably measured, income is considered as much as the recoverable amount of the expense incurred.

Interest;

Interest income is accrued at the relevant period in proportion to the effective interest rate that discounts the estimated cash inflows from the related financial asset over the expected life of the remaining principal balance to the recorded value of the related asset. The Group's forward selling interest income arising from trade receivables is recognized in other income from operating activities.

Dividend:

Dividend income from equity investments is credited when shareholders are entitled to receive dividends.

The price to be paid or receivable is measured at the fair value. If the revenues are due, the difference between the nominal value of the sales price and the fair value (discounted value) is recognized as interest income.

Where the outcome of a service revenue can be reliably estimated, the transaction proceeds are accounted for at the transaction date at the balance sheet date.

Construction Revenues;

As the Group does not have a progress payment amount, the provisions of TAS 11 are not applied and the revenue related to construction activities is measured according to TAS 18 "Revenue" standard. In TAS 18, the conditions for the goods and services sales to be reflected in the financial statements are specified and the construction revenues are reflected to the financial tables in accordance with these conditions. In the sales made against advance payment, the risk remains until the goods are delivered and invoiced, and no revenue is generated until the goods are delivered and invoiced.

Unrealized Financial Income/Expenses

Unearned financial income/expenses represent financial income and expenses on credit sales and purchases. These revenues and expenses are calculated over the period of credit sales and purchases by the effective interest rate method and other income and expenses from principal activities are presented under the item.

Borrowing costs

Borrowing costs directly attributable to the acquisition of qualifying assets are capitalized as part of the cost of the respective assets. Capitalization is ceased when the -operations to bring the qualifying asset ready for sale or use- are completed. Qualifying assets are those assets whose construction or production takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed in the period they occur.

In subsequent periods, the difference between the cash inflow provided and the payback value is recognized in the income statement over the period of the borrowing.

Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss by the weighted average number of ordinary shares outstanding during the year. The weighted average of the shares in circulation during the period is calculated taking into consideration the shares (bonus shares) issued without generating an increase in the sources.

Financial Instruments

Recognition and Derecognition of Financial Instruments;

The Group reflects the financial asset or liability in the consolidated statement of financial position only if it is a party to the contract of the financial instrument. The Group derecognizes a part of the financial asset or financial asset only when the control over the rights arising from the contractual existence of such assets is lost. Financial liability of the Group is only if the liability defined in the contract is lifted, canceled or expired if it is withdrawn from the records.

Fair Value of Financial Instruments;

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between knowledgeable and willing parties under circumstances that would not be affected, and is best evidenced by a quoted market price.

The estimated fair values of the financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is used in the interpretation of market data in fair value estimation. Consequently, the estimates presented herein may not be indicative of the Group's value in a current market transaction.

Financial Assets;

Financial assets are carried at fair value except for financial assets recognized at fair value through profit or loss and at fair value, net of expenditures directly attributable to the acquisition. Investments are recorded in or removed from the records at the date of the trade transaction to which the investment instrument is subject to delivery in accordance with the timeframe specified by the relevant market.

Other financial assets are classified as "financial assets at fair value through profit or loss", "investments held-to-maturity", "available-for-sale financial assets" and "loans and receivables". The classification is based on the nature and purpose of the financial assets and is determined at initial recognition.

Effective interest method

Valuation of the financial asset at amortized cost and the redistribution of the related interest income. Effective interest rate; The expected cash to be collected in the future over the expected life of the financial instrument or, where appropriate, for a shorter period of time is fully discounted to the net present value of the related financial asset.

Borrowing instruments and financial assets classified as loans and receivables that are held to maturity and available for sale are calculated according to the effective interest method.

Available-for-sale financial assets

Certain equity securities and held-to-maturity securities held by the business are classified as available-for-sale financial assets and are valued at their fair value.

Financial instruments based on equity instruments that do not have a quoted market price in an active market and whose fair value can not be measured reliably are shown at cost subsequent to deducting accumulated impairment losses.

Impairment of financial assets

Financial assets at fair value through profit or loss, except for financial assets at fair value through profit or loss, are assessed for impairment whenever a financial asset or a group of financial assets is impaired at each balance sheet date. Impairment loss is recognized if there is objective evidence that the related financial asset or group of financial assets has been exposed to an impairment on estimated future cash flows that can be reliably estimated and that the financial asset has been impaired as a result of the first recognition of the financial asset the loss occurs.

An impairment loss for receivables is the difference between the present value of the estimated future cash flows, discounted at the financial asset's effective interest rate, and the carrying amount. For all financial assets except for trade receivables where the carrying amount is reduced through the use of a provision, the impairment is directly deducted from the carrying amount of the related financial asset. In the event that commercial receivables can not be collected, this amount shall be deducted from the provision account. Changes in the allowance account are accounted for in the statement of comprehensive income.

Impairment losses on available-for-sale financial assets followed at cost are recognized in the statement of comprehensive income and are not reversed.

The fair values of the foreign currency denominated balances denominated in foreign currencies are considered to approximate their carrying values.

The fair values of financial assets carried at cost, including cash and due from banks and bank deposits, are considered to approximate their carrying values due to their short-term nature and negligible credit losses.

Foreign currency denominated foreign currency denominated foreign currency denominated balances are reported in financial expense/income account. The amount of time deposit (restricted and unrestricted) is evaluated according to the effective interest method.

Fair values of marketable securities investments are estimated based on market prices at the balance sheet date.

Trade receivables are valued according to the effective interest method.

Financial Liabilities;

The Group's financial liabilities and equity instruments are classified according to the terms of the contractual arrangement and the definition of a financial liability and a tool based on equity. The contract representing the rights of the remaining assets of the Group after all debts are deducted is a financial instrument based on equity. The accounting policies applied for certain financial liabilities and equity instruments are given below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Other financial liabilities are initially recognized at fair value, net of transaction costs. Other financial liabilities are accounted for at amortized cost using effective interest method in the following periods together with interest expense calculated at effective interest rate.

Short-term and long-term bank loans are stated at amortized cost. Long-term loans denominated in foreign currencies are translated at period-end exchange rates and therefore their fair value approximates their carrying value.

In the event the Group is planning or preferring to refinance or rotate its financial liability within at least 12 months after the reporting period, this liability is classified as a long-term liability, even if the new payment program is short-termed. However, if the company does not choose or prefer to refinance or rotate its financial liabilities, a possibility of refinancing is not considered and the liability is reset in the short-term

Trade and financial liabilities are valued according to the effective interest method.

Impairment on Financial Instruments

At the end of each reporting period, it is assessed whether there is objective evidence that the financial assets or group of financial assets measured at amortized cost are impaired. If such a marker is found, the impairment of value is calculated. It may not be possible to identify a single and separate event that results in impairment, and it is sometimes possible to have more than one cause (Note 39-E).

Financial Risk Management

Collection Risk

Group's risk of collection is generally due to its trade receivables. Trade receivables are assessed in light of market conditions together with past experience in the management of the Group and provision for doubtful receivables is appropriately allocated. Provision is provided for doubtful receivables up to the reporting date (Note 39).

Exchange Rate Risk

Currency risk arises from the fact that the value of any financial instrument changes depending on the currency exchange rate. The foreign currency transactions arising from the Group's operations, investments and financial activities are disclosed in Note 39 as of the report date. Foreign currency risk occurs when the TL depreciates against foreign currencies (Note 39).

Liquidity Risk

Liquidity risk refers to the risk of encountering difficulty in obtaining funds to fulfill an operator's commitment to financial instruments. The Group manages liquidity risk by balancing the distribution of assets and liabilities (Note 39).

Effects of Currency Exhange

The Group's currency is expressed in Turkish Liras ("TL"). The Group is based on the related currencies effective at the transaction date when the Group first acquires foreign currency transactions (currencies other than the functional currency of the related entity) in functional currency. Monetary assets and

liabilities denominated in foreign currencies are measured at the rates prevailing at the balance sheet date and foreign exchange gains or losses are recognized in profit or loss in the related period. All monetary assets and liabilities are translated at period-end exchange rates and the related exchange differences are reflected in the profit or loss account. Non-monetary items that are denominated in foreign currencies and are measured at cost value are converted to functional currency at the dates of the initial transaction. Non-monetary items denominated in foreign currencies, which are measured at fair value, are translated into functional currency at the exchange rates prevailing at the time the fair value was determined.

Dividend

Dividend receivables are recognized as income in the period when they are declared. Dividend payables are reflected in the consolidated financial statements as a liability in the period when declared as an element of profit distribution.

Paid-in Capital

Ordinary shares are classified in equity. The costs associated with new share issues are reflected in equity on an after-tax proceeds basis.

Share Premiums

Share premiums represent the difference arising from sale of shares belonging to the Group, to its subsidiaries or its investments that are valued through equity method, at a price higher than their nominal value; or from the difference between the nominal and fair values of shares issued by the Group in respect of the companies it has acquired.

Subsequent Events

Subsequent events represent events that occur in favor or against the business between the date of the balance sheet date and the authorization date for the release of the consent. According to TAS 10, if there are new evidence that the related events exist as of the balance sheet date in accordance with the " Events After Reporting Period" or if such events arise after the balance sheet date and these events necessitate correction of the financial statements, as appropriate. If these events do not require the restatement of the financial statements, the Group discloses them in the relevant footnotes (Note 41).

Government Incentives and Grants

Government grants are recognized at fair value when there is a reasonable assurance that donations will be received and the Group meets the conditions for which it is obliged to comply. Government grants for costs and incentives are recognized as income consistently over the periods in which they match the costs they will meet.

Statement of Cash Flow

In terms of statement of cash flow, cash; cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments whose value is easily convertible into a certain amount of cash and whose value is not material to the risk of change. Cash equivalents are assets held for short term cash liabilities and are not used for investment purposes or other purposes. In order for an asset to be regarded as a cash equivalent, it is essential that the value can be transformed into a definite cash and the risk of change in value is insignificant. Accordingly, investments with a duration of 3 months or less are considered cash equivalent investments. Investments made in respect of securities representing equity are not considered cash equivalents unless they are essentially cash equivalents.

The Group prepares statement of cash flow to inform users of the ability to direct changes in the amount and timing of their changes in net assets, financial structure and cash flows according to changing circumstances.

In the statement of cash flow, the cash flows related to the turnover are reported in a form that is based on operations, investment and financing activities. Cash flows from operating activities represent cash flows arising from the entries in the Group's operating area. Cash flows from investing activities represent the cash flows from investment activities the Group uses in its investment activities (fixed investments and financial investments). Cash flows related to financing activities represent the resources used by the Group in its financing activities and repayments of those resources.

Segment Reporting

The Group management has organized the reportable segments of the Group as construction, marketing, media and other. The reportable segments of the Group are strategic business units that offer different products and services and the details are presented in Note 5.

Group Accounting

a) Consolidated financial statements are prepared by the parent company İhlas Holding A.Ş. and its subsidiaries. The financial statements of the companies included in the scope of consolidation have been prepared in accordance with TFRS, taking into account the uniform accounting principles and practices as of the date of the financial statements. The results of operations of subsidiaries and associates are included or excluded from the effective date of such transactions in accordance with the purchase or exemption procedures.

b) Subsidiaries are entitled to exercise more than 50% of the voting rights of the Group either directly or indirectly; or companies that have the power and power to control their financial and operating policies in the interests of the Group, using the actual control over their financial and operating policies, while not having the authority to exercise more than 50% of the voting rights.

The following table shows the subsidiaries included in consolidation and their effective ownership interest as of balance sheet date:

Consolidated Subsidiaries	Effective Rates %
İhlas Gazetecilik A.Ş. (*)	35.25
İhlas Ev Aletleri İmalat San. Tic. A.Ş. (*)	21.73
İhlas Pazarlama A.Ş.	98.32
İhlas Haber Ajansı A.Ş. (*)	46.10
İhlas Yayın Holding A.Ş. (*)	49.71
Kuzuluk Kapl. İnş. Tur. Sağ. Petr. Ür. Tic. A.Ş.	95.01
İhlas Net A.Ş.	92.99
İhlas Motor A.Ş.	91.29
TGRT Haber TV A.Ş. (*)	49.45
TGRT Dijital TV Hizmetleri A.Ş. (*)	49.53
Bisan Bisiklet Moped Oto. San. Tic. A.Ş.	96.53
Bisiklet Pazarlama ve Tic. A.Ş.	96.65
İletişim Magazin Gazt. Yayın San. ve Tic. A.Ş. (*)	49.18
İhlas Yapı Turizm ve Sağlık A.Ş.	94.10
Kıbrıs Bürosu	100.00
İhlas Medya Planlama ve Satınalma Hiz. Ltd.Şti.	50.67
İhlas Gelişim Yayıncılık A.Ş. (*)	48.72
Armutlu Tatil ve Turizm İşletmeleri A.Ş.	95.00
İhlas İnşaat Holding A.Ş.	95.00
İhlas İnşaat Proje Taahhüt Turizm ve Tic. A.Ş.	90.25
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	51.12
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş. (*)	21.73
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş. (*)	21.73
İhlas Pazarlama A.Ş. – İhlas Yapı Turizm ve Sağlık A.Ş. Adi Ortaklığı	98.11

(*) Although the total effective shareholding ratio is less than 50%, the Group has the power and power to control the financial and operating policies of such companies subject to full consolidation in their own interests. The Group's power to control and power comes from the preference of its preferred shares to select the qualified majority of the boards of management of these companies.

Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş. and KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş. companies, owned by İhlas Pazarlama A.Ş., the Group's subsidiary, sold to İhlas Ev Aletleri İmalat San. ve Tic. A.Ş. on June 17, 2016 based on independent valuation reports. While the ultimate ownership ratio of the Group on both companies was 98.32%, and 21.73%.

İhlas İletişim Hizmetleri A.Ş. merged with İhlas Net A.Ş. on February 16, 2016. The ultimate ownership ratio of the Group increased from 99,87% to 92,99% on İhlas Net A.Ş..

The financial statements and income statements of the subsidiaries are consolidated using the full consolidation method and the carrying value of the shares held by the parent Company and its subsidiaries is deducted from the equity.

The Group considers the purchase and sale transactions of the non-controlling interests and the shares of the partnerships that it controls as the use of the main partner expansion method. Accordingly, the difference between the cost of acquisition and the net asset value of the share acquired in partnership is accounted for under shareholders' equity in extraordinary share purchases and sales. In other words, if there is no loss of control despite changes in the ownership ratio of a subsidiary of a parent, the changes occurring are accounted for as equity transactions.

Transactions and balances between the parent company and its subsidiaries are eliminated on consolidation basis. The cost of financing the shares held by the parent and its subsidiaries in the subsidiary and the dividends pertaining to these shares are deducted from equity and income for the period, respectively.

If the Group is no longer in control of the subsidiary, the Group's share on the subsidiary is measured at the fair value at the date the control is lost and the difference with the carrying amount is recognized in profit or loss in the statement of comprehensive income.

Fair value is the initial purchase price for the subsequent accounting of the shares held in associates, jointly controlled entities and financial assets. In addition, amounts previously recognized as other comprehensive income for the entity are recognized as if the related asset or liability were removed from the Group.

As of the balance sheet date, the financial statements of the subsidiaries that do not have significant cash flow and which are not monetary due to the financial position and the results of operations for the period then ended are not enumerated either individually or collectively. These subsidiaries are classified as available-for-sale financial assets in accordance with TAS 39 and are accounted for in this consolidated financial statements.

c) In the event that the investee, directly or indirectly, holds 20% to 50% of the voting right of the investee and it is not clearly stated otherwise, it is considered to have a significant effect on the said transaction and the invested company is considered as an affiliate.

The equity method is applied when investments in associates are accounted for. According to the equity method, investment in associates is initially recorded at acquisition cost. After the acquisition date, the book value of the investment is increased or decreased to reflect the share of the investor's profit or loss of the invested company to the financial statement. The investor's share of profit or loss of the investee is accounted as profit or loss of the investor. In addition, the goodwill associated with the associate is included in the carrying amount of the investment in the associate.

Jointly controlled entities are companies that are subject to joint control of the Group and one or more enterprising partners and to which contractual economic activity is undertaken. The Group has used the equity method in consolidation of the joint venture. Jointly controlled entity in the equity method; In the Consolidated Consolidated Balance Sheets, the costs are included in the Group's post-acquisition changes to the net assets of the jointly controlled entity, and any impairment, if any, is deducted. The consolidated statement of comprehensive income reflects the share of the Group's joint venture in its operating results.

d) Financial investments in which the Group holds 20% or less voting rights are classified as available-for-sale financial assets under TAS 39 and are accounted for as a requirement of this standard; those fair values cannot be determined are evaluated with cost.

E. Significant Accounting Judgments, Estimations and Assumptions

The preparation of consolidated financial statements requires the use of estimates and assumptions that could affect the amounts of assets and liabilities reported at the balance sheet date, the disclosure of contingent assets and liabilities and the amounts of income and expenses reported during the period. Accounting assessments, estimates and assumptions are continuously assessed based on past experience, other factors and reasonable expectations of future events with respect to those circumstances. Although these estimates and assumptions are based on management's best knowledge of current events and transactions, actual results may differ from their assumptions.

Significant estimates and assumptions the Group uses to prepare its consolidated financial statements are stated in the following footnotes:

Note 2/D	Determination of fair values
Note 36/B	Deferred tax assets and liabilities
Note 21	Litigation and warranty provisions
Note 22	Provisions for employee benefits

Note 2/D,17,18,19	Investment property, property, plant, equipment, useful lives, valuation allowances/ impairment provisions
Note 7 and 39/E	Financial investment appreciation/impairment
Note 10 and 39/E	Trade receivables impairment provision
Note 13	Inventory impairment provision

At the balance sheet date, the sources of the assumptions and uncertainties regarding the future period that may cause significant adjustments to the assets and liabilities in the next reporting period are explained below.

(a) Estimation of goodwill impairment, The Company tests each year for impairment in the light of the accounting policy in Note 2.D to determine whether there is any impairment in value. The recoverable value of cash generating units is calculated on the basis of usage value. These calculations require the use of estimates (Note 19).

If the discount rate used in the calculation of value in use of the related cash-generating unit was 1% higher than the management's estimate, the Company would have to record an additional impairment provision amounting to TL 487,421 for the goodwill and the recorded value of honorary will decrease by TL 487,421.

(b) Income tax, Deferred tax is recognized in the income statement when it is probable that taxable income will be available in the future. Where it is probable that taxable profit will be realized, deferred tax asset is recognized in the income statement for all deductible temporary differences (Note 36).

(c) Provisions for changes in the useful lives and impairment, provision for impairment of doubtful receivables and litigation Provisions are made by the management during the determination of useful lives, determination of doubtful receivables (Note 10 and 39) and calculation of litigation reserves (Note 21) Predictions have been used.

If the doubtful receivables can not be collected, the impairment will be reflected in the financial statements for impairment and the amount recorded in trade receivables will be reduced by this amount. Detailed information is given in Note 39.E.

(d) Change in the fair value of investment property

In order to determine the fair value of the investment property, the Group evaluates an independent expert each year in accordance with the accounting policy in Note 2.D. These calculations require estimation.

The fair market value of investment property is determined based on the current market conditions. Detailed information is given in note 17.

(e) Retirement payments

The present value of the provision for employment termination benefits is determined on an actuarial basis using certain assumptions. These assumptions are used to determine the net retirement obligation (income) and include the discount rate. Any change in the underlying assumptions affects the recorded value of the pension liability.

The Group determines the appropriate discount rate at the end of each year. This rate is the percentage that should be used to calculate the present value of estimated future cash outflows required to meet pension obligations. When determining the appropriate discount rate, the Group considers high quality corporate bond rates in the same currency as the seniority obligation and in similar maturity periods.

Other factors that are significant for the termination liabilities are based on the current market conditions. Detailed information is given in Note 22.

(f) Determination of fair value

Information related to the determination of fair value of financial instruments is presented in Note 40.

The accounting and finance department of the Group has a valuation unit for valuation of investment properties and land and buildings, including Level 2 and Level 3 real values for financial reporting purpose. This unit directly reports to the accounting and finance director. Opinions and results on valuation processes are handled by the director and valuation unit in line with the Group's reporting dates.

The group annually appoints an external, independent and qualified specialist to determine the fair value of investment properties and land and buildings. The Group's non-financial assets measured at fair value at December 31, 2016 and December 31, 2015 are presented in Note 2.D.

It is expected that the effects of the past period will have a similar effect in the next period. In this respect, the footnotes affecting the assumptions included in the prior years' financial statements provide sufficient information and forecasts for future assessments.

Note 3 – Business Combinations

Current Period:

Indirectly owned by the Group, İhlas Ev Aletleri İmalat San. ve Tic. A.Ş., bought the shares of Şifa Yemek ve Gıda Üretim Tesisleri Ticaret A.Ş., owned by İhlas Pazarlama A.Ş., a subsidiary of the Group, with independent valuation report on June 17, 2016 for the total value of TL 18,347,233 according to the method of analysis. This merger was not carried out between the companies included in the consolidation and therefore no goodwill arises.

Indirectly owned by the Group, İhlas Ev Aletleri İmalat San. ve Tic. A.Ş., bought the shares of KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş., owned by İhlas Pazarlama A.Ş., a subsidiary of the Group, with independent valuation report on June 17, 2016 for the total value of TL 5,294,509 according to the method of analysis. This merger was not carried out between the companies included in the consolidation and therefore no goodwill arises.

Subsidiaries of the Group, İhlas İletişim Hizmetleri A.Ş. and İhlas Net A.Ş. were merged entirely with all of their assets and liabilities on December 22, 2015, pursuant to articles 155 and 158 of the TCC No. 6102 and articles 19 and 20 of CTL No. 5520. No goodwill was derived since the aforementioned merger was completed between companies included in the consolidation.

Prior Period:

Subsidiaries of the Group, İhlas Pazarlama Yatırım Holding A.Ş. and İhlas Pazarlama A.Ş. were merged entirely with all of their assets and liabilities on December 22, 2015, pursuant to articles 155 and 158 of the TCC No. 6102 and articles 19 and 20 of CTL No. 5520. No goodwill was derived since the aforementioned merger was completed between companies included in the consolidation.

Note 4 – Shares in Other Businesses

Details of the associates, which the Group shows as interests in other entities are accounted for by the equity method, are disclosed in Note 16 and 27.

Note 5 – Segment Reporting

a) Department-based reporting is as follows;

January 1 – December 31, 2016 period;

	Construction	Media	Marketing	Other (*)	Group
Revenue	697,687,045	144,480,960	109,000,725	130,906,776	1,082,075,506
Cost of sales (-)	(548,095,939)	(131,137,058)	(73,053,945)	(102,608,514)	(854,895,456)
Gross Profit/Loss	**149,591,106**	**13,343,902**	**35,946,780**	**28,298,262**	**227,180,050**
Operating Expenses	(17,111,991)	(40,977,652)	(31,923,225)	(49,589,047)	(139,601,915)
Other Income from Operating Activities	6,810,452	38,496,372	60,829,550	23,087,560	129,223,934
Other Expenses from Operating Activities (-)	(4,708,380)	(17,605,082)	(35,468,940)	2,230,320	(55,552,082)
Profit/Loss from Operating Activities	**134,581,187**	**(6,742,460)**	**29,384,165**	**4,027,095**	**161,249,987**
Investment Activity Income/Expense (net)	36,290	2,759,725	(5,465,256)	1,671,952	(997,289)
Share of Profit/Loss from Investments Accounted for Using Equity Method	-	-	-	(98,505)	(98,505)
Profit/Loss before Financing Expense	**134,617,477**	**(3,982,735)**	**23,918,909**	**5,600,542**	**160,154,193**
Finance Income/Expense (net)	2,121,073	(1,820,932)	(46,892,357)	(28,251,625)	(74,843,841)
Profit/Loss from Continuing Operations, before tax	**136,738,550**	**(5,803,667)**	**(22,973,448)**	**(22,651,083)**	**85,310,352**
Tax Income/Expense (net)	(23,490,750)	(3,238,250)	2,012,109	(55,299)	(24,772,190)
Total Assets	**1,080,335,620**	**282,580,552**	**536,761,221**	**585,698,685**	**2,485,376,078**
Total Liabilities	**947,795,831**	**102,685,039**	**231,026,502**	**415,407,470**	**1,696,914,842**

(*) In the current period, revenue of TL 130, 906,776 was reported as other. The revenues were generated from these operations: TL 57,354,070 from health (hospital, etc.); TL 35,049,112 from education; TL 24,041,227 from tourism and hotel business; TL 3,023,567 from catering; TL 7,861,523 logistics; TL 1,689,038 from sales of vehicles with or without engines; TL 407,976 from IT services and the remaining balance of TL 1,480,264 was from other operations.

January 1 – December 31, 2015 period;

	Marketing	Media	Construction	Other (*)	Group
Revenue	145,522,746	141,970,045	379,579	121,600,970	409,473,340
Cost of sales (-)	(130,795,807)	(114,240,043)	(253,487)	(57,540,382)	(302,829,719)
Gross Profit/Loss	**14,726,939**	**27,730,002**	**126,092**	**64,060,588**	**106,643,621**
Operating Expenses	(32,407,404)	(88,074,510)	(12,146,431)	(80,546,560)	(213,174,905)
Other Income from Operating Activities	23,436,422	32,027,232	15,662,734	59,750,143	130,876,531
Other Expenses from Operating Activities (-)	(25,381,585)	(35,165,319)	(1,193,748)	(9,814,520)	(71,555,172)
Profit/Loss from Operating Activities	**(19,625,628)**	**(63,482,595)**	**2,448,647**	**33,449,651**	**(47,209,925)**
Investment Activity Income/Expense (net)	(7,570,938)	8,007,131	49,590	24,874,492	25,360,275
Share of Profit/Loss from Investments Accounted for Using Equity Method	-	-	-	305,071	305,071
Profit/Loss before Financing Expense	**(27,196,566)**	**(55,475,464)**	**2,498,237**	**58,629,214**	**(21,544,579)**
Finance Income/Expense (net)	(2,778,549)	(53,509,480)	2,680,949	(17,854,220)	(71,461,300)
Profit/Loss from Continuing Operations, before tax	**(29,975,115)**	**(108,984,944)**	**5,179,186**	**40,774,994**	**(93,005,879)**
Tax Income/Expense (net)	9,646,148	(2,367,114)	(3,264,989)	2,930,942	6,944,987
Total Assets	**399,039,402**	**728,007,561**	**1,327,122,567**	**351,764,253**	**2,805,933,783**
Total Liabilities	**97,188,492**	**239,621,269**	**1,296,085,085**	**432,296,219**	**2,065,191,065**

(*) In the prior period, revenue of TL 121,600,970 was reported as other. The revenues were generated from these operations: TL 51,495,476 from health (hospital, etc.); TL 29,509,063 from education; TL 22,323,178 from tourism and hotel business; TL 1,845,656 from catering; TL 8,351,054 logistics; TL 3,361,807 from sales of vehicles with or without engines; TL 550,443from IT services and the remaining balance of TL 4,164,292 was from other operations.

Depreciation and amortization expenses of the Group for the marketing activities of TL 1,890,357 (previous period: TL 2,209,334), for construction activities of TL 669,203 (previous period: TL 699,314), for media operations of TL 5,717,082 (previous period: TL 3,560,295) and TL 4,055,846 (previous period: TL 4,931,048) in other operating segments.

b) Segment reporting based on geographical areas

Since the Group mainly carries out its activities in Turkey, there is no report on the basis of geographical regions.

Note 6 – Cash and Cash Equivalents

	December 31, 2016	December 31, 2015
Cash	1,132,785	1,596,178
Banks	21,490,615	21,855,920
Current deposits	*9,549,397*	*13,014,651*
Non-restricted term deposits with a maturity of less than 3 months	*231,658*	-
Restricted term deposits with maturities of less than 3 months	*11,709,560*	*8,841,269*
Financial assets (liquid funds and repo)	-	1,820,106
Other cash equivalents	1,579,569	2,403,851
Total	**24,202,969**	**27,676,055**

Interest rate for restricted term deposits in TL: 8%-10% (December 31, 2015: 8% - 9%).

Note 7 – Financial Investments

	December 31, 2016	December 31, 2015
Financial assets at fair value through profit or loss	-	4,171,871
Private Sector Bonds and Securities	-	*2,599,998*
Rent Certificates	-	*1,571,873*
Total of Short-Term Financial Investments	**-**	**4,171,871**

Curent Period

Financial Assets Available for Sale	Effective Rate %	Participation Amount	Committed Capital	Provisions	Net Value
İhlas Dış Ticaret A.Ş. (İhlas Dış Ticaret)	88.49	1,800,000	-	(1,800,000)	-
İhlas Finans Kurumu A.Ş. in Liquidation (İFK)	55.23	5,537,061	-	(5,537,061)	-
Detes Enerji Üretim A.Ş. (Detes Enerji) (*)	21.70	6,490,000	(414,122)	(6,075,878)	-
Mir Maden İşletmeciliği Enerji ve Kimya San. Ltd. Şti. (Mir Maden)	16.96	2,515,000	-	(1,600,694)	914,306
Doğu Yatırım Holding A.Ş.	1.43	12,500	-	(12,500)	-
Swiss PB AG	0.43	726,365	-	(726,365)	-
İhlas Holding A.Ş. - Belbeton Beton Elemanları San. Ür. ve Tic. A.Ş. - Ulubol İnşaat Harfiyat Gıda Tur. San. ve Tic. Ltd. Şti. Ordinary Partnership (Ordinary Partnership)	1.00	1,000	(1,000)	-	-
TOTAL		**17,081,926**	**(415,122)**	**(15,752,498)**	**914,306**

Prior Period

Financial Assets Available for Sale	Effective Rate %	Participation Amount	Committed Capital	Provisions	Net Value
İhlas Dış Ticaret A.Ş. (İhlas Dış Ticaret)	88.49	1,800,000	-	(1,800,000)	-
İhlas Finans Kurumu A.Ş. in Liquidation (İFK)	55.23	5,537,061	-	(5,537,061)	-
Detes Enerji Üretim A.Ş. (Detes Enerji) (*)	21.70	6,490,000	(414,122)	(6,075,878)	-
Mir Maden İşletmeciliği Enerji ve Kimya San. Ltd. Şti. (Mir Maden)	16.96	2,515,000	-	-	2,515,000
Doğu Yatırım Holding A.Ş.	1.43	12,500	-	(12,500)	-
Swiss PB AG	0.43	726,365	-	-	726,365
İhlas Holding A.Ş. - Belbeton Beton Elemanları San. Ür. ve Tic. A.Ş. - Ulubol İnşaat Harfiyat Gıda Tur. San. ve Tic. Ltd. Şti. Ordinary Partnership (Ordinary Partnership)	1.00	1,000	(1,000)	-	-
TOTAL		**17,081,926**	**(415,122)**	**(13,425,439)**	**3,241,365**

(*) The Group has the authority and power to control financial and business policies of those non-consolidated companies in line with its interests, even when it has less than 50 percent of effective shares. The Group's authority

and power to control arises from the fact that the preferred shares it owns gives it the right to select the qualified majority of the Board of directors of these companies.

Reasons for not including those companies which have relations with the Parent Company and the subsidiaries in terms of capital, management and auditing, and the shares held by the Parent Company in the participation to the consolidation:

- İhlas Finans Kurumu A.Ş. is in the process of liquidation. The Group has allocated a provision for the entirety of its participation value; in other words, the financial statements of the aforementioned subsidiary no longer have financial importance according to the consolidated financial statements, and the company was therefore not included in the consolidation. The Group has no responsibility towards the aforementioned subsidiary other than the capital it has contributed. According to Article 480 of Turkish Commercial Code, the only shareholder obligation can be the capital contribution undertaken by the respective shareholder to the company, and this obligation is limited to the amount of capital that each shareholder has undertaken to contribute; additionally, this obligation ends with the contribution of the capital to the subsidiary.
- İhlas Dış Ticaret A.Ş. and Detes Enerji Üretim A.Ş. do not have financial importance according to the consolidated financial statements, and do not provide cash flow at a considerable level. Therefore, they were not included in the consolidation. The Group has no responsibility towards the aforementioned subsidiary other than the capital it has contributed.

The subsidiaries not included in the consolidation were recorded in the consolidated financial statements after the reduction, if any, of the provisions for impairment.

Information on financial statements of not consolidated subsidiaries and not consolidated associates from available for sale financial assets are as follows;

December 31, 2016	**İhlas Dış Ticaret**	**Detes Enerji**
Current Assets	608,922	6,027,194
Non-Current Assets	1,072,636	-
Current Liabilities	2,637,911	31,802
Long-Term Liabilities	-	-
Equity	(956,353)	5,995,392
Revenue	-	-
Net Profit/Loss	(152,878)	(7,440)

December 31, 2015	**İhlas Dış Ticaret**	**Detes Enerji**
Current Assets	588,342	6,022,967
Non-Current Assets	235,636	-
Current Liabilities	1,627,453	20,135
Long-Term Liabilities	-	-
Equity	(803,475)	6,002,832
Revenue	-	-
Net Profit/Loss	(164,660)	(8,082)

İhlas Finans Kurumu A.Ş. in Liquidation	**December 31, 2016**	**December 31, 2015**
Cash and cash equivalents	5,288	10,826
Banks	4,690	69,629
Investments in Liquidation	695,275,652	583,503,712
Loan Reserves	(64,135,129)	(55,266,381)
Various Receivables	19,861	16,409
Fixed Assets	34,686	34,686
Other Assets	7,166,270	7,388,573
Funds Collected	603,131,024	504,904,786
Taxes Payable and Legal Liabilities	264,446	308,837
Various Liabilities	29,652,686	25,291,512
Other Liabilities	12,517	5,174
Provisions	154,982	119,946
Equities	5,155,664	5,127,199
Total Income	1,983,057	883,947
Total Expenses	1,954,593	845,124
Net Profit/(Loss) for the Period	28,464	38,822

Note 8 – Financial Borrowings

	December 31, 2016	**December 31, 2016**
Bank Loans	127,978,242	109,280,638
Finance leasing payables	41,653	338,600
Short-Term Financial Borrowings	**128,019,895**	**109,619,238**
Bank Loans	51,899,960	48,233,590
Finance leasing payables	2,414,160	2,014,457
Short-Term Portion of Long-Term Financial Borrowings	**54,314,120**	**50,248,047**
Bank Loans	83,392,183	117,536,733
Finance leasing payables	8,024,739	9,271,811
Long-Term Financial Borrowings	**91,416,922**	**126,808,544**

Bank Loans Details:

December 31, 2016					
	Currency	**Interest Rates (%)**		**Maturity**	**TL Amount**
		Minimum	**Maximum**		
Short-Term Bank Loans	Revolving Loans	Maturities and range of interest rate vary.			29,456,583
	TL		Overdue loans		1,003,653
	USD		Overdue loans		108,186
	TL	14.20%	18.75%	Up to 3 months	7,904,393
	USD	7.25%	7.25%	Up to 3 months	26,883,279
	EUR	7.50%	14.00%	Up to 3 months	23,587,732
	TL	14.20%	18.50%	3 to 12 months	19,093,703
	EUR	10.00%	14.00%	3 to 12 months	19,940,713
					127,978,242
Long-Term Bank Loans	TL	13.00%	16.80%	1 to 5 years	59,208,185
	USD	6.00%	6.60%	1 to 5 years	24,183,998
					83,392,183
Short-Term Portion of Long-Term Bank Loans	TL	13.00%	16.80%	Up to 3 months	13,562,398
	USD	6.00%	6.60%	Up to 3 months	2,627,107
	TL	13.00%	16.80%	3 to 12 months	28,585,290
	USD	6.00%	6.60%	3 to 12 months	7,125,165
					51,899,960

December 31, 2015					
	Currency	**Interest Rates (%)**		**Maturity**	**TL Amount**
		Minimum	**Maximum**		
Short-Term Bank Loans	Revolving Loans	Maturities and range of interest rate vary.			33,017,437
	TL		Overdue loans		2,353,835
	USD		Overdue loans		984,587
	EUR		Overdue loans		381,310
	TL	4.40%	16.40%	Up to 3 months	4,057,082
	USD	7.00%	7.00%	Up to 3 months	19,304,360
	EUR	4.68%	4.68%	Up to 3 months	30,357,120
	TL	10.10%	16.40%	3 to 12 months	4,198,154
	EUR	14.00%	14.00%	3 to 12 months	14,626,753
					109,280,638
Long-Term Bank Loans	TL	13.00%	16.80%	1 to 5 years	92,690,957
	USD	6.12%	6.20%	1 to 5 years	24,845,776
					117,536,733
Short-Term Portion of Long-Term Bank Loans	TL	15.00%	16.80%	Up to 3 months	8,345,164
	USD	6.12%	6.20%	Up to 3 months	1,725,841
	TL	13.00%	16.80%	3 to 12 months	32,424,571
	USD	6.20%	6.20%	3 to 12 months	5,738,014
					48,233,590

Payback plan analysis of long-term bank loans as of December 31, 2016 and 2015 are as follows:

Years	**December 31, 2016**	**December 31, 2015**
2017	-	56,300,657
2018	41,035,430	27,033,351
2019	34,380,223	27,315,463
2020	6,242,482	5,702,121
2021	1,734,048	1,185,141
Total	**83,392,183**	**117,536,733**

Finance Leasing Details:

	Currency	Maturity	December 31, 2016 TL Amount	December 31, 2015 TL Amount
Short-Term Finance Leasing Payables	TL	Up to 3 months	-	183,019
	USD	Up to 3 months	-	493
	EUR	Up to 3 months	41,653	155,088
			41,653	**338,600**
Long-Term Finance Leasing Payables	TL	1 to 5 years	6,498,742	8,160,259
	EUR	1 to 5 years	1,525,997	1,111,552
			8,024,739	**9,271,811**
Short-Term Portion of Long-Term Finance Leasing Payables	TL	Up to 3 months	373,088	256,132
	EUR	Up to 3 months	64,623	247,199
	TL	3 to 12 months	1,397,492	740,212
	EUR	3 to 12 months	578,953	770,914
			2,414,156	**2,014,457**

Lease transactions are reported with the present value of less than the fair value of the minimum lease payments and the fair values (purchase prices-principal payments) in the calculations made are lower than the present value of the minimum lease payments. At the balance sheet dates, financial leases are reported at their fair values.

Note 9 – Other Financial Liabilities

December 31, 2016: None (December 31, 2015: None).

Note 10 – Trade Receivables and Payables

	December 31, 2016	December 31, 2015
Trade receivables from related parties (*)	1,955,033	3,546,717
Trade receivables from non-related parties		
- Trade receivables	*168,352,613*	*216,679,622*
- Notes receivables	*774,262,560*	*824,330,338*
- Doubtful receivables	*367,908,729*	*370,574,391*
- Rediscount of trade receivables (-)	*(166,690,702)*	*(171,596,602)*
- Provision for doubtful receivables (-)	*(336,473,396)*	*(338,025,055)*
Total Trade Receivables (Short-Term)	**809,314,837**	**905,509,411**
Notes receivables	97,299,803	40,772,508
Rediscount of trade receivables (-)	(19,940,066)	(10,266,687)
Total Trade Receivables (Long-Term)	**77,359,737**	**30,505,821**

(*) Details provided in Note 38.

Note 39-E explains in detail the aging analysis and any provisions reserved for overdue assets, for which the impairment provision was or was not recognized.

Maturity analysis of trade receivables (net), which were not overdue as of December 31, 2016, and December 31, 2015, are presented in Note 39-E

The statements related to the provisions for doubtful trade receivables:

	December 31, 2016	December 31, 2015
Beginning of the period	(340,780,771)	(277,586,822)
Reversals of provisions during the period	33,783,195	50,758,900
Provisions during the period	(31,087,381)	(113,952,849)
End of the period	**(338,084,957)**	**(340,780,771)**

	December 31, 2016	December 31, 2015
Trade payables to related parties (*)	4,104,891	6,629,275
Trade payables to non-related parties		
- Trade Payables	*85,931,920*	*156,840,366*
- Notes payables	*106,838,439*	*88,606,358*
- Rediscount of trade payables (-)	*(17,889,284)*	*(13,732,911)*
Total Trade Payables (Short-term)	**178,985,966**	**238,343,088**

(*) Details provided in Note 38.

Note 11 – Other Receivables and Payables

	December 31, 2016	December 31, 2015
Other Receivables from Related Parties (*)	-	-
Other Receivables from Non-Related Parties		
- Receivables from state agencies	*139,714*	*96,526*
- Deposits and guarantees given	*729,059*	*1,143,518*
- Personnel receivables	*851,015*	*497,380*
- Other various receivables	*250,416*	*1,541,903*
Other Receivables (Short-Term)	**1,970,204**	**3,279,327**
Deposits and guarantees given	1,534,771	1,160,185
Other Receivables (Long-Term)	**1,534,771**	**1,160,185**

	December 31, 2016	December 31, 2015
Other Payables to Related Parties (*)	250,000	405,000
Other Payables to Non-Related Parties		
- Deposits and guarantees received	*2,564,693*	*7,268,250*
- Other various payables	*620,960*	*695,350*
Other Payables (Short-Term)	**3,435,653**	**8,368,600**
Deposits and guarantees received	30,594	40,594
Other Payables (Long-Term)	**30,594**	**40,594**

(*) Details provided in Note 38.

Note 12 – Receivables From and Payables to Financial Sector Operations

December 31, 2016: None (December 31, 2015: None).

Note 13 – Inventories

	December 31, 2016	December 31, 2015
Raw Materials and Supplies	67,570,112	59,307,580
Work in Progress	544,598,905	932,699,402
Ongoing Constructions (Kristalşehir Projesi) (Note 42-a)	*421,337,232*	*380,600,378*
Ongoing Constructions (Bizimevler-6)	-	*370,994,937*
Ongoing Constructions (Bizimevler-7) (Note 42-a)	*76,783,553*	*75,192,623*
Ongoing Constructions (Bizimevler-6 Metro)	-	*94,923,562*
Ongoing Constructions (GOP Project) (Note 42-a)	*10,644,367*	*9,018,120*
Ongoing Constructions (Armutlu Holiday Village 2. Stage) (Note 42-a)	*30,969,257*	-
Ongoing Constructions (Bizimevler -Güzelce) (Note 42-a)	*3,157,147*	-
Other Ongoing Constructions	*1,098,336*	*1,111,027*
Other Work in Progress (Non-Construction)	*609,013*	*858,755*
Finished Goods	170,298,544	7,494,017
Construction Inventory (Bizimevler-6)	*85,502,973*	-
Construction Inventory (Bizimevler-6 Metro)	*80,690,797*	-
Construction Inventory (Yalova-Çiftlikköy)	*95,189*	*514,372*
Construction Inventory (Others)	*1,356,382*	*1,472,676*
Other Finished Goods (Non-Construction)	*2,653,203*	*5,506,969*
Merchandise	27,852,978	14,760,767
Goods in Transit (*)	5,827,473	7,446,683
Other Inventories	567,477	563,101
Provision for impairment (-)	(14,176,705)	(14,224,372)
TOTAL	**802,538,784**	**1,008,047,178**

(*) Goods in transit are invoiced to the Group by foreign vendors as of the balance sheet date but are composed of goods that have not yet been withdrawn from customs by the Group.

Inventories related impairment losses/impairment reversals are associated with the cost of sales.

Movement of provision for impairment on inventories is as follows:

	December 31, 2016	December 31, 2015
Beginning of the period	(14,224,372)	(15,565,189)
Provisions for impairment in the current period	(1,315,934)	(1,163,524)
Reversals of provisions in the current period	1,363,601	2,504,341
End of the period	**(14,176,705)**	**(14,224,372)**

Note 14 – Biological Assets

December 31, 2016: None (December 31, 2015: None).

Note 15 – Derivatives

December 31, 2016: None (December 31, 2015: None).

Note 16 – Investments in Equity Instruments

Consolidated Associates (Equity method)	**December 31, 2016**		**December 31, 2016**	
	Effective Rate %	**Total**	**Effective Rate %**	**Total**
İhlas Madencilik A.Ş.	13.23	14,073,825	13.23	14,220,693

	January 1 – December 31, 2016	January 1 – December 31, 2015
Increase/(decrease) in value of associates	(98,505)	305,071

Summary financial statement information for İhlas Madencilik A.Ş as of 2016 and 2015;

	December 31, 2016	December 31, 2016
Current Assets	21,329,822	20,103,406
Non-Current Assets	37,538,637	38,689,631
Current Liabilities	3,145,957	2,482,381
Long-Term Liabilities	1,061,046	778,299
Net Assets	54,661,456	55,532,357
Revenue	3,460,665	962,740
Profit/Loss from Continuing Operations, before tax	(579,760)	(609,382)
Other Comprehensive Income/Loss	(187,841)	380,646
Total Other Comprehensive Income/Loss	(870,900)	(406)

Ihlas Madencilik A.Ş. was assessed as a single cash-generating unit and subjected to impairment test; for this purpose, the stock exchange quote is taken into consideration in calculating the recoverable amount of the investment. As a result of the impairment test, no impairment was recognized for the investment as of December 31, 2016

Note 17 – Investment Properties

January 1 – December 31, 2016 period

	Balance at January 1, 2016	Additions	Disposals	Transfers (*)	Revaluation Gain / Loss	Balance at December 31, 2016
Investment Properties						
Land	161,888,804	1,484,608	(13,481,368)	(22,782,071)	15,061,414	142,171,387
Buildings	71,563,715	889,738	(1,163,108)	(4,502,134)	2,865,215	69,653,426
Total	**233,452,519**	**2,374,346**	**(14,644,476)**	**(27,284,205)**	**17,926,629**	**211,824,813**

(*) Transfers between investment property, and property, plant, equipment and inventories.

January 1 – December 31, 2015 period

	Balance at January 1, 2015	Additions	Disposals	Transfers	Revaluation Gain / Loss	Balance at December 31, 2015
Investment Properties						
Land	138,922,194	979,236	(3,569,358)	12,475	25,544,257	161,888,804
Buildings	77,725,111	-	(1,367,500)	-	(4,793,896)	71,563,715
Total	**216,647,305**	**979,236**	**(4,936,858)**	**12,475**	**20,750,361**	**233,452,519**

There are mortgages totaling TL 494,429,496, USD 26,515,000 and EUR 16,369,738 on the property held by the Group on the basis of property, plant and equipment and investment properties (2015: TL 524,622,150, USD 26,515,000 and EUR 18,169,378). Some of these mortgages are jointly issued and relate to both real estate and investment property shown in the calculation of property, plant and equipment. For this reason, the mortgage information on real estates has not been given separately for property, plant and equipment and investment properties, and is presented in this footnote collectively.

Financial expenses regarding investment properties are recognized in the related income statement and are not capitalized.

Note 18 – Property, Plant and Equipment

January 1 – December 31, 2016 period

	Balance at January 1, 2016	Additions	Transfers	Revaluation Gain / Loss	Disposals	Balance at December 31, 2016
Cost						
Land and land improvements	187,088,847	184,975	(2,512,903)	(3,400,060)	(2,519,339)	178,841,520
Buildings	44,471,042	6,500,000	682,917	1,014,148	(10,085,642)	42,582,465
Machinery and equipment	177,561,098	2,859,269	-	(533,535)	(20,336,759)	159,550,073
Furniture, fixtures and vehicles	140,974,072	3,106,685	-	-	(1,842,754)	142,238,003
Constructions in progress	1,404,277	35,206	-	-	(15,582)	1,423,901
Other PP&E	2,470,229	600,500	-	-	(600,500)	2,470,229
Total	**553,969,565**	**13,286,635**	**(1,829,986)**	**(2,919,447)**	**(35,400,576)**	**527,106,191**
Less: Accumulated depreciation						
Land improvements	(51,554)	(9,184)	-	-	-	(60,738)
Buildings	(5,015,997)	(780,313)	1,273,038	(435,776)	953,062	(4,005,986)
Machinery and equipment	(157,090,442)	(5,525,600)	-	238,612	20,293,712	(142,083,718)
Furniture, fixtures and vehicles	(128,895,654)	(4,149,125)	-	-	1,724,980	(131,319,799)
Other PP&E	(2,295,230)	(213,171)	-	-	525,500	(1,982,901)
Total	**(293,348,877)**	**(10,677,393)**	**1,273,038**	**(197,164)**	**23,497,254**	**(279,453,142)**
Property, Plant and Equipment, net	**260,620,688**					**247,653,049**

January 1 – December 31, 2015 period

	Balance at January 1, 2015	Additions	Transfers	Revaluation Gain / Loss	Disposals	Balance at December 31, 2015
Cost						
Land and land improvements	122,705,302	13,419,092	(12,475)	51,171,842	(194,914)	187,088,847
Buildings	66,756,273	808,181	-	(21,775,991)	(1,317,421)	44,471,042
Machinery and equipment	180,016,209	2,914,545	-	-	(5,369,656)	177,561,098
Furniture, fixtures and vehicles	141,737,223	1,942,682	-	-	(2,705,833)	140,974,072
Constructions in progress	1,404,277	-	-	-	-	1,404,277
Other PP&E	2,270,229	200,000	-	-	-	2,470,229
Total	**514,889,513**	**19,284,500**	**(12,475)**	**29,395,851**	**(9,587,824)**	**553,969,565**
Less: Accumulated depreciation						
Land improvements	(42,371)	(9,183)	-	-	-	(51,554)
Buildings	(1,038,194)	(3,824,491)	-	(262,875)	109,563	(5,015,997)
Machinery and equipment	(155,424,827)	(5,964,099)	-	-	4,298,484	(157,090,442)
Furniture, fixtures and vehicles	(126,009,128)	(5,352,034)	-	-	2,465,508	(128,895,654)
Other PP&E	(2,182,230)	(113,000)	-	-	-	(2,295,230)
Total	**(284,696,750)**	**(15,262,807)**	**-**	**(262,875)**	**6,873,555**	**(293,348,877)**
Property, Plant and Equipment, net	**230,192,763**					**260,620,688**

The Group has leased some of its production equipment with financial lease agreements. All leases are based on legal lease agreements. The machinery and equipments of the Group obtained through financial leasing are as follows:

	Balance at January 1, 2016	Additions	Revaluation Gain / Loss	Disposals	Balance at December 31, 2016
Cost	15,374,842	1,085,360	(255,260)	-	16,204,942
Accumulated depreciation	(7,904,683)	(1,692,716)	114,367	-	(9,483,032)
Net Value	**7,470,159**				**6,721,910**

	Balance at January 1, 2015	Additions	Disposals	Balance at December 31, 2015
Cost	15,374,842	-	-	15,374,842
Accumulated depreciation	(4,085,164)	(3,819,519)	-	(7,904,683)
Net Value	**11,289,678**			**7,470159**

Since property, plant and equipment are not within the scope of the special asset defined in TAS 23 "Borrowing Costs" standard, finance expenses related to property, plant and equipment are related to the income statement.

The Group's mortgages on the properties are presented in Note 17. For this reason, mortgage information on real estates has not been given separately for property, plant and equipment and investment properties.

Note 19 – Intangible Assets

a) Goodwill:

As of 31 December 2016 and 31 December 2015, the movement table of the goodwill is as follows:

	December 31, 2016	December 31, 2016
Beginning of the period	19,838,211	19,838,211
Provision for impairment during the period	(5,395,572)	-
End of period	**14,442,639**	**19,838,211**

The Group compared the goodwill amounts accounted in the consolidated financial statements in the impairment studies with values of use of the relevant cash generating units, as of December 31, 2016 and December 31, 2015. No impairment emerged as a result of these transactions in the current period.

The following assumptions were used in calculation of the goodwill impairment:

- Weighted Average Capital Cost calculated as 15-16 percent as the discount rate of the usage value within the scope of the Financial Assets Pricing System.
- Projections include year 2021 with the calculated growth rates of 5%-10%
- Inflation rate estimations for the two years following the current reporting period were based on the expectations of the Central Bank of Republic of Turkey.
- Sales income in the projected period was calculated based on the course of the industries in which companies with calculated goodwill are included.

Goodwill carried onto the consolidated financial statements is derived from the acquisition of the companies below:

	December 31, 2016	December 31, 2015
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	9,692,733	9,692,733
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	4,749,906	10,145,478
Total Goodwill	**14,442,639**	**19,838,211**

b) Other Intangible Assets:

January 1 – December 31, 2016 period

	Balance at January 1, 2016	Additions	Disposals	Balance at December 31, 2016
Cost				
Rights	113,488,785	249,896	(4,889)	113,733,792
Other Intangible Assets	36,121,292	1,819,236	(83,855)	37,856,673
Total	**149,610,077**	**2,069,132**	**(88,744)**	**151,590,465**
Less: Accumulated amortization				
Rights	(111,029,607)	(407,614)	4,889	(111,432,332)
Other Intangible Assets	(33,560,563)	(1,247,483)	83,855	(34,724,191)
Total	**(144,590,170)**	**(1,655,097)**	**88,744**	**(146,156,523)**
Other Intangible Assets, net	**5,019,907**			**5,433,942**

January 1 – December 31, 2015 period

	Balance at January 1, 2015	Additions	Disposals	Balance at December 31, 2016
Cost				
Rights	113,411,770	77,015	-	113,488,785
Other Intangible Assets	35,474,477	748,326	(101,511)	36,121,292
Total	**148,886,247**	**825,341**	**(101,511)**	**149,610,077**
Less: Accumulated amortization				
Rights	(110,625,987)	(403,620)	-	(111,029,607)
Other Intangible Assets	(32,283,651)	(1,327,584)	50,672	(33,560,563)
Total	**(142,909,638)**	**(1,731,204)**	**50,672**	**(144,590,170)**
Other Intangible Assets, net	**5,976,609**			**5,019,907**

There are no pledges, restrictions or mortgages on the intangible assets of the Group (December 31, 2015: None).

Note 20 – Government Benefits and Grants

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş., a Group company, has been included in the account of restricted reserves for profit of TL 698,347 related to the cleaning robot developed by the Company in the account of share capital (Note 27). In the current period, the R&D discount for corporate tax is TL 301.057 (previous term: TL 2.543.605).

Note 21 – Provisions, Contingent Assets and Liabilities

Provisions

	December 31, 2016	December 31, 2015
Provision for litigation	11,148,646	7,827,590
Special damages provision	54,700	837,200
Other provisions	-	364,671
Other Short-Term Provisions	**11,203,346**	**9,029,461**
Warranty provisions	366,768	493,524
Provision for litigation	853,927	559,240
Other Long-Term Provisions	**1,220,695**	**1,052,764**

Commitments, letter of guarantees, pledges and mortgages given by the Group:

The following tables show the Group's letters of guarantees, pledges and mortgages (GPM) position as of December 31, 2016 and December 31, 2015:

Total GPM given by the Company (TL Equivalents) (December 31, 2016)	USD	EUR	TL	TOTAL (TL Equivalents)
A. Total amount of GPMs given in the name of its own legal personality	6,865,000	17,337,129	308,393,919	396,872,242
B. i. Total amount of GPMs given to subsidiaries and associates in the consolidation by the parent company	10,951,060	21,382,452	270,198,127	388,063,856
B. ii. Total amount of GPMs given to subsidiaries and associates in the consolidation in their own favor and to each other	77,500	490,196	52,396,973	54,488,289
B. iii. Total amount of GPMs given to the parent company by subsidiaries and associates in the consolidation	21,558,574	4,939,483	249,022,390	343,216,312
C. Total amount of GPMs given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other GPMs given	-	-	83,290	83,290
i. Total amount of GPMs given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of GPMs given to on behalf of other group companies which are not in scope of B and C.	-	-	83,290	83,290
iii. Total amount of GPMs given on behalf of third parties which are not in scope of C	-	-	-	-
Total	**39,452,134**	**44,149,260**	**880,094,699**	**1,182,723,989**
The Group's Total Equity				**788,461,236**
The Group's Other Total GPM to its Total Equity				**0,01 %**

Total GPM given by the Company (TL Equivalents) (December 31, 2015)	USD	EUR	TL	TOTAL (TL Equivalents)
A. Total amount of GPMs given in the name of its own legal personality	6,865,000	17,337,129	323,428,714	398,479,850
B. i. Total amount of GPMs given to subsidiaries and associates in the consolidation by the parent company	12,022,951	21,572,792	300,977,993	404,485,629
B. ii. Total amount of GPMs given to subsidiaries and associates in the consolidation in their own favor and to each other	77,500	284,672	51,687,889	52,817,802
B. iii. Total amount of GPMs given to the parent company by subsidiaries and associates in the consolidation	22,060,578	8,626,365	288,040,384	379,594,858
C. Total amount of GPMs given on behalf of third parties for ordinary course of business	-	-	1,800,000	1,800,000
D. Total amount of other GPMs given	-	27,200,000	83,290	86,514,010
i. Total amount of GPMs given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of GPMs given to on behalf of other group companies which are not in scope of B and C.	-	27,200,000	83,290	86,514,010
iii. Total amount of GPMs given on behalf of third parties which are not in scope of C	-	-	-	-
Total	**41,026,029**	**75,020,958**	**966,018,270**	**1,323,692,149**
The Group's Total Equity				**740,742,718**
The Group's Other Total GPM to its Total Equity				**11,68 %**

Details regarding the disclosure on the contingent assets, liabilities, and commitments given in the GPM table above are listed below:

- İhlas Pazarlama A.Ş.'s shares with a nominal value of TL 21,600,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against Halk Bank.

- İhlas Pazarlama A.Ş.'s shares with a nominal value of TL 6,000,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- İhlas Pazarlama A.Ş.'s shares with a nominal value of TL 6,000,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against KWV Kooperationsgell schaft für Warenverkehr Mbh.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 40,000,000 in İhlas Yayın Holding A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 8,000,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 7,275,000 in İhlas Madencilik A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. (the Group company)'s shares with a nominal value of TL 10,000,000 in İhlas Madencilik A.Ş. have been pledged as a guarantee of past and future liabilities against KWV Kooperationsgell schaft für Warenverkehr Mbh.

- İhlas Yayın Holding A.Ş. (the Group company)'s shares with a nominal value of TL 15,500,000 in İhlas Gazetecilik A.Ş. have been pledged as a guarantee to public institutions.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 5,500,000 in İhlas Gazetecilik A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- There is a restricted term deposits in the amount of TL 11,709,560 belonging to İhlas Yapı Turizm ve Sağlık A.Ş., the Group company, in connection with the Bizimevler-6 project built by the company.

Summarized information on litigations and enforcement proceedings related to the Group as of December 31, 2016 listed as follows:

	Amount (TL)
Pending litigation initiated by the Group	5,376,155
Enforcement proceedings filed by the Group	17,931,924
Ongoing litigations initiated against the Group	17,168,300
Enforcement proceedings filed against the Group	29,909,262

As presented in the chart above, the Group has ongoing litigations of TL 17,168,300 and the Group has allocated provision amounting to TL 12,057,273, and the remaining TL 5,111,027 does not include any provision for the reason that it is probable that the portion will be recovered.

Note 22 – Provision for Employee Benefits and Payables Related to Employee Benefits

	December 31, 2016	**December 31, 2015**
Due to personnel (wages, pension) (*)	15,161,389	14,520,652
Social security premiums	4,482,836	5,909,048
Payables Related to Employee Benefits	**19,644,225**	**20,429,700**

(*) The Group's wage and severance obligation to personnel of TL 6,011,190 (prior year: TL 5,249,594) is overdue.

	December 31, 2016	**December 31, 2016**
Long-Term Provisions for Employee Benefits	40,635,156	38,159,802

According to the Labor Law, the Group is legally required to offer a severance payment to an employee who has been terminated without due cause, on the condition of his/her being employed for at least one year; or who has been drafted into the military, has died, or has retired upon reaching retirement age (58 for females and 60 for males); and after 25 years of service for males and 20 years for females. As of December 31, 2016, the maximum payable amount is one month's salary for each employee for each year of service, subject to an upper limit of TL 4,297 (December 31, 2015: TL 3,828.37).

On the other hand, according to the Law on the Regulation of Relationships between Employees and Employers Engaged in the Profession of the Press, the Company is obliged to pay severance to each employee who is subject to this law, who has worked for a minimum of 5 years and whose employment is terminated without due cause.

The maximum payable amount is 30 days' salary for each year of employment. There is no severance payment caps for press staff.

Currently, no regulations exist for retirement commitments aside from the legal requirements delineated above. Early retirement rights of people working in press, publishing, packaging and printing works have been nullified since October 1, 2008.

No funds were allocated for such a liability since there are no requirements to allocate such funds.

Provisions for severance payments were calculated based on the estimated balance sheet date value of the possible future liabilities that will arise from retirement of the Group's employees.

The "TAS 19 - Employee Benefits" standard stipulates the use of actuarial evaluation methods when estimating the companies' liabilities within the scope of their specific social rights plans. Accordingly, actuarial assumptions and current legal obligations were used for each company to determine the total obligation.

	December 31, 2016	**December 31, 2015**
Discount rate	3.46%	3.72%
Average rate of non-payment of severance payment liabilities	8.5%	9%

Provisions for severance payments activities table is listed as follows:

	December 31, 2016	**December 31, 2015**
Beginning of the period	38,159,802	34,941,520
Payments	(8,895,945)	(7,043,548)
Reversals of provisions	(1,409,803)	(1,516,044)
Provision during period (including interest and actuarial)	12,781,102	11,777,874
End of the period	**40,635,156**	**38,159,802**

Note 23 – Pension Plans

Currently, no regulations exist for retirement commitments aside from the legal requirements delineated in Note 22.

Note 24 – Prepaid Expenses and Deferred Income

	December 31, 2016	**December 31, 2015**
Advances given [1]	162,470,538	157,941,691
Work advances	9,455,819	20,853,050
Prepaid expenses	2,128,906	1,540,446
Personnel advances	68,632	496,039
Prepaid Expenses (Short-Term)	**174,123,895**	**180,831,226**
Advances given	1,046,661	798,987
Prepaid expenses	984,873	512,548
Prepaid Expenses (Long-Term)	**2,031,534**	**1,311,535**

[1] Advances given related to the Bizimevler-7 Construction Project account for TL 153,230,195 of the advances given account balance in the current period (prior period: TL 139,457,849) .

	December 31, 2016	December 31, 2015
Advances received [2]	832,040,873	866,854,128
Accrued expenses	1,542,474	629,143
Others	-	347,184
Deferred Income (Short-Term)	**833,583,347**	**867,830,455**
Advances received [2]	231,238,412	508,626,202
Accrued expenses	4,004,641	4,004,641
Deferred Income (Long-Term)	**235,243,053**	**512,630,843**

[2] The breakdown of advances received is as follows:

	Short-Term		Long-Term	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Construction Advances Received (Kristalşehir Project Advances) (Note 42-a)	416,000,136	222,040,335	218,036,080	378,450,955
Construction Advances Received (Yalova-Çiftlikköy Construction Project Advances)	245,973	768,213	-	-
Construction Advances Received (Bizimevler-6 Construction Project Advances)	106,543,171	491,469,422	-	-
Construction Advances Received (Bizimevler-6 Metro Construction Project Advances)	103,918,703	128,577,652	-	-
Construction Advances Received (Bizimevler-7 Construction Project Advances) (Note 42-a)	179,955,543	-	-	122,982,247
Construction Advances Received Armutlu Tatil Köyü Joint Venture (Group Revenue Sharing)	-	-	13,202,332	7,193,000
Construction Advances Received (Other Construction Project Advances)	723,006	1,661,449	-	-
Other Advances Received	24,654,341	22,337,057	-	-
Total	**832,040,873**	**866,854,128**	**231,238,412**	**508,626,202**

Note 25 – Current Tax Assets

	December 31, 2016	December 31, 2015
Prepaid taxes	1,210,730	546,304
Current Tax Assets	**1,210,730**	**546,304**

Note 26 – Other Assets and Liabilities

	December 31, 2016	December 31, 2015
VAT transferred and other VAT	38,856,004	60,639,504
Other Current Assets	**38,856,004**	**60,639,504**
Other Non-Current Assets	**-**	**-**

	December 31, 2016	December 31, 2015
Taxes and funds payable	8,306,406	16,424,656
Past due, deferred, on-installment tax obligations	21,523,044	23,574,369
Others	82,433	108,018
Other Current Liabilities	**29,911,883**	**40,107,043**
Past due, deferred, on-installment tax obligations	34,454,905	18,837,633
Other Non-Current Liabilities	**34,454,905**	**18,837,633**

Note 27 – Paid-in Capital, Reserves and Other Equity Items

A. Paid-in Capital

As of December 31, 2016, the Group's registered and issued capital comprises 79,040,000,000 (31.12.2015: 79,040,000,000) shares, each with a nominal value of TL 0.01.

The Group's registered authorized capital is TL 2,000,000,000.

The Group's registered and issued capital, and capital structure as of December 31, 2016 and December 31, 2015:

	December 31, 2016		December 31, 2015	
Shareholder Name/Title	**Share Ratio**	**Share Amount**	**Share Ratio**	**Share Amount**
Publicly traded	86.37%	682,674,283	86.37%	682,674,283
Ahmet Mücahid Ören	10.58%	83,563,047	10.58%	83,563,047
Others	3.05%	24,162,670	3.05%	24,162,670
Total Capital	**100,00%**	**790,400,000**	**100,00%**	**790,400,000**

B. Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss

Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss consists of Increases/Decreases on Revaluation of Property, Plant and Equipment, Gains/Losses on Remeasurements of Defined Benefit Plans, Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss accounts. The following transaction tables are listed below;

	December 31, 2016	**December 31, 2015**
Beginning of the period	92,378,266	67,867,584
Increases/decreases on revaluation of property, plant and equipment for the period (net of deferred tax)	5,302,933	24,510,682
Increases/Decreases on Revaluation of Property, Plant and Equipment	**97,681,199**	**92,378,266**

	December 31, 2016	**December 31, 2015**
Beginning of the period	(453,249)	(326,628)
Gains/losses on remeasurements of defined benefit plans for the period (net of deferred tax)	(2,505,556)	(126,621)
Gains/Losses on Remeasurements of Defined Benefit Plans	**(2,958,805)**	**(453,249)**

	December 31, 2016	**December 31, 2015**
Beginning of the period	50,534	-
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss for the period	(24,933)	50,534
Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	**25,601**	**50,534**

C. Share Premium

	December 31, 2016	**December 31, 2015**
Beginning of the period	7,218,627	7,218,627
End of the period balance	**7,218,627**	**7,218,627**

D. Restricted Reserves

Primary legal reserves are appropriated at 5 percent of the net profits in the balance sheet until the total reaches 20 percent of the revalued paid-in capital. Secondary legal reserves are appropriated at 10 percent of the total dividends that exceed 5 percent of the revalued capital. According to the provisions of the Turkish Commercial Code, legal reserves may be used only for net losses, and not for any other purposes so long as the reserves do not exceed 50 percent of the issued capital

	December 31, 2016	December 31, 2015
Legal reserves	15,106,711	3,152,013
Statutory reserves	313,561	313,561
Special reserves (*)	4,646,861	5,246,141
Restricted Reserves	**20,067,133**	**8,711,715**

(*) Of this amount, a large portion consists of capital reserves paid by the partners to the Group companies in order to cover the taxes paid pursuant to Law No. 5811 on Integration of Some Assets into the National Economy; the remaining amount consists of capital reserves and TUBITAK R&D incentives paid by the partners to the Group companies so as to prevent capital loss in accordance with the Turkish Commercial Code

E. Other Reserves

	December 31, 2016	December 31, 2015
Beginning of the period	(29,813,823)	(29,813,823)
Other reserves (Transactions with non-controlling interest)	(9,207,044)	-
End of the period	**(39,020,867)**	**(29,813,823)**

F. Prior Years' Profits or Losses

The transaction table of Prior Years' Profits or Losses is listed as follows;

	December 31, 2016	December 31, 2015
Beginning of the period	(337,321,321)	(248,838,310)
Prior year earnings/(losses)	(83,538,861)	(88,381,424)
Effect of business combinations under common control	(512,590)	-
Increase/decrease related to subsidiaries that are sold and to the changes in effective shares	-	22,188
Transfer to restricted profit reserves	(11,954,698)	(123,775)
End of the period	**(433,327,470)**	**(337,321,321)**

G. Non-Controlling Interests

	December 31, 2016	December 31, 2015
Beginning of the period	293,110,830	285,247,398
Prior year earnings/(losses) for non-controlling interest	(2,550,160)	(2,522,031)
Increase/decrease related to subsidiaries that are sold and to the changes in effective shares	-	4,725,330
Effect of business combinations under common control	(2,876,973)	-
Increase in gains and losses from revaluation and measurement	2,202,590	5,938,025
Transactions with non-controlling interest	(4,060,168)	-
Gains/losses on remeasurements of defined benefit plans	(538,623)	(278,612)
Changes in restricted reserves	-	720
End of the period	**285,287,496**	**293,110,830**

The subsidiaries of the Group whose non-controlling interests are at significant levels are İhlas Gazetecilik (35%), İhlas Ev Aletleri (78%) and İhlas Yayın Holding (50%) and the total amount is TL 273,812,083 (previous year: TL 284,605,221). Non-controlling interests in other companies are not significant.

After the consolidation adjustments related to the mentioned subsidiaries, the summary financial information before elimination transactions are as follows:

	December 31, 2016	December 31, 2015
Summary of Balance Sheet		
Current assets	304,880,007	338,106,790
Non-current assets	310,162,824	290,125,400
Total liabilities	124,924,527	122,594,276
Net assets	490,118,304	505,637,914
Summary of Statement of Profit/Loss		
Revenue	180,749,638	181,532,060
Cost of sales	(156,391,203)	(160,559,361)
Gross profit/loss	24,358,435	20,972,699
Summary of Statement of Cash Flow		
Cash and cash equivalents at the beginning of period	4,976,197	4,747,481
Net increase/decrease in cash and cash equivalents	892,378	228,716
Cash and cash equivalents at the end of period	5,868,575	4,976,197

Note 28 – Revenues and Cost of Sales

	January 1 – December 31, 2016	January 1 – December 31, 2015
Domestic sales	1,060,853,078	392,248,929
Foreign sales	35,269,862	38,618,665
Other sales	1,533,483	563,443
Total Gross Revenues	**1,097,656,423**	**431,431,037**
Sales discounts and returns (-)	(15,580,917)	(21,957,697)
Total Revenues, net	**1,082,075,506**	**409,473,340**
Cost of Sales (-)	(854,895,456)	(302,829,719)
Gross Profit	**227,180,050**	**106,643,621**

The details of Cost of Sales are listed as follows;

	January 1 – December 31, 2016	January 1 – December 31, 2015
Raw materials and supplies	(511,417,295)	(114,972,824)
Personnel expenses	(196,246,999)	(109,840,100)
Taxes, duties and charges	(28,576,354)	(278,436)
Cost of merchandise	(22,584,392)	(49,813,063)
Rent expenses	(14,822,708)	(4,966,053)
Depreciation and amortization expenses	(6,870,793)	(9,797,939)
Other	(74,376,915)	(13,161,304)
Cost of Sales	**(854,895,456)**	**(302,829,719)**

Note 29 – Operating Expenses

	January 1 – December 31, 2016	January 1 – December 31, 2015
General administrative expenses	(115,499,290)	(195,347,321)
Marketing, selling and distribution expenses	(23,290,116)	(17,168,119)
Research and development expenses	(812,509)	(659,465)
Total	**(139,601,915)**	**(213,174,905)**

Note 30 – Expenses by Nature

The details of expenses by nature are listed for periods of January 1-December 31, 2016 and 2015 as follows:

	January 1 – December 31, 2016	January 1 – December 31, 2015
Provision expenses for doubtful receivables	(45,869,074)	(120,570,392)
Employee benefits	(38,792,909)	(34,436,113)
Depreciation and amortization expenses	(5,461,695)	(7,196,080)
Taxes, duties and charges	(4,354,439)	(4,562,973)
Rent expenses	(4,825,315)	(3,348,788)
Insurance and maintenance expenses	(4,605,751)	(2,827,698)
Outsourcing expenses	(3,293,806)	(6,511,496)
Promotion expenses	(2,655,885)	(2,667,507)
Travel and accommodation expenses	(1,588,744)	(1,430,954)
Stationery expenses	(1,155,225)	(1,368,029)
Other expenses	(2,896,447)	(10,427,291)
General Administrative Expenses	**(115,499,290)**	**(195,347,321)**

	January 1 – December 31, 2016	January 1 – December 31, 2015
Advertising and promotion expenses	(9,085,195)	(4,207,423)
Employee benefits	(7,066,622)	(8,555,705)
Outsourcing expenses	(3,832,276)	(1,844,823)
Rent expenses	(726,626)	(890,938)
Travel and accommodation expenses	(650,762)	(367,523)
Warranty provision expenses	(334,599)	(579,094)
Other expenses	(1,594,036)	(722,613)
Marketing, Selling and Distribution Expenses	**(23,290,116)**	**(17,168,119)**

	January 1 – December 31, 2016	January 1 – December 31, 2015
Employee benefits	(574,608)	(540,698)
Other expenses	(237,901)	(118,767)
Research and Development Expenses	**(812,509)**	**(659,465)**

The details of employee benefits in operating expenses are listed below;

	January 1 – December 31, 2016	January 1 – December 31, 2015
Gross wage expenses	(5,662,089)	(7,203,980)
Social security deductions	(534,893)	(468,094)
Severance payments and notice provisions	(493,287)	(113,753)
Other	(376,353)	(769,878)
Marketing Expenses	**(7,066,622)**	**(8,555,705)**
Gross wage expenses	(26,221,743)	(22,017,463)
Social security deductions	(4,008,145)	(3,225,336)
Severance payments and notice provisions	(6,917,704)	(7,666,218)
Other	(1,645,317)	(1,527,096)
General Administrative Expenses	**(38,792,909)**	**(34,436,113)**
Gross wage expenses	(574,608)	(540,698)
Research and Development Expenses	**(574,608)**	**(540,698)**

The details of amortization and depreciation expenses are listed below;

	January 1 – December 31, 2016	January 1 – December 31, 2015
Cost of sales	(6,870,793)	(9,797,938)
General administrative expenses	(5,461,695)	(7,196,079)
Total Amortization and Depreciation Expenses	**(12,332,488)**	**(16,994,017)**

Note 31 – Other Operating Income and Expenses

The details of other operating income and expenses are listed for periods of January 1-December 31, 2016 and 2015 as follows:

	January 1 – December 31, 2016	January 1 – December 31, 2015
Credit finance income arising from trading activities	75,158,264	50,667,694
Reversals of provisions		
Reversal of allowance for doubtful receivables	*33,783,195*	*50,758,900*
Other reversal of doubtfuls	*4,351,925*	*2,790,243*
Foreign exchange gains	6,964,663	14,484,850
Rent income	4,746,948	8,276,261
Other	4,218,939	3,898,583
Other Operating Income	**129,223,934**	**130,876,531**

	January 1 – December 31, 2016	January 1 – December 31, 2015
Credit finance charges arising from trading activities	(35,404,065)	(42,183,472)
Foreign exchange losses	(12,862,655)	(22,404,181)
Other	(7,285,362)	(6,967,519)
Other Operating Expenses	**(55,552,082)**	**(71,555,172)**

Note 32 – Income/Expenses from Investment Activities

The details of income and expenses from investment activities are listed for periods of January 1-December 31, 2016 and 2015 as follows:

	January 1 – December 31, 2016	January 1 – December 31, 2015
Revaluation gains on investment property	19,449,225	41,054,743
Gain on sale of property, plant, equipment and investment property	6,856,586	10,107,704
Gain on sale of subsidiaries and associates	-	5,740,589
Gain on sale of and revaluation gains of financial investments	13,044	16,843
Income from Investment Activities	**26,318,855**	**56,919,879**

	January 1 – December 31, 2016	January 1 – December 31, 2015
Loss on sale of property, plant, equipment and investment property	(7,138,143)	(246,350)
Impairment on PP&E	(7,773,201)	(2,971,441)
Goodwill impairment provision	(5,395,572)	-
Revaluation losses on investment property	(4,682,168)	(20,304,383)
Loss on sale of and revaluation losses of financial investments	(2,327,060)	(39,850)
Loss on sale of associates	-	(7,997,580)
Expenses from Investment Activities	**(27,316,144)**	**(31,559,604)**

Note 33 – Financial Expenses

The details of financial expenses are listed for periods of January 1-December 31, 2016 and 2015 as follows:

	January 1 – December 31, 2016	January 1 – December 31, 2015
Interest expense	(67,904,612)	(86,882,396)
Foreign exchange losses	(20,297,456)	(29,973,951)
Financial Expenses	**(88,202,068)**	**(116,856,347)**

Note 34 – Financial Income

The details of financial income are listed for periods of January 1-December 31, 2016 and 2015 as follows:

	January 1 – December 31, 2016	January 1 – December 31, 2015
Foreign exchange gains	11,255,947	30,571,295
Interest income	2,102,280	14,823,752
Financial Income	**13,358,227**	**45,395,047**

Note 35 – Assets Held for Sale and Discontinued Operations

A. Assets Held for Sale

Current Period: None.

Prior Period: None.

B. Discontinued Operations

Current Period: None.

Prior Period: None.

Note 36 – Tax Assets and Liabilities

A. Current Period Tax Assets and Liabilities

Corporate tax rate is 20%.

Dividends paid to corporations that earn income through an office or a permanent agency in Turkey, and corporations located in Turkey are not be subject to withholding tax. Dividend payments other than these shall be subject to withholding tax at a rate of 15%. Addition of profit to the capital shall not be deemed as dividend distribution and thus, no withholding tax shall be levied. Corporations shall pay advance tax at a rate of 20% over their three-month financial profits. While advance taxes paid during the year pertain to that year, they are deducted from the corporate tax of the subsequent year, which will be calculated based on the corporate tax statement to be submitted

Dividend revenues earned by corporations from participation in the capital of another corporation, which is subject to full tax obligations (excluding dividends earned from mutual fund participation certificates and investment trust stocks), are exempt from corporate tax.

Corporate tax exemption applies to the revenues arising from the sale of 75% of the properties, participation stocks, dividend right certificates and pre-emption rights that remain in the corporation's assets for at least two full years.. In order to benefit from the exemption, such earnings must be held in a fund account under Liabilities and must not be withdrawn for at least 5 years. The sales revenue must be collected by the end of the second calendar year from the date of completion of the transaction.

According to Turkish tax legislation, financial losses on tax statements may be deducted from the corporation's earnings in the current period, provided that the period of deduction does not exceed five years.

Primary income tax expenses as of December 31, 2016 and December 31, 2015 are listed below:

	December 31, 2016	**December 31, 2015**
Current tax provisions	31,451,437	3,798,985
Prepaid taxes (-)	(25,802,839)	(3,112,341)
Total	**5,648,598**	**686,644**

Primary income tax expense items in statement of consolidated comprehensive income for periods of January 1-December 31, 2016 and 2015 are listed below:

	January 1 – December 31, 2016	**January 1 – December 31, 2015**
Current period tax expense	(31,451,437)	(3,798,985)
Deferred tax income/expense	6,679,247	10,743,972
Tax Income/Expense	**(24,772,190)**	**6,944,987**

Turkish tax legislation does not permit a parent company to file a consolidated tax return. Therefore, tax liabilities, as reflected in consolidated financial statements, have been calculated on a separate-entity basis
The Group's income tax expense/income reconciliation for periods of January 1-December 31, 2016 and 2015 is as follows:

	January 1 – December 31, 2016	**January 1 – December 31, 2015**
Profit/Loss from continuing operations, before tax	85,310,352	(93,005,879)
Calculated income tax income/expense (20%)	(17,062,071)	18,601,176
Tax Effect:		
Non-taxable income	*25,212,548*	*8,963,004*
The effect of calculated fiscal loss and investment incentives	*689,329*	-
Non-deductible expenses and the effect of items not taxed	*(33,611,996)*	*(20,619,193)*
Total Income Tax Income/Expense	**(24,772,190)**	**6,944,987**

B. Deferred Tax Assets and Liabilities

The Group calculates its deferred tax assets and liabilities by taking into account the impact of temporary differences arising as a result of the separate evaluation of balance sheet items in accordance with TFRS standards and tax legislation. These temporary differences arise from the differences in the periods of the recognition of income and expenses in accordance with TFRS and tax legislation.

The corporate tax rate for 2016 is 20% (December 31, 2015: 20%). Therefore, a 20% rate is applied to deferred tax receivables and liabilities that are calculated based on the temporary differences according to the liability method.

The following is the breakdown of accumulated taxable temporary differences and deferred tax assets and liabilities, prepared by using effective tax rates as of December 31, 2016 and December 31, 2015:

	Taxable temporary differences		Deferred tax assets/ (liabilities)		The income statement and OCI	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Property, plant and equipment and intangible assets (including investment property)	(52,978,829)	(35,066,461)	(10,595,767)	(7,013,292)	(3,582,475)	7,978,923
Provision for employee termination benefits	41,659,441	35,374,125	8,331,889	7,074,825	1,257,064	327,282
Provision for diminution in value of inventories	12,674,093	13,780,758	2,534,819	2,756,152	(221,333)	(331,726)
Provision for doubtful receivables	60,799,659	49,566,725	12,159,932	9,913,345	2,246,587	544,055
Discounting the effects of adjustments	36,622,219	23,059,165	7,324,444	4,611,833	2,712,611	2,465,418
Work advances and prepaid expenses	9,068,711	17,903,868	1,813,743	3,580,774	(1,767,031)	1,902,451
Warranty and litigation provision	5,228,638	2,362,989	1,045,728	472,598	573,130	348,883
Unrecognized tax losses	29,605,999	3,182,749	5,921,200	636,549	5,284,651	(3,229,797)
R&D support	-	341,114	-	68,222	(68,222)	(499,668)
Other	937,849	3,811,840	187,567	762,368	(574,801)	(29,037)
Deferred tax assets and liabilities, net	**143,617,780**	**114,316,872**	**28,723,555**	**22,863,374**	**5,860,181**	**9,476,784**

Net deferred tax assets/(liabilities) table is listed below:

	December 31, 2016	December 31, 2015
Beginning of the period	22,863,374	13,386,590
Deferred tax income/(expense) recognized in income statement	6,679,247	10,743,972
Deferred tax effect of the revaluation funds transferred to retained earnings/(loss)	(819,066)	(1,267,188)
End of the period	**28,723,555**	**22,863,374**

The Group calculated deferred tax assets of TL 29,605,999 (December 31, 2015: TL 3,182,749) for unrecognized tax losses in its consolidated financial statements, which were prepared in accordance with the TAS 12"Income Taxes" standard.

Maturities of these financial losses are as follows:

	December 31, 2016	December 31, 2015
2017	6,988,047	-
2018	1,204,119	1,735,958
2019	8,134,381	-
2020	4,805,391	1,446,791
2021	8,474,061	-
Total	**29,605,999**	**3,182,749**

Deferred tax assets were recognized to the extent that the Group is likely to generate financial profit to be used for all deductible temporary differences. The Group had losses in the amount of TL 384,651,518 (December 31, 2015: TL 398,493,961) that can be appropriated and that were deferred as of December 31, 2016 without calculating tax assets to be reviewed again in the following period. Their maturities are as follows:

	December 31, 2016	December 31, 2015
2016	-	23,330,074
2017	74,647,983	76,738,638
2018	127,763,170	126,430,232
2019	66,755,869	97,781,560
2020	73,478,366	74,213,457
2021	42,006,130	-
Total	**384,651,518**	**398,493,961**

Note 37 – Earnings/Losses per Share

The following are the weighted average numbers of the Group's shares as of December 31, 2016 and December 31, 2015, and the calculation of earnings per unit share;

	January 1 – December 31, 2016	January 1 – December 31, 2015
Earnings/(losses) per share from continuing operations		
Proft/(loss) from continuing operations	60,538,162	(86,060,892)
Weighted average number of stocks, each with a nominal value of TL0,01	79,040,000,000	79,040,000,000
Earnings/(losses) per share from continuing operations (Kr)	**0.0766**	**(0.109)**
Earnings/(losses) per share from discontinued operations		
Proft/(loss) from discontinued operations	-	-
Weighted average number of stocks, each with a nominal value of TL0,01	79,040,000,000	79,040,000,000
Earnings/(losses) per share from discontinued operations (Kr)	**-**	**-**
Earnings/(losses) per share		
Profit/loss for the period	60,538,162	(86,060,892)
Profit/loss attributable to non-controlling interests	(2,550,160)	(2,522,031)
Profit/loss attributable to the equity holders of the parent	63,088,322	(83,538,861)
Weighted average number of stocks, each with a nominal value of TL0,01	79,040,000,000	79,040,000,000
Earnings/(losses) per share (Kr)	**0.0766**	**(0.109)**
Earnings/(losses) per share attributable to the equity holders of the parent (Kr)	**0.0798**	**(0.106)**

Diluted earnings per share have not been calculated, since the Group does not have any potential common shares with dilutive effect (Previous period: None)

There are no dividends accrued in the current period (Previous period: None).

There are no share-based payments (Previous period: None). Earnings per share are calculated by dividing the net profit of the current period by the weighted average of the number of shares circulating during the period.

Note 38 – Related Party Disclosures

A. The following are the current account balances (net book values) arising from the Group's shareholders; or from the main companies with which it had an indirect capital, management and business relationship through its shareholders as of December 31, 2016 and December 31, 2015:

	December 31, 2016		
	Trade Receivables	**Trade Payables**	**Advances Received**
Voli Fuar Hizmetleri A.Ş.	424,531	904,176	-
İhlas Dış Ticaret A.Ş.	364,878	12,550	-
İstmag Magazin Gazetecilik Yayıncılık İç ve Dış Tic. Ltd. Şti.	278,807	24,613	-
Klas Dış Ticaret A.Ş.	232,407	12,138	-
İhlas Finans Kurumu A.Ş. in Liquidation	183,822	-	-
Voli Turizm Seyahat Tic.Ltd.Şti.	156,791	8,706	-
İhlas Vakfı Yurt ve Eğitim Hizmetleri İktisadi İşletmesi	111,529	-	-
Net İletişim Teknoloji A.Ş.	91,459	252,176	1,404,051
İhlas Madencilik A.Ş.	82,741	1,594,438	-
Detes Enerji Üretim A.Ş.	13,259	208,281	-
Antalya İmar Ltd. Şti.	709	867,114	-
Other	14,100	220,699	-
Total	**1,955,033**	**4,104,891**	**1,404,051**

	December 31, 2015		
	Trade Receivables	**Trade Payables**	**Advances Received**
İhlas Dış Ticaret A.Ş.	1,213,234	12,550	-
Mute Grup Medya İç ve Dış Ticaret A.Ş.	683,701	-	-
Klas Dış Ticaret A.Ş.	399,916	18,547	-
Voli Fuar Hizmetleri A.Ş.	365,545	1,043,850	-
İleri Haber Ajansı Tanıtım İletişim ve Teknik Hizmetleri Tic. A.Ş.	344,400	95	-
Voli Turizm Seyahat Tic.Ltd.Şti.	193,382	-	-
İstmag Magazin Gazetecilik Yayıncılık İç ve Dış Tic. Ltd. Şti.	187,859	-	-
İhlas Madencilik A.Ş.	72,868	4,120,972	-
İhlas Finans Kurumu A.Ş. in Liquidation	37,472	-	-
İhlas Vakfı Yurt ve Eğitim Hizmetleri İktisadi İşletmesi	10,283	25,294	-
Detes Enerji Üretim A.Ş.	8,994	218,884	-
Mir Maden İşletmeciliği Enerji ve Kimya San. Ltd. Şti.	8,500	-	-
Antalya İmar Ltd. Şti.	7,583	465,998	-
İhlas Vakfı	5,790	29,322	-
Plus Gayrimenkul Tic. A.Ş.	-	32,616	-
Other	7,190	661,147	2,025,230
Total	**3,546,717**	**6,629,275**	**2,025,230**

	Other Payables	
Shareholders and key personnel	**December 31, 2016**	**December 31, 2015**
Osman Çardak	250,000	-
Dursun Şahin	-	55,000
Ahmet Mücahid Ören	-	350,000
Total	**250,000**	**405,000**

B) The following are the sales, purchases, leasing, interest, fixed assets sales arising from the Group's shareholders; or from the main companies with which it had an indirect capital, management and business

relationship through its shareholders during the January 1-December 31, 2016 and January 1-December 31, 2015 periods:

	January 1-December 31, 2016	
	Sales	**Purhcases**
İstmag Magazin Gazetecilik Yayıncılık İç ve Dış Tic. Ltd. Şti.	942,035	468,565
Kubilay Gökçe Kılıç	790,244	-
Hüseyin Ferruh Işık	475,494	-
İhlas Madencilik A.Ş.	396,650	3,240
Voli Fuar Hizmetleri A.Ş.	238,607	150,000
İhlas Vakfı Yurt ve Eğitim Hizmetleri İktisadi İşletmesi	203,628	259,377
Net İletişim Teknoloji A.Ş.	93,260	22,741
İhlas Finans Kurumu A.Ş. in Liquidation	58,620	-
Antalya İmar Ltd. Şti.	47,745	-
Voli Turizm Seyahat Tic.Ltd.Şti.	17,933	360,245
Other	620,378	427,031
Total	**3,884,594**	**1,691,199**

	January 1-December 31, 2015	
	Sales	**Purhcases**
İstmag Magazin Gazetecilik Yayıncılık İç ve Dış Tic. Ltd. Şti.	1,428,070	186,888
Mute Grup Medya İç ve Dış Ticaret A.Ş.	709,102	155,119
Voli Fuar Hizmetleri A.Ş.	433,300	6,780
Klas Dış Ticaret A.Ş.	245,387	50,338
İleri Haber Ajansı Tanıtım İletişim ve Teknik Hizmetleri Tic. A.Ş.	208,386	260,575
İhlas Madencilik A.Ş.	164,583	64,447
İhlas Vakfı Yurt ve Eğitim Hizmetleri İktisadi İşletmesi	85,420	279,822
İhlas Finans Kurumu A.Ş. in Liquidation	61,259	-
Plus Gayrimenkul Tic. A.Ş.	52,000	216,127
Antalya İmar Ltd. Şti.	40,791	-
İhlas Holding A.Ş.- Belbeton Beton Elemanları Sanayi Üretim ve Tic. A.Ş. - Ulubol İnşaat Harfiyat Gıda Tur. San. ve Tic. Ltd. Şti. Adi Ortaklığı	34,038	-
Voli Turizm Seyahat Tic.Ltd.Şti.	25,194	357,222
Diğer	41,798	381,396
Toplam	**3,529,328**	**1,958,714**

	January 1-December 31, 2016	
	Interest Invoices Issued	**Interest Invoices Received**
İhlas Dış Ticaret A.Ş.	143,758	-
Net İletişim Teknoloji A.Ş.	54,314	-
Voli Fuar Hizmetleri A.Ş	41,530	-
İhlas Madencilik A.Ş.	8,388	345,795
Other	6,875	-
Total	**254,865**	**345,795**

	January 1-December 31, 2015	
	Interest Invoices Issued	**Interest Invoices Received**
İhlas Dış Ticaret A.Ş.	155,139	17,319
İhlas Madencilik A.Ş.	39,484	224,238
Voli Fuar Hizmetleri A.Ş	34,250	-
Klas Dış Ticaret A.Ş.	17,182	-
Mir Maden İşletmeciliği Enerji ve Kimya San. Ltd. Şti.	9,175	-
Mute Grup Medya İç ve Dış Ticaret A.Ş.	3,996	-
Voli Turizm Seyahat Tic.Ltd.Şti.	3,241	-
Detes Enerji Üretim A.Ş.	774	-
Other	508,598	-
Total	**771,839**	**241,557**

	January 1-December 31, 2016	
	Rent Invoices Issued	**Rent Invoices Received**
İhlas Vakfı Yurt ve Eğitim Hizmetleri İktisadi İşletmesi	223,620	-
Net İletişim Teknoloji A.Ş.	122,264	12,858
Antalya İmar Ltd. Şti.	26,448	-
İhlas Madencilik A.Ş.	-	906,228
Other	52,086	20
Total	**424,418**	**919,106**

	January 1-December 31, 2015	
	Rent Invoices Issued	**Rent Invoices Received**
Voli Fuar Hizmetleri A.Ş	361,855	-
İstmag Magazin Gazetecilik Yayıncılık İç ve Dış Tic. Ltd. Şti	355,390	-
İhlas Vakfı Yurt ve Eğitim Hizmetleri İktisadi İşletmesi	212,400	-
İhlas Finans Kurumu A.Ş. in Liquidation	139,477	-
Antalya İmar Ltd. Şti.	30,679	-
İleri Haber Ajansı Tanıtım İletişim ve Teknik Hizmetleri Tic. A.Ş.	11,400	-
İhlas Vakfı	7,260	-
İhlas Dış Ticaret A.Ş.	3,960	-
Detes Enerji Üretim A.Ş.	3,960	-
Kam Gayrimenkul Proje ve İnşaat Ltd.Şti.	3,960	-
İhlas Madencilik A.Ş.	211	958,327
Other	30,233	170,431
Total	**1,160,785**	**1,128,758**

Since all of the Group's receivables and payables, rent revenues and expenses, interest revenues and expenses and all other receivables and payables from affiliate companies already recognized in the consolidation were offset within the consolidation, they are not recognized in the consolidated financial statements

C) Key management personnel include executives (administrative or otherwise) with direct or indirect authority and responsibility to plan, manage and control the Company's operations. Two types of benefits are provided to them: Short-term benefits consist of wages, social security contributions, bonuses, paid vacations and attendance fees. These type of short-term benefits have been reported under the "Employee Benefits Payable" account. Meanwhile, severance benefits comprise the Company's severance payment liability. These types of benefits are reported under "Provisions for Employee Benefits."

Short-term benefits such as wages, attendance fees, etc. paid out to key personnel during the January 1-December 31, 2016 period totaled TL 8,672,514 (January 1-December 31, 2015: TL 7,680,100). Meanwhile, short-term benefits (severance payments) to be provided for key management personnel in case they resign totaled TL 3,204,837 for the period January 1-December 31, 2016 (January 1-December 31, 2015: TL 4,164,102).

There were no long-term benefits provided to the Group's key personnel during the periods January 1-December 31, 2016, and the January 1-December 31, 2015.

The Group provided short-term benefits such as wages, attendance fees, etc. in the amount of TL 1,742,320 to key personnel who resigned their job or post during the January 1-December 31, 2016 period (January 1-December 31, 2015: TL 713,947).

The Company does not make share-based payments.

Note 39 – Financial Instruments and Financial Risk Management

A) Capital risk management

The Group strives to achieve sustainable operations, while also aiming to increase profitability and market value by establishing an efficient balance between liabilities and shareholder's equity.

The capital structure of the Group is comprised of liabilities, including the loans stated in Note 8, as well as cash and cash equivalents; also equity items, including paid-in capital, capital reserves and retained earnings disclosed in Note 27.

Senior management evaluates the Group's capital cost and the risks associated with each type of capital. During such examinations, senior management reviews capital costs and risks associated with each type of capital, and presents to the Board of Directors the decisions that are subject to its consideration. Based on the evaluations conducted by senior management and the Board of Directors, the Group aims to optimize its capital diversification by means of new borrowing, repaying existing debts and/or capital increases. The Group's overall strategy remains unchanged from the previous period.

The Group keeps track of its capital adequacy by applying the net debts/shareholders' equity ratio. The ratio is found by dividing the net debt by the total shareholder's equity. Net debt is calculated by deducting cash and cash equivalents from the total amount of debts (comprised of loans indicated in the consolidated balance sheet).

	December 31, 2016	**December 31, 2015**
Total financial borrowings (Note 8)	273,750,937	286,675,829
Less: Cash and cash equivalents (Note 6)	(24,202,969)	(27,676,055)
Net debt	**249,547,968**	**258,999,774**
Total equity	**788,461,236**	**740,742,718**
Net financial debt / equity ratio	**32%**	**35%**

B) Significant accounting policies

The Group's significant accounting policies related to financial instruments is described in the "Financial Instruments" section of "Summary of Significant Accounting Policies" in Note 2.

C) Financial risk management objectives

The Group constantly keeps up with domestic and foreign market developments so as to monitor and manage the level and size of the risks it faces, or may face, with regard to its facilities. The Group's significant financial risks include risks of foreign exchange, interest rate and liquidity.

A special risk management model was constructed for the Group by obtaining outsourced support, and a "Risk Assessment and Management Process Table" was prepared in relation to the steps of the constructed model. Determination and identification of risks that may affect the Group's operations was made under the main categories of strategic, financial, services, labor and information. In the process of risk identification, the main risks that may affect the administrators and the Group, and the specific risk sunder these main risks, were clarified. Identified main risks and specific risks were reflected in the "Categories and Risk Classes Table." The Risk Assessment and Management Process consists of; Detection of the Risks, Assessment Table, Assessment of the Probabilities, Impact Analysis, Determination of the Risk Level, Assessment of the Controls, Detection of Potential Risk Areas, Action Guide and Action Plan. The actions to be taken against all risks and specific risk rated as critical, high or medium in the Strategic Management and Investment Category, and the responsible officers, were stated in the Action and Action Officer Table, with the help of the Risk Level Action Degrees Table.

D) Market risk

As a result of its operations, the Group is subject to financial risks related to price, as well as changes in exchange and interest rates. The Group management continuously monitors the breakdown of revenues and expenses based on foreign currency, the breakdown of liabilities based on foreign currency, and floating/fixed interest rates.

The changes in market conditions that lead to market risk include changes in the benchmark interest rate and changes in the price, cost price, foreign exchange rate and price or ratio indices of another entity.

Inventory price change risk (price risk)

The Group is exposed to price risks as its sales prices are affected by changes in raw material stock prices. There is no derivative instrument that can be used to avoid the impact of negative price movements on sales margins. The Group reviews the balance between ordering, production and purchasing by taking into account prospective raw material prices in the future, and it tries to adjust the sales prices based on raw material price changes.

Interest Rate Risk Management:

The Group borrows at fixed and floating interest rates. Interest rates pertaining to the Group's liabilities are disclosed in detail in footnotes 6, 7 and 8.

Interest Position Table			
		December 31, 2016	**December 31, 2015**
Fixed interest financial instruments			
Financial assets	Financial asset as at fair value through profit or loss	-	5,984,245
	Available for sale financial assets	11,709,560	8.849.001
Financial liabilities		244.294.354	253,658,392
Variable interest financial instruments			
Financial assets		-	-
Financial liabilities		29.456.583	33,017,437

In the profit/loss section of the interest rate sensitivity analysis statement, disclosure has been made regarding how the comprehensive income statement will be affected in the event that interest income or expense value of 100 basis point compared to the below mentioned currencies. During the analysis, all variables, particularly interest rates, are presumed to remain constant. As of December 31, 2016 and December 31, 2015, if interest rate had appreciated/depreciated by 100 basis point with all other variables held constant, profit before tax would have been in December 31, 2016: TL 2,449,519 (December 31, 2015: TL 1,602,669) lower/higher, mainly as a result of interest income/expense on the interest rate sensitivity analysis as presented in detail in the table above.

Currency Risk Management:

As of December 31, 2016 and December 31, 2015, the net currency position of the assets and liabilities of the Group is as follows:

	December 31, 2016	**December 31, 2015**
A. Foreign currency assets	28,424,489	16,898,865
B. Foreign currency liabilities	156,089,010	115,624,836
Net currency position (A-B)	**(127,664,521)**	**(98,725,971)**

CURRENCY POSITION TABLE

	December 31, 2016					
	TL Equivalent	**USD**	**EUR**	**CHF**	**GBP**	**Other**
1. Trade receivables	24,887,143	3,129,052	3,737,908	1,896	367	-
2a. Monetary financial assets (including cash and cash equivalents)	185,586	42,675	7,809	1,867	-	-
2b. Non-monetary financial assets	2,511,141	658,997	51,753	-	-	-
3. Other	756,569	157,914	52,294	-	1,582	-
4. Current Assets (1+2+3)	**28,340,439**	**3,988,638**	**3,849,764**	**3,763**	**1,949**	**-**
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	84,050	23,883	-	-	-	-
8. Non-Current Assets (5+6+7)	**84,050**	**23,883**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**28,424,489**	**4,012,521**	**3,849,764**	**3,763**	**1,949**	**-**
10. Trade Payables	47,941,963	2,699,978	10,261,877	104,014	482	23,869
11. Financial Liabilities	80,957,418	10,440,935	11,917,755	-	-	-
12a. Other monetary financial liabilities	-	-	-	-	-	-
12b. Non-monetary financial liabilities	1,479,629	255,171	156,778	-	-	-
13. Current Liabilities (10+11+12)	**130,379,010**	**13,396,084**	**22,336,410**	**104,014**	**482**	**23,869**
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	25,710,000	6,872,016	411,332	-	-	-
16a. Other monetary financial liabilities	-	-	-	-	-	-
16b. Non-monetary financial liabilities	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**25,710,000**	**6,872,016**	**411,332**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**156,089,010**	**20,268,100**	**22,747,742**	**104,014**	**482**	**23,869**
19. Off-balance sheet derivative instruments net position (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19a. Derivative assets	-	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-	-
20. Net foreign currency position (9-18+19)	**(127,664,521)**	**(16,255,579)**	**(18,897,978)**	**(100,251)**	**1,467**	**(23,869)**
21. Net foreign currency position of monetary items (l+2a+5+6a-10-ll-12a-14-15-16a)	**(129,536,652)**	**(16,841,202)**	**(18,845,247)**	**(100,251)**	**(115)**	**(23,869)**
22. Fair value of derivative instruments held for hedging	**-**	**-**	**-**	**-**	**-**	**-**
23. Foreign currency assets held for heding	**-**	**-**	**-**	**-**	**-**	**-**
24. Foreign currency liabilities held for heding	**-**	**-**	**-**	**-**	**-**	**-**
25. Exports	**46,516,015**	**7,687,770**	**4,837,252**	**-**	**324,281**	**-**
26. Imports	**87,411,122**	**14,746,687**	**11,799,460**	**-**	**685**	**-**

CURRENCY POSITION TABLE						
	December 31, 2015					
	TL Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	5,792,054	821,099	1,065,223	4,317	1,659	-
2a. Monetary financial assets (including cash and cash equivalents)	1,025,775	288,082	58,893	-	235	-
2b. Non-monetary financial assets	6,824,654	1,390,252	875,616	-	-	-
3. Other	3,186,942	787,528	282,198	-	96	-
4. Current Assets (1+2+3)	**16,829,425**	**3,286,961**	**2,281,930**	**4,317**	**1,990**	**-**
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	69,440	23,882	-	-	-	-
8. Non-Current Assets (5+6+7)	**69,440**	**23,882**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**16,898,865**	**3,310,843**	**2,281,930**	**4,317**	**1,990**	**-**
10. Trade Payables	13,772,799	2,883,569	1,680,248	12,124	1,099	26,494
11. Financial Liabilities	74,291,679	9,545,087	14,645,765	-	-	-
12a. Other monetary financial liabilities	-	-	-	-	-	-
12b. Non-monetary financial liabilities	1,603,030	261,731	264,986	-	-	-
13. Current Liabilities (10+11+12)	**89,667,508**	**12,690,387**	**16,590,999**	**12,124**	**1,099**	**26,494**
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	25,957,328	8,545,115	349,809	-	-	-
16a. Other monetary financial liabilities	-	-	-	-	-	-
16b. Non-monetary financial liabilities	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**25,957,328**	**8,545,115**	**349,809**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**115,624,836**	**21,235,502**	**16,940,808**	**12,124**	**1,099**	**26,494**
19. Off-balance sheet derivative instruments net position (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19a. Derivative assets	-	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-	-
20. Net foreign currency position (9-18+19)	**(98,725,971)**	**(17,924,659)**	**(14,658,878)**	**(7,807)**	**891**	**(26,494)**
21. Net foreign currency position of monetary items (l+2a+5+6a-10-ll-12a-14-15-16a)	**(107,203,977)**	**(19,864,590)**	**(15,551,706)**	**(7,807)**	**795**	**(26,494)**
22. Fair value of derivative instruments held for hedging	**-**	**-**	**-**	**-**	**-**	**-**
23. Amount of hedged portion of Foreign exchange assets	**-**	**-**	**-**	**-**	**-**	**-**
24. Amount of hedged portion of Foreign exchange liabilities	**-**	**-**	**-**	**-**	**-**	**-**
25. Exports	**21,708,300**	**4,708,451**	**2,584,182**	**-**	**225,529**	**-**
26. Imports	**56,152,556**	**10,089,343**	**9,589,876**	**-**	**1,542**	**18,325**

As of December 31, 2016, and December 31, 2015, the Group's hedging ratio of total foreign currency liabilities arising from total imports is the coverage ratio of the exchange rate risk by means of a derivative instrument. There is no hedging ratio of total foreign currency liabilities, since the Group has no futures trading.

If there had been a 10-percent value change in the TL against the USD, Euro and other foreign currencies simultaneously; and if all other variables had remained the same as of December 31, 2016 and December 31, 2015; the net period profit/loss before tax as a result of net foreign exchange gains/losses arising from the assets and liabilities in these currencies, would have been;

TL 12,766,453 lower/higher as of December 31, 2016.

TL 9,872,597 lower/higher as of December 31, 2015.

Foreign currency sensitivity statement related to the Group is as follows:

	Foreign currency sensitivity statement			
	December 31, 2016 Profit/(Loss)		**December 31, 2015 Profit/(Loss)**	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	When USD gain/loss 10% value over:			
1- U.S. Dollar net asset/(liability) due to the resulting revenue/(expense)	(5,720,664)	5,720,664	(5,211,774)	5,211,774
2- Part of hedged from U.S. Dollar risk (-)	-	-	-	-
3- USD net effect (1+2)	**(5,720,664)**	**5,720,664**	**(5,211,774)**	**5,211,774**
	When EUR gain/loss 10% value over:			
4- Euro net asset/(liability) due to the resulting revenue/(expense)	(7,010,961)	7,010,961	(4,658,005)	4,658,005
5- Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	**(7,010,961)**	**7,010,961**	**(4,658,005)**	**4,658,005**
	When Other foreign currency gain/loss 10% value over:			
7- Other foreign currency net asset/(liability) due to the resulting revenue/(expense)	(34,828)	34,828	(2,818)	2,818
8- Part of hedged from other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**(34,828)**	**34,828**	**(2,818)**	**2,818**
Total (3+6+9)	**(12,766,453)**	**12,766,453**	**(9,872,597)**	**(9,872,597)**

E) Credit and collection risk management

The Group's credit and collection risk is essentially related to its trade receivables. The amount recognized in the consolidated balance sheet is the net value calculated after deducting the doubtful receivables estimated by the Group management based on its previous experiences and current economic circumstances. The Group's credit risk is distributed as it works with a number of customers.

Credit risk exposure based on type of financial instruments:

December 31, 2016	Receivables					
	Trade Receivables		Other Receivables			
	Related Party	Third Party	Related Party	Third Party	Bank Deposits	Other Current Assets
The maximum exposure to credit risk at the reporting date (A+B+C+D) (1)	**1,955,033**	**884,719,541**	-	**3,504,975**	**21,490,615**	**2,712,354**
The part of maximum risk under guarantee with collateral etc.	-	-	-	-	-	-
A. Financial assets that are neither past due nor impaired the carrying value of the net (2)	1,953,118	853,284,208	-	3,504,975	21,490,615	2,712,354
B. Net book value of assets past due but not impaired (5)	-	-	-	-	-	-
C. Net book value of impaired assets (3)	1,915	31,435,333	-	-	-	-
- Past due (gross carrying amount)	1,613,476	367,908,729	-	7,201,179	-	-
- Provision for impairment (-)	(1,611,561)	(336,473,396)	-	(7,201,179)	-	-
- Net value collateralized or guaranteed part	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Provision for impairment (-)	-	-	-	-	-	-
- Net value collateralized or guaranteed part	-	-	-	-	-	-
D. Off-balance sheet items with credit risk (4)	-	-	-	-	-	-

(1) In determining the amount, guarantee received and factors that increase in credit reliability are not considered.

(2) Past due or not impaired financial assets is not expected to be impaired and credit risk is not projected.

(3) Past due as of December 31, 2016 and impaied financial assets is as follows:

	Receivables	
	Past due amount	**Provision of doubtful receivables**
Past due 1-30 days	2,443,964	(244,397)
Past due 1-3 months	5,641,220	(2,427,288)
Past due 3-12 months	133,334,144	(107,310,395)
Past due 1-5 years	186,354,516	(186,354,516)
Past due longer than 5 years	48,949,540	(48,949,540)
Total	**376,723,384**	**(345,286,136)**
Guaranteed by collaterals etc.	-	-

To be considered doubtful receivables, there are different indicators, they are as follows; a) data related to uncollectible in prevoius years, b) the borrower's ability to pay, c) in the current sector and the current economic environment resulting in extreme conditions, d) Due to a weakening ability to collect the receivables, a provision is allocated for the entire amount of the receivables, which are subject to executive proceedings and are in the litigation stage.

(4) There are no guarantees or irrevocable credit commitments received from the companies under credit risk.

(5) There are no overdue financial assets that are not impaired.

December 31, 2015	Receivables					
	Trade Receivables		Other Receivables			
	Related Party	Third Party	Related Party	Third Party	Bank Deposits	Other Current Assets
The maximum exposure to credit risk at the reporting date (A+B+C+D) (1)	**3,546,717**	**932,468,515**	-	**4,439,512**	**23,676,026**	**4,000,028**
The part of maximum risk under guarantee with collateral etc.	-	-	-	-	-	-
A. Financial assets that are neither past due nor impaired the carrying value of the net (2)	3,546,717	899,912,956	-	4,439,512	23,676,026	4,000,028
B. Net book value of assets past due but not impaired (5)	-	-	-	-	-	-
C. Net book value of impaired assets (3)	-	32,555,559	-	-	-	-
- Past due (gross carrying amount)	2,755,716	370,580,614	-	252,449	-	-
- Provision for impairment (-)	(2,755,716)	(338,025,055)	-	(252,449)	-	-
- Net value collateralized or guaranteed part	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Provision for impairment (-)	-	-	-	-	-	-
- Net value collateralized or guaranteed part	-	-	-	-	-	-
D. Off-balance sheet items with credit risk (4)	-	-	-	-	-	-

(1) In determining the amount, guarantee received and factors that increase in credit reliability are not considered.

(2) Past due or not impaired financial assets is not expected to be impaired and credit risk is not projected.

(3) Past due as of December 31, 2015 and impaied financial assets is as follows:

	Receivables	
	Past due amount	**Provision of doubtful receivables**
Past due 1-30 days	3,097,400	(309,740)
Past due 1-3 months	23,429,336	(10,400,268)
Past due 3-12 months	114,629,180	(97,890,349)
Past due 1-5 years	189,416,575	(189,416,575)
Past due longer than 5 years	43,016,288	(43,016,288)
Total	**373,588,779**	**(341,033,220)**
Guaranteed by collaterals etc.	-	-

To be considered doubtful receivables, there are different indicators, they are as follows; a) data related to uncollectible in prevoius years, b) the borrower's ability to pay, c) in the current sector and the current economic environment resulting in extreme conditions, d) Due to a weakening ability to collect the receivables, a provision is allocated for the entire amount of the receivables, which are subject to executive proceedings and are in the litigation stage.

(4) There are no guarantees or irrevocable credit commitments received from the companies under credit risk.

(5) There are no overdue financial assets that are not impaired.

F) Liquidity Risk Management

The ability to fund the Company's existing and prospective debt requirements is managed by maintaining the availability of adequate funding lines, primarily from banks.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2016 and December 31, 2015 based on contractual undiscounted payments (including interest payments not due yet).

	December 31, 2016				
Maturities per contract	**Book value**	**Total cash outflows per contract**	**Less than 3 months**	**3-12 months**	**1-5 years**
Non-derivative financial liabilities	**542,314,084**	**594,885,505**	**184,908,803**	**244,707,113**	**165,269,589**
Bank loans	264,442,360	266,596,001	91,378,569	88,725,216	86,492,216
Finance lease	9,308,578	10,351,066	216,544	1,100,852	9,033,670
Trade payables	178,985,965	221,155,795	58,402,250	134,735,939	28,017,606
Other payables and liabilities	89,577,181	96,782,643	34,911,440	20,145,106	41,726,097

	December 31, 2015				
Maturities per contract	**Book value**	**Total cash outflows per contract**	**Less than 3 months**	**3-12 months**	**1-5 years**
Non-derivative financial liabilities	**605,016,712**	**670,226,212**	**152,521,731**	**340,225,514**	**177,478,966**
Bank loans	275,489,053	282,573,811	60,909,833	99,878,360	121,785,618
Finance lease	11,186,774	13,322,731	723,161	1,197,193	11,402,377
Trade payables	238,343,086	293,087,852	76,537,500	193,122,944	23,427,408
Other payables and liabilities	79,997,799	81,241,818	14,351,237	46,027,017	20,863,563

G) Financial Hedging Accounting

The Group does not engage in forward, future, option and swap transactions to hedge its foreign currency and/or interest rate (fixed and variable) risk by buying and selling derivatives.

Note 40 – Financial Instruments (Disclosures about Fair Value and Hedging Accounting)

According to TAS 39 "Financial Instruments: Recognition and Measurement", financial assets are classified into four groups and financial liabilities are classified into two groups. Financial assets include loans, receivables and assets for sales items where fair value differences are reflected in the income statement. On the other hand, financial liabilities are classified into two groups: those with fair value differences reflected in the income statement and those classified as other financial liabilities.

The following are the values and classification of financial assets and liabilities as of December 31, 2016 and December 31, 2015:

December 31, 2016	**Financial asset as at fair value through profit or loss**	**Held-to-maturity investments**	**Loans and receivables**	**Available-for-sale financial assets**	**Other financial liabilities measured at amortized cost using the effective interest method**	**Note**
Financial Assets						
Cash and cash equivalents	12,493,409	11,709,560	-	-	-	6
Financial investments	-	-	-	914,306	-	7
Trade receivables	-	-	886,674,574	-	-	10
Other receivables	-	-	3,504,975	-	-	11
Financial Liabilities						
Financial Borrowings	-	-	-	-	273,750,937	8
Trade payables	-	-	-	-	178,985,966	10
Other payables	-	-	-	-	3,466,247	11

December 31, 2015	Financial asset as at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities measured at amortized cost using the effective interest method	Note
Financial Assets						
Cash and cash equivalents	18,827,054	8,849,001	-	-	-	6
Financial investments	4,171,871	-	-	3,241,365	-	7
Trade receivables	-	-	936,015,232	-	-	10
Other receivables	-	-	4,439,512	-	-	11
Financial Liabilities						
Financial Borrowings	-	-	-	-	286,675,829	8
Trade payables	-	-	-	-	238,343,088	10
Other payables	-	-	-	-	8,409,194	11

Fair value measurements of financial assets and liabilities are explained at the relevant accounting policies section, and there is no events that require additional valuation process. Book value of cash and cash equivalents is considered to be close to fair value.

The Group recognizes the fair value of financial instruments carried at fair value in the consolidated financial statements according to the source of each class of financial instruments classified using a three level hierarchy.

Level 1: quoted prices for similar instruments

Level 2: directly observable market inputs other than Level 1 inputs

Level 3: inputs not based on observable market data

Note 41 – Subsequent Events

a) Approval of consolidated financial statements

The consolidated financial statements as of December 31, 2016 have been approved by the Board of Directors and are endorsed to be issued on March 13, 2017. The General Assembly has the right to change the consolidated financial statements.

Note 42 – Other Items to Clarify and Explain the Financial Statements and Matters that Significantly Affect the Financial Statements

a) Explanations Regarding Ongoing Construction Projects

The Group has developed a construction project (KRİSTALŞEHİR) with İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş., the Group company, on a 142,796.98 m² area in Esenyurt, Istanbul. The project consists of 18 blocks and social facilities, as well as 4,655 residences and 82 office spaces. An area of 638,454.48 m² will be constructed in total, which includes the communal areas.

The Group undertook the project on a 36,675.89 m² portion of the site, on an apartment-for-land basis. Of the project, 28,75%, in other words, 322 residences and 6 office spaces, shall be handed over by the Group to the Esenyurt Municipality in return for land. The Group gets 798 apartments from this section. The construction of these apartments have been completed.

İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş., the Group company, will build on an apartment-for-land basis on the remaining 106,121.09 m² part of the project. Of the project built by İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş., 1,123 residences and 23 office spaces will be given to the land owners on a apartment-for-land basis. İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş. will get 2,412 apartments and 53 business spaces from this part of the project. As of December 31, 2016, nearly 91% of the project that the company is building has been completed.

Out of the Group's total apartments, 2,938 units and 46 business units, or 91,5%, have been sold against advance payment. Invoicing for these units will be performed during delivery and upon completion of the projects. Due to Esenyurt Municipality, Turrkish Electricity Administration (TEK), and Istanbul Water and Sewerage Administration (ISKI) the completion date for this section has been extended. This part of the project is planned for completion by the end of 2017.

İhlas Yapı Turizm ve Sağlık A.Ş., the Group company, has developed the "BİZİMEVLER - 7 METRO" project in the Ispartakule district, Avcılar, Istanbul. The Group has entered into an agreement with the land owner based on 41% revenue sharing model. İhlas Yapı Turizm ve Sağlık A.Ş. has transferred this project to another company that was founded as Bizimevler 7 Ordinary Partnership to develop the project based on revenue sharing model, with 45% of the revenues going to the Group. A total of 532 units and 48 business units will be built in the project with completion slated for December 31, 2017. As of December 31, 2016, the project was 69% completed; 48% of the total apartments, or 265 units and 14 business units, have been sold with advance payment. Invoicing for these units will be performed during delivery and upon completion of the projects.

At the meeting of the Board of Directors of the Group, it was resolved to build 450 apart units, one cure center and one administration building on a 62,775 m² area registered as an asset for the Group on block 548 parcel 2 in Armutlu district of Yalova. The Group has entered into an agreement with Armutlu Tatil Köyü Ordinary Partnership to have a project developed based on the "revenue sharing" model. Accordingly, 25% of the revenues from the 450 apart-units will go to the Group and the remaining 75% to the contractor as construction building fee.

Also, the Group will get the administration building and the cure center building at the construction, which is slated for complete in 24 months. As of the balance sheet date, nearly 62% of the project has been developed and 240 units have been sold against advance payment. Invoicing for these units will be performed during delivery and upon completion of the projects.

İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Ordinary Partnership, the Group company, have signed a revenue sharing and apartment-for-land construction agreement with the land owners to develop a project on a 92,293 m² land registered on block 498, parcel 1 in the Güzelce neighborhood of Büyükçekmece district in Istanbul. It is planned to start construction in 2017 by obtaining necessary permits from the official institutions.

Pursuant to Law No. 6306, İhlas Yapı Turizm ve Sağlık A.Ş. (İhlas Yapı), a Group company, commenced work to develop and build the urban transformation project on a 988,000 m² area, which includes Karayolları and Yenimahalle of the Gaziosmanpaşa district of Istanbul. In this context, İhlas Yapı signed a contract with Gaziosmanpaşa İnşaat Yatırım Taahhüt Hizmetleri Sanayi ve Ticaret A.Ş., a subsidiary of Gaziosmanpaşa Municipality, and paid the USD 3,000,000 needed to enter the agreement into force. The relevant municipality and municipal company will make the necessary agreements with rights holders, and hand over the empty area over to İhlas Yapı. As a result of the studies to be developed for this project, the Group will leave a maximum of 40% of the construction to the right holders and the municipal company. The construction of the remaining 60% will be evaluated by İhlas Yapı.Taking the size of the specified area into account, İhlas Yapı will carry out the project in phases that it will determine.

b) For periods of January 1-December 31, 2016 and January 1-December 31, 2015, the creditors of İhlas Finans Kurumu A.Ş. in Liquidation, the Group company, received transfer of deeds with sales of goods, sales of services, cash payments etc.

	Total Transfer of Deeds	
	January 1-December 31, 2016	**January 1-December 31, 2015**
İhlas Pazarlama A.Ş.	583,087	1,455,412
Total	**583,087**	**1,455,412**