

**Çalık Holding Anonim Şirketi  
and its Subsidiaries**

Consolidated Financial Statements  
As at and for the Year Ended  
31 December 2016  
With Independent Auditor's Report

13 March 2017

This report includes 2 pages of independent auditor's report and 131 pages of consolidated financial statements together with their explanatory notes.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

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### Independent Auditor's Report

To the Board of Directors of Çalık Holding Anonim Şirketi

We have audited the accompanying consolidated financial statements of Çalık Holding Anonim Şirketi and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Independent Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Çalık Holding Anonim Şirketi and its subsidiaries as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards.

#### **Reports on other legal and regulatory requirements**

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that for the period between 1 January-31 December 2016, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Çalık Holding Anonim Şirketi's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member of KPMG International Cooperative

Hakan Ölekli  
Partner

13 March 2017  
Istanbul, Turkey

# Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2016

## Consolidated Statement of Financial Position

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

Assets	Notes	31 December 2016	31 December 2015
<b>Current assets</b>			
Cash and cash equivalents	8	1.769.640	1.058.907
Financial investments	9	2.994.986	2.434.688
Trade receivables	10	4.085.415	2.852.360
<i>Due from related parties</i>	7	118.294	14.545
<i>Due from third parties</i>		3.967.121	2.837.815
Receivables related to finance sector operations	11	3.740.060	2.532.693
<i>Due from related parties</i>	7	365.152	--
<i>Due from third parties</i>		3.374.908	2.532.693
Other receivables	12	549.549	568.972
<i>Due from related parties</i>	7	156.493	89.881
<i>Due from third parties</i>		393.056	479.091
Inventories	13	1.771.503	1.208.739
Derivatives	22	12.211	7.812
Prepayments	14	555.244	413.849
Current tax assets	26	13.763	11.844
Other current assets	19	2.071.821	1.601.466
<b>Subtotal</b>		<b>17.564.192</b>	<b>12.691.330</b>
Assets held for sale	5	194.383	189.094
<b>Total current assets</b>		<b>17.758.575</b>	<b>12.880.424</b>
<b>Non- current assets</b>			
Trade receivables	10	1.207.116	530.513
<i>Due from third parties</i>		1.207.116	530.513
Receivables related to finance sector operations	11	4.217.376	3.351.155
<i>Due from third parties</i>		4.217.376	3.351.155
Other receivables	12	199.566	66.626
<i>Due from third parties</i>		199.566	66.626
Financial investments	9	2.671.126	2.156.424
Investments in equity-accounted investees	15	313.834	233.293
Investment property	18	542.191	413.434
Property, plant and equipment	16	2.071.268	1.529.762
Intangible assets	17	659.026	609.941
<i>Goodwill</i>		3.796	3.796
<i>Other intangible assets</i>		655.230	606.145
Prepayments	14	110.007	182.500
Deferred tax assets	26	102.663	150.452
<b>Total non-current assets</b>		<b>12.094.173</b>	<b>9.224.100</b>
<b>Total assets</b>		<b>29.852.748</b>	<b>22.104.524</b>

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

# Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2016

## Consolidated Statement of Financial Position (*continued*)

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

Liabilities	Notes	31 December 2016	31 December 2015
<b>Short term liabilities</b>			
Short term loans and borrowings	21	6.569.690	5.642.946
Short term portion of long term loans and borrowings	21	1.037.515	431.084
Derivatives	22	13.755	12.851
Trade payables	10	1.902.448	1.369.944
<i>Due to related parties</i>	7	9.222	16.028
<i>Due to third parties</i>		1.893.226	1.353.916
Payables related to finance sector operations	11	10.055.751	7.205.222
<i>Due to related parties</i>	7	2.396	--
<i>Due to third parties</i>		10.053.355	7.205.222
Payables related to employee benefits	23	31.645	19.107
Other payables	12	78.538	65.012
<i>Due to related parties</i>	7	1.388	822
<i>Due to third parties</i>		77.150	64.190
Deferred revenue	14	2.304.611	1.479.171
Current tax liabilities	26	35.683	20.471
Short term provisions	24	89.670	69.443
<i>Short term employee benefits</i>	24	44.848	28.876
<i>Other short term provisions</i>	24	44.822	40.567
Other short term liabilities	19	220.847	197.952
Liabilities from equity accounted investees	15	--	58.666
<b>Subtotal</b>		<b>22.340.153</b>	<b>16.571.869</b>
Liabilities held for sale	5	9.455	7.948
<b>Total short term liabilities</b>		<b>22.349.608</b>	<b>16.579.817</b>
<b>Long term liabilities</b>			
Long term loans and borrowings	21	1.352.387	1.200.681
Trade payables	10	67.907	83.974
<i>Due to third parties</i>		67.907	83.974
Payables related to finance sector operations	11	1.058.123	836.269
<i>Due to third parties</i>		1.058.123	836.269
Other payables	12	164.889	138.436
<i>Due to third parties</i>		164.889	138.436
Deferred revenue	14	1.119.772	972.288
Long term provisions	24	41.074	31.413
<i>Long term employee benefits</i>	24	39.976	31.413
<i>Other long term provisions</i>	24	1.098	--
Deferred tax liabilities	26	194.773	137.512
Other long term liabilities		53.171	4.089
<b>Total long term liabilities</b>		<b>4.052.096</b>	<b>3.404.662</b>
<b>Total liabilities</b>		<b>26.401.704</b>	<b>19.984.479</b>

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

## Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2016

### Consolidated Statement of Financial Position (*continued*)

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

	Notes	31 December 2016	31 December 2015
<b>Equity</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	27	400.000	400.000
Adjustment to share capital		6.400	6.400
Other comprehensive income that is or may be reclassified to profit or loss		885.400	222.754
Restricted reserves	27	1.082.637	597.774
Retained earnings		266.582	499.028
Profit for the year		629.772	255.770
<b>Total equity attributable to the owners of the Company</b>		<b>3.270.791</b>	<b>1.981.726</b>
<b>Total non-controlling interests</b>	27	<b>180.253</b>	<b>138.319</b>
<b>Total equity</b>		<b>3.451.044</b>	<b>2.120.045</b>
<b>Total equity and liabilities</b>		<b>29.852.748</b>	<b>22.104.524</b>

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

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2016

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

<b>PROFIT OR LOSS</b>	<b>Notes</b>	<b>2016</b>	<b>2015</b>
Revenue	28	7.735.207	6.433.766
Cost of sales	28	(5.748.493)	(5.064.367)
<b>Gross profit from non-finance sector operations</b>	<b>28</b>	<b>1.986.714</b>	<b>1.369.399</b>
Revenue from finance sector operations	28	1.091.524	812.803
Cost of revenues from finance sector operations	28	(433.247)	(330.243)
<b>Gross profit from finance sector operations</b>	<b>28</b>	<b>658.277</b>	<b>482.560</b>
<b>Gross profit</b>	<b>28</b>	<b>2.644.991</b>	<b>1.851.959</b>
Other income from operating activities	30	906.816	608.308
General and administrative expenses	29	(764.398)	(651.680)
Selling, marketing and distribution expenses	29	(243.047)	(299.918)
Research and development expenses	29	(24.153)	(24.214)
Share of profit of equity accounted investees	15	52.951	3.715
Other expenses from operating activities	30	(383.705)	(211.034)
<b>Operating profit</b>		<b>2.189.456</b>	<b>1.277.136</b>
Gain from investing activities	31	114.798	101.316
Loss from investing activities	31	(8.709)	(29.489)
<b>Operating profit before finance costs</b>		<b>2.295.545</b>	<b>1.348.963</b>
Finance income	32	30.479	13.446
Finance costs	32	(1.417.755)	(1.041.856)
<b>Net finance costs</b>		<b>(1.387.276)</b>	<b>(1.028.410)</b>
<b>Profit before tax from continuing operations</b>		<b>908.269</b>	<b>320.553</b>
Current tax expense	26	(135.881)	(106.576)
Deferred tax benefit/(expense)	26	(107.363)	49.811
<b>Total tax expense</b>		<b>(243.244)</b>	<b>(56.765)</b>
<b>Profit for the year</b>		<b>665.025</b>	<b>263.788</b>

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



**Çalık Holding Anonim Şirketi and its Subsidiaries****Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the Year Ended 31 December 2016 (*continued*)***(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

<b>OTHER COMPREHENSIVE INCOME</b>	<b>Notes</b>	<b>2016</b>	<b>2015</b>
<b>Profit for the year</b>		<b>665.025</b>	<b>263.788</b>
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign currency translation differences for foreign operations and reporting currency translation differences		689.007	190.628
Change in fair value of available-for-sale financial assets	9	(2.027)	(20.442)
Deferred tax benefit/(expense)	26	276	4.956
<b>Total other comprehensive income</b>		<b>687.256</b>	<b>175.142</b>
<b>Total comprehensive income</b>		<b>1.352.281</b>	<b>438.930</b>
<b>Net profit attributable to:</b>			
Owners of the Company		629.772	255.770
Non-controlling interests		35.253	8.018
<b>Net profit for the year</b>		<b>665.025</b>	<b>263.788</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		1.292.418	419.018
Non-controlling interests		59.863	19.912
<b>Total other comprehensive income</b>		<b>1.352.281</b>	<b>438.930</b>

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

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2016

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

	Attributable to owners of the Company									
			Restricted reserves	Accumulated other comprehensive income/(expense) that may be reclassified to profit or loss		Retained earnings/ (accumulated losses)				
	Paid-in capital	Adjustment to share capital	Legal reserves	Fair value reserve of financial assets available-for-sale	Translation reserve	Retained earnings/ (accumulated losses)	Profit for the year	Total	Non-controlling interests	Total equity
<b>Balances at 1 January 2015</b>	<b>400.000</b>	<b>6.400</b>	<b>278.012</b>	<b>(2.228)</b>	<b>62.929</b>	<b>(334.056)</b>	<b>808.675</b>	<b>1.219.732</b>	<b>88.846</b>	<b>1.308.578</b>
<b>Total comprehensive income for the period</b>										
Profit for the period	--	--	--	--	--	--	255.770	255.770	8.018	263.788
<b>Other comprehensive income</b>										
Net fair value change in financial assets available-for-sale	--	--	--	(15.486)	--	--	--	(15.486)	--	(15.486)
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	178.734	--	--	178.734	11.894	190.628
Total other comprehensive income	--	--	--	(15.486)	178.734	--	--	163.248	11.894	175.142
<b>Total comprehensive income/(loss) for the period</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(15.486)</b>	<b>178.734</b>	<b>--</b>	<b>255.770</b>	<b>419.018</b>	<b>19.912</b>	<b>438.930</b>
<b>Transactions with owners, recorded directly in equity</b>										
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	(5.320)	--	(1.195)	349.491	--	342.976	31.191	374.167
Dividend distribution to non-controlling interests	--	--	--	--	--	--	--	--	(1.707)	(1.707)
Acquisition of subsidiary with non-controlling interests	--	--	--	--	--	--	--	--	77	77
Transfers	--	--	325.082	--	--	483.593	(808.675)	--	--	--
<b>Total transactions with owners</b>	<b>--</b>	<b>--</b>	<b>319.762</b>	<b>--</b>	<b>(1.195)</b>	<b>833.084</b>	<b>(808.675)</b>	<b>342.976</b>	<b>29.561</b>	<b>372.537</b>
<b>Balances at 31 December 2015</b>	<b>400.000</b>	<b>6.400</b>	<b>597.774</b>	<b>(17.714)</b>	<b>240.468</b>	<b>499.028</b>	<b>255.770</b>	<b>1.981.726</b>	<b>138.319</b>	<b>2.120.045</b>
<b>Balances at 1 January 2016</b>	<b>400.000</b>	<b>6.400</b>	<b>597.774</b>	<b>(17.714)</b>	<b>240.468</b>	<b>499.028</b>	<b>255.770</b>	<b>1.981.726</b>	<b>138.319</b>	<b>2.120.045</b>
<b>Total comprehensive income for the period</b>										
Profit for the period	--	--	--	--	--	--	629.772	629.772	35.253	665.025
<b>Other comprehensive income</b>										
Net fair value change in financial assets available-for-sale	--	--	--	(1.751)	--	--	--	(1.751)	--	(1.751)
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	664.397	--	--	664.397	24.610	689.007
Total other comprehensive income	--	--	--	(1.751)	664.397	--	--	662.646	24.610	687.256
<b>Total comprehensive income/(loss) for the period</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(1.751)</b>	<b>664.397</b>	<b>--</b>	<b>629.772</b>	<b>1.292.418</b>	<b>59.863</b>	<b>1.352.281</b>
<b>Transactions with owners, recorded directly in equity</b>										
Change in non-controlling interest in consolidated subsidiaries without change in control	--	--	--	--	--	(3.139)	--	(3.139)	(8.336)	(11.475)
Disposal of interests in consolidated subsidiaries resulting loss of control	--	--	(267)	--	--	267	--	--	(19.141)	(19.141)
Formation of subsidiary with non controlling interest	--	--	--	--	--	--	--	--	2.540	2.540
Contribution to capital increase by non-controlling interests in subsidiaries with non-controlling share	--	--	--	--	--	--	--	--	6.921	6.921
Effect of liquidated subsidiary with non-controlling interest	--	--	(214)	--	--	--	--	(214)	87	(127)
Transfers	--	--	485.344	--	--	(229.574)	(255.770)	--	--	--
<b>Total transactions with owners</b>	<b>--</b>	<b>--</b>	<b>484.863</b>	<b>--</b>	<b>--</b>	<b>(232.446)</b>	<b>(255.770)</b>	<b>(3.353)</b>	<b>(17.929)</b>	<b>(21.282)</b>
<b>Balances at 31 December 2016</b>	<b>400.000</b>	<b>6.400</b>	<b>1.082.637</b>	<b>(19.465)</b>	<b>904.865</b>	<b>266.582</b>	<b>629.772</b>	<b>3.270.791</b>	<b>180.253</b>	<b>3.451.044</b>

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

**Çalık Holding Anonim Şirketi and its Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

	Notes	2016	2015
<b>A.CASH FLOWS USED IN OPERATING ACTIVITIES</b>		<b>506.029</b>	<b>(362.743)</b>
<b>Profit for the period</b>		665.025	263.788
<b>Adjustments to reconcile cash flow generated from operating activities:</b>		<b>9.429</b>	<b>(336.208)</b>
Adjustments for depreciation and amortisation	16,17	243.373	163.004
Loss/gain on sale of derivative financial instruments	31	(9.359)	18.511
Adjustments for fair value (gains) / loss of financial investments	9	(63.708)	(95.693)
Adjustments for provision for doubtful receivables	10,12	52.029	21.400
Adjustments for fair value gain of investment property	18	(54.612)	(42.037)
Adjustments for inventory impairment, net	13	(564)	854
Adjustments for provision for long term employee benefits	24	15.024	7.008
Adjustments for provisions for loan impairment	11	86.666	52.857
Adjustments for provisions, net	24	14.498	9.260
Adjustments for vacation pay liability	24	3.081	4.093
Adjustments for share of (profit)/ loss of equity accounted investees	15	(52.951)	(3.715)
Gain on sale of share, Investments in equity accounted investees	31	(24.995)	--
Adjustments for interest income and expenses		(212.509)	(178.680)
Gain on sale of shares in the consolidated subsidiaries of resulting in loss of subsidiary control	31	(3.013)	--
Adjustments for fair value changes of the service concession receivables	30	(150.360)	(100.969)
Rediscount interest (gain) / losses, net	30	11.918	(67.402)
Unrealized foreign currency (income) / loss		(90.038)	(187.319)
Adjustments for tax expense	26	243.244	56.765
Adjustments for the gains and losses on sales of property, plant and equipment, net	31	1.705	5.855
<b>Changes in working capital</b>		<b>(586.872)</b>	<b>(762.230)</b>
Adjustments for change in inventories		(598.289)	(172.497)
Adjustments for change in trade receivables		(1.879.047)	(774.777)
Adjustments for change in payables related to employee benefits		12.597	6.219
Adjustments for change in other receivables, other current assets and other non-current assets related with operating activities		(611.265)	(632.164)
Adjustments for change in assets held for sale		(5.289)	(18.022)
Adjustments for change in liabilities held for sale		1.507	415
Adjustments for change in receivables from finance sector operations		(2.179.309)	(1.611.984)
Adjustments for change in payables from finance sector operations		3.072.383	1.801.214
Change in restricted cash and cash equivalents		22.990	(25.875)
Adjustments for change in trade payables		561.313	489.971
Adjustments for change in prepayments		(107.605)	(272.969)
Adjustments for change in deferred income		983.292	679.197
Adjustments for change in other payables and other liabilities related with operating activities		139.850	(230.958)

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

**Çalık Holding Anonim Şirketi and its Subsidiaries**  
**Consolidated Statement of Cash Flows (*continued*)**  
**For the Year Ended 31 December 2016**

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

<b>Cash flows used in operating activities</b>		<b>418.447</b>	<b>471.907</b>
Employee termination indemnity paid	24	(3.664)	(8.658)
Recoveries from receivables from finance operations	11	19.055	38.746
Interest received with financial sector activities		975.997	817.580
Interest paid on financial sector activities		(388.396)	(304.851)
Acquisition of investment property	18	(74.145)	(13.449)
Collection from doubtful receivables	10	12.188	47.110
Taxes paid	26	(122.588)	(104.571)
<b>B. CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(1.121.077)</b>	<b>(312.694)</b>
Proceeds from sales of property and equipment and intangible assets	16,17	6.620	33.253
Dividend received from equity accounted investees	15	756	600
Proceeds from disposal of held to maturity financial investments	9	703.039	494.446
Cash inflows from sales of subsidiary, net	4	7.534	--
Formation and capital contribution of share capital of equity accounted investees	15	(31.851)	(39.492)
Acquisition of non-controlling interests in entities under common control		9.461	--
Proceeds from sale of interest in subsidiaries without change in control		--	374.168
Purchase of non-controlling interests		(11.475)	--
Contribution to the capital increase in investments at fair value through profit or loss	9	(62.405)	--
Proceeds from sale of shares in equity accounted investees		3.401	--
Proceeds from / (repayment of ) derivative financial instruments		9.071	(14.960)
Proceeds from available for sale financial investments	9	1.934.849	586.120
Acquisition of held to maturity financial investments	9	(499.710)	(285.876)
Acquisition of available for sale financial investments	9	(2.513.116)	(980.651)
Acquisition of property, plant and equipment	16	(565.583)	(388.610)
Acquisition of intangible assets	17	(111.668)	(91.692)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1.348.771</b>	<b>883.773</b>
Proceeds from /(payments of) the funding of related parties	7,12	(566)	42.543
Dividend payment		--	(1.707)
Proceeds from / (repayment of ) loans and borrowings, net		1.724.429	1.176.986
Interest paid		(375.092)	(334.049)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>733.723</b>	<b>208.336</b>
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD</b>		<b>976.012</b>	<b>767.676</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)</b>	<b>8</b>	<b>1.709.735</b>	<b>976.012</b>

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

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### Notes to Consolidated Financial Statements

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# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

### 1 Reporting entity

Çalık Holding Anonim Şirketi ("Çalık Holding" or "the Company") was established in 1997 and the Company's main operations are to manage and coordinate the activities of its subsidiaries operating in different industries, including textile, energy, telecommunication, construction, real estate, investment, marketing, banking and finance, and to make investments in these industries.

Çalık Holding was established at its registered office address, Büyükdere Caddesi No:163 Zincirlikuyu İstanbul/Türkiye, on 20 March 1997.

As of 31 December 2016, Çalık Holding has 82 (31 December 2015:76) subsidiaries ("the Subsidiaries"), 8 (31 December 2015:8) joint ventures ("the Joint Ventures"), 1 (31 December 2015: 1) joint operation ("the Joint Operation") and 12 (31 December 2015: 9) associates ("the Associates") (referred to as "the Group" or "Çalık Group" herein and after). The consolidated financial statements of the Group as at and for the year ended 31 December 2016 and 2015, comprises Çalık Holding and its subsidiaries and the Group's interest in associates and joint ventures and operations.

As at 31 December 2016, the number of employees of the Group is 21.063 (31 December 2015: 18.912).

As explained in more detail in Note 6, the Group operates mainly under six segments:

- Energy
- Construction
- Textile
- Marketing
- Telecommunication
- Banking and finance

The subsidiaries, the joint ventures, the joint operation and the associates included in the consolidation scope of Çalık Holding, their country of incorporation, nature of business and their respective operating segments are as follows:

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 1 Reporting entity (continued)

#### 1.1 Entities in energy segment

Company name	Type of partnership	Country
Adacami Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Aktif Doğalgaz Ticaret A.Ş.	Subsidiary	Turkey
Ant Enerji Sanayi ve Ticaret Limited Şirketi	Subsidiary	Turkey
Atagas Doğalgaz Ticaret A.Ş.	Joint venture	Turkey
Atayurt İnşaat A.Ş.	Subsidiary	Turkey
Atlas Petrol Gaz İthalat İhracat ve Pazarlama Ticaret A.Ş.	Subsidiary	Turkey
Ayas Rafineri ve Petrokimya Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Başak Yönetim Sistemleri A.Ş.	Subsidiary	Turkey
Çalık Diamond Solar Enerji A.Ş.	Subsidiary	Turkey
Çalık Elektrik Dağıtım A.Ş.	Subsidiary	Turkey
Çalık Energy AB (**)	Subsidiary	Sweden
Çalık Enerji Dubai FZE	Subsidiary	UAE – Dubai
Çalık Enerji Elektrik Üretim ve Madencilik A.Ş.	Subsidiary	Turkey
Çalık Enerji Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Çalık Gaz ve Petrol A.Ş.	Subsidiary	Turkey
Çalık Georgia LLC (**)	Subsidiary	Georgia
Çalık Limak Adi Ortaklığı	Joint venture	Turkey
Çalık NTF Elektrik Üretim ve Madencilik A.Ş.	Subsidiary	Turkey
Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi	Subsidiary	Turkey
Çedaş Elektrik Dağıtım Yatırımları A.Ş.	Subsidiary	Turkey
Çep Petrol Dağıtım Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Doğu Aras Enerji Yatırımları A.Ş.	Joint venture	Turkey
Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Hamerz Green Energy (**)	Subsidiary	Iran
İrmak Yönetim Sistemleri A.Ş.	Subsidiary	Turkey
İkideniz Petrol ve Gaz Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
JSC Calik Georgia Wind	Subsidiary	Georgia
Kızılırmak Enerji Elektrik A.Ş.	Subsidiary	Turkey
Kosova Çalık Limak Energy Sh.A.	Joint venture	Kosovo
LC Electricity Supply and Trading d.o.o.	Joint venture	Serbia
Mayestan Clean Energy (**)	Subsidiary	Iran
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Onyx Trading Innovation FZE (**)	Subsidiary	UAE – Dubai
Petrotrans Enerji A.Ş.	Subsidiary	Turkey
Sembol Enerji A.Ş.	Subsidiary	Turkey
TAPCO Petrol Boru Hattı Sanayi ve Ticaret A.Ş.	Associate	Turkey
Tasfiye Halinde Japan International Enerji Network A.Ş. (*)	Subsidiary	Turkey
Technovision Mühendislik Danışmanlık ve Dış Ticaret A.Ş.	Subsidiary	Turkey
Technological Energy N.V.	Subsidiary	The Netherlands
Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş.	Subsidiary	Turkey
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Yeşilirmak Elektrik Dağıtım A.Ş.	Subsidiary	Turkey
Yeşilirmak Elektrik Perakende Satış A.Ş.	Subsidiary	Turkey

(\*) This company is under liquidation

(\*\*) Çalık Energy AB, Çalık Georgia LLC and Hamerz Green Energy, Onyx Trading Innovation FZE and Mayestan Green Energy, the subsidiaries of the Group, are non-operating or in startup phase and are not consolidated due to the insignificance of their financial impact on the consolidated financial statements as of and for the six-month period ended on 31 December 2016..

# **Çalık Holding Anonim Şirketi and its Subsidiaries**

## **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

### **1 Reporting entity (continued)**

#### **1.1 Entities in energy segment (continued)**

As at 31 December 2016, liquidation processes of Tasfiye Halinde Ortur Elektrik Üretim ve Ticaret Limited Şirketi and Tasfiye Halinde Vadi Elektrik Üretim Sanayi ve Ticaret Limited Şirketi have been completed. The activities of the companies have been terminated.

##### **Adacami Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Adacami Enerji")**

Adacami Enerji was established in December 2009, for the purpose of renting and operating electricity facility and selling electricity.

##### **Aktif Doğalgaz Ticaret A.Ş. ("Aktif Doğalgaz")**

Aktif Doğalgaz was established in 1999, in Istanbul for the purpose of operating in gas distribution and trading.

##### **Ant Enerji Sanayi ve Ticaret Limited Şirketi ("Ant Enerji")**

Ant Enerji was established in 2006, in Istanbul for the purpose of marketing, selling and distribution of energy.

##### **Atagas Doğalgaz Ticaret A.Ş. ("Atagas Doğalgaz")**

Atagas Doğalgaz was founded in 2014 as a joint venture with a joint agreement between Aktif Doğalgaz and ASL Enerji Sanayi ve Ticaret A.Ş. ("ASL Enerji") with the participation of these two companies equally by 50%, for the purpose of exporting natural gas to be purchased from Turkmenistan, through Iran and wholesales in Turkey and/or re-exporting abroad.

##### **Atayurt İnşaat A.Ş. ("Atayurt İnşaat")**

Atayurt İnşaat was established in 2009 for the purpose of building and operating energy power plants and providing operational and maintenance services to power plants. Atayurt İnşaat has opened a branch in Tripoli, Libya in 2014.

##### **Atlas Petrol Gaz İthalat İhracat ve Pazarlama Ticaret A.Ş. ("Atlas Petrol")**

Atlas Petrol was established in 2008 for the purpose of importing, exporting, and distributing of all kinds of crude oil and building and operation necessary facility for the production.

##### **Ayas Rafineri ve Petrokimya Sanayi ve Ticaret A.Ş. ("Ayas Rafineri")**

Ayas Rafineri was established in 2010 for the purpose of installing petroleum refinery, petrochemistry facilities, additional facilities and all kind of auxiliary and complementary plants, buying and selling them, acquiring interest in these facilities, operating and expanding them when necessary.

##### **Başak Yönetim Sistemleri A.Ş. ("Başak Yönetim")**

Başak Yönetim was established in 2008 for the purpose of building and operating of electricity production facility and producing, selling and marketing of electricity with the name "Başak Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.". The former name of company, was changed on 11 April 2013 as "Başak Yönetim Sistemleri A.Ş.".

##### **Çalık Diamond Solar Enerji A.Ş. ("Çalık Solar Enerji")**

Çalık Solar Enerji was established in 2012 and main operation of the Çalık Solar Enerji is to develop and construct all kinds of solar energy power plants.

##### **Çalık Elektrik Dağıtım A.Ş. ("ÇEDAŞ")**

ÇEDAŞ was established in 2010 according to legislations of Energy Market Regulatory Authority to distribute and sale of electricity and to invest in companies operating in these businesses.

##### **Çalık Energy AB ("Çalık Energy AB")**

Çalık Energy AB was established in 2012, in Stockholm. As of the reporting date the company is non operating.



# **Çalık Holding Anonim Şirketi and its Subsidiaries**

## **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

### **1 Reporting entity (continued)**

#### **1.1 Entities in energy segment (continued)**

##### **Çalık Enerji Dubai FZE ("Çalık Enerji Dubai ")**

Çalık Enerji Dubai was incorporated in Jebel Ali Free Zone, Dubai and has a branch in Turkmenistan.

##### **Çalık Enerji Elektrik Üretim ve Madencilik A.Ş. ("Çalık Elektrik")**

Çalık Elektrik was established in 2004, in Istanbul for the purpose of building, operating and renting electricity power plants.

##### **Çalık Enerji Sanayi ve Ticaret A.Ş. ("Çalık Enerji")**

Çalık Enerji was established in 1998 to conduct the Group's activities in the energy sector and to engage in the operation, exploration and production of natural gas and petroleum resources, shipment and selling of these resources to the international areas. Çalık Enerji has five branches namely Çalık Enerji Turkmenistan, Çalık Enerji Georgia, Çalık Enerji Libya, Çalık Enerji Uzbekistan and Çalık Enerji Iraq.

##### **Çalık Gaz ve Petrol A.Ş. ("Çalık Gaz")**

Çalık Gaz; formerly known as Akçay Enerji A.Ş. was established in 2010 in Istanbul for the purpose of building, renting and setting electricity production facility into operation, producing electricity and selling produced electricity and/or electricity capacity to the customers.

##### **Çalık Georgia LLC ("Çalık Georgia")**

Çalık Georgia was established in 2015 in Tbilisi for the purpose of engineering, procurement, constructing ("EPC") of the hydroelectric power plant and trading the electricity produced in Georgia. As of reporting date, Çalık Georgia is non-operating.

##### **Çalık Limak Adi Ortaklığı**

Çalık Limak Adi Ortaklığı was established in 2013 as a joint venture of ÇEDAŞ and Limak Yatırım Enerji Üretim İşletme Hizmetleri ve İnşaat A.Ş. ("Limak Yatırım"), in Istanbul for the purpose of supplying all kind of technical equipments to Kosovo Electricity Distribution and Supply Company ISC fully owned by Kosovo Çalık Limak Energy which is also a joint venture of Çalık Enerji and Limak Yatırım.

##### **Çalık NTF Elektrik Üretim ve Madencilik A.Ş. ("Çalık NTF")**

Çalık NTF was established in 2006, in Istanbul for the purpose of establishing, operating and renting power generation plants.

##### **Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş. ("Çalık Petrol")**

Çalık Petrol was established in 2012 for natural gas and oil exploration, production, distribution, sale, transport and trading.

##### **Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi ("Çalık Rüzgar")**

Çalık Rüzgar was established in 1994 for the purpose of building and operating of electricity power plants, production, selling and marketing of electricity.

##### **Çedaş Elektrik Dağıtım Yatırımları A.Ş. ("ÇED")**

ÇED was founded in accordance with the energy market regulations for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, to provide consultancy services on technical, financial, information processing and human resources management issues and to make industrial and commercial investments through these companies.

# **Çalık Holding Anonim Şirketi and its Subsidiaries**

## **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

### **1 Reporting entity (continued)**

#### **1.1 Entities in energy segment (continued)**

##### **Çep Petrol Dağıtım Sanayi ve Ticaret A.Ş. (“ÇEP Petrol”)**

ÇEP Petrol was established in 2008 for the purpose of importing, exporting, distributing all kinds of crude oil and building and operating necessary facilities for the production.

##### **Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret A.Ş. (“Doğu Akdeniz Petrokimya”)**

Doğu Akdeniz Petrokimya (formerly known as Enerji Petrol Gaz İthalat Pazarlama Sanayi ve Ticaret A.Ş.) was established at the end of 2005 in Istanbul for the purpose of realising prospects for oil and natural gas, producing, importing and exporting and distribution of these products to other plants.

##### **Doğu Aras Enerji Yatırımları A.Ş. (“Doğu Aras”)**

Doğu Aras was founded in accordance with the energy market regulations as a joint venture with a joint agreement between ÇED and Kiler Alışveriş Hizmetleri Gıda Sanayi Ticaret A.Ş. (“Kiler Alışveriş”) on 5 May 2013 with the participation of these two companies by 49% and 51%, respectively, for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, providing consultancy services on technical, financial, information processing and human resources management issues and making industrial and commercial investments through this companies.

On 28 June 2013, Doğu Aras purchased all shares of Aras Elektrik Dağıtım A.Ş. (“EDAŞ”) and Aras Elektrik Perakende Satış A.Ş. (“EPAŞ”), which were previously state owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Erzinan, Ağrı, Bayburt and Erzurum, within the privatisation.

##### **Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş. (“Gap Elektrik”)**

Gap Elektrik was established in 1998 and has a 30-year license to operate electrical distribution systems in the cities of Malatya, Elazığ, Tunceli and Bingöl. As of the reporting date, Gap Elektrik is a non-operating.

##### **Hamerz Green Energy (“Hamerz”)**

Hamerz was established in Iran in 2016. The company has been established in order to carry out commercial and economic activities such as exporting and importing of all authorised products such as raw materials, industrial parts and tools. As of reporting date, Hamerz is non operating.

##### **Irmak Yönetim Sistemleri A.Ş. (“Irmak Yönetim”)**

Irmak Yönetim, formerly known as “Irmak Enerji Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş.”, was established in 2008 for the purpose of building and operating electricity production facility and producing, selling and marketing of electricity.

The name of Enerji Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. was changed on 11 April 2013 as “Irmak Yönetim Sistemleri A.Ş.”.

##### **İkideniz Petrol ve Gaz Sanayi ve Ticaret A.Ş. (“İkideniz Petrol”)**

İkideniz Petrol was established in 2008 for the purpose of importing, exporting, distributing, operating and production all kinds of crude oil. As of the reporting date, İkideniz Petrol is non operating.

##### **JSC Calik Georgia Wind (“JSC Georgia”)**

JSC Georgia was established in 2015 in Tbilisi for the purpose of developing energy infrastructure and sponsoring of development of solar and wind power plant projects through finance, construction and long term operating of power plants.

# **Çalık Holding Anonim Şirketi and its Subsidiaries**

## **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

### **1 Reporting entity (continued)**

#### **1.1 Entities in energy segment (continued)**

##### **Kızılırmak Enerji Elektrik A.Ş. ("Kızılırmak")**

Kızılırmak was established in 2005 in Istanbul for the purpose of importing, exporting, distributing and operating all kinds of natural gas, crude oil and derivatives of these products.

##### **Kosova Çalık Limak Energy SH.A ("KÇLE")**

KÇLE was established as a joint venture with a joint agreement between Çalık Enerji, ÇEDAŞ and Limak Yatırım on 17 September 2012 with the participation these three companies by 25%, 25% and 50%, respectively, in the share capital of KÇLE.

In 2015, shares of KÇLE representing 25% of all shares, held by ÇEDAŞ have been transferred to Çalık Enerji. On 8 May 2013, KÇLE purchased all shares of state-owned enterprise namely Kompania Per Distribuium Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement of electricity in Kosovo.

##### **LC Electricity Supply and Trading d.o.o ("LC Electricity")**

LC Electricity was founded in Serbia in 2014 as a joint venture with a joint agreement between Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. ("Türkmen Elektrik") and Limak Yatırım with the participation of these two companies equally by 50%. The purpose of LC Electricity is trading electricity and sales/purchases of goods and services as part of this operation.

##### **Mayestan Clean Energy ("Mayestan Clean Energy")**

Mayestan Clean Energy was established in Iran in 2016. The company has been established in order to carry out trade and economic activities such as import, export and import of all authorized commercial products such as raw materials, industrial parts and tools. As of reporting date, Mayestan Clean Energy is non operating.

##### **Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Momentum Enerji")**

Momentum Enerji was established in 2008 for the purpose of building and operating of electricity power plant, producing, selling and marketing of electricity.

##### **Onyx Trading Innovation FZE("Onyx Trading")**

Onyx Trading established in Dubai in 2016. As of reporting date, Onyx Trading is non operating.

##### **Petrotrans Enerji A.Ş. ("Petrotrans Enerji")**

Petrotrans Enerji was established in 2010 to operate necessary power plants for the purpose of importing, exporting and trade of crude oil, natural gas and derivatives of these products and distribution, purchasing and selling of natural gas, crude oil and products of natural gas and oil.

##### **Sembol Enerji A.Ş. ("Sembol Enerji")**

Sembol Enerji was established in 2010, in Istanbul for the purpose of building, renting and setting electricity production facilities into operation, producing electricity and selling produced electricity and/or electricity capacity to the customers.

##### **TAPCO Petrol Boru Hattı Sanayi ve Ticaret A.Ş. ("TAPCO")**

TAPCO was established in 2005, in Istanbul for the purpose of importing, exporting, distributing and operating all kinds of natural gas, crude oil and derivatives of these products.

# **Çalık Holding Anonim Şirketi and its Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

#### **1 Reporting entity (continued)**

##### **1.1 Entities in energy segment (continued)**

###### **Tasfiye Halinde Japan International Enerji Network A. Ş. (“Japan International”)**

Japan International was established in 2010 for the purpose of exploration and operation of solar power, wind power, geothermal power and other renewable energy resources, selling and marketing of electricity. Japan International is also engaged in processing and distribution of mineral ores. As of the reporting date, Japan International is in the liquidation process.

###### **Technovision Mühendislik, Danışmanlık ve Dış Ticaret A.Ş. (“Technovision”)**

Technovision was established in 1994, in Ankara to provide machinery and civil engineering and consulting services. 90% of the Technovision’s shares were acquired by Çalık Enerji in 2015 for the purpose of providing engineering and consultancy services to entities (See note 4.3).

###### **Technological Energy N.V. (“Technological Energy”)**

Technological Energy was established in 2016, in The Netherlands as of reporting date, Technological Energy is non-operating.

###### **Türkmen’in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. (“Türkmen Elektrik”)**

Türkmen Elektrik was established in 2000, in Istanbul for the purpose of distributing and selling electricity.

###### **Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. (“Yeşilçay Enerji”)**

Yeşilçay Enerji was established in 2008 for the purpose of building and operating of electricity power plant, producing, selling and marketing of electricity. Yeşilçay Enerji also engages in exploration and production of mineral ore.

###### **Yeşilirmak Elektrik Dağıtım A.Ş. (“YEDAŞ”)**

YEDAŞ was taken over by the Group in 2010 for 30 years with the scope of privatisation in order to distribute electricity energy in Samsun, Ordu, Amasya, Çorum and Sinop.

In accordance with the 3rd clause of 4628 numbered Energy Markets Code, electricity distribution companies must separate its distribution and retail operations from each other until 1 January 2013. In this regard, YEDAŞ that carried out the electricity distribution and retail sales operations in Samsun, Ordu, Amasya, Çorum and Sinop regions, unbundled its distribution and retail sales operations on 31 December 2012 and YEPAŞ started its operations on 1 January 2013.

###### **Yeşilirmak Elektrik Perakende Satış A.Ş. (“YEPAŞ”)**

In accordance with the 3rd clause of 4628 numbered Energy Markets Code, electricity distribution companies must separate its distribution and retail operations from each other until 1 January 2013. In this regard, YEDAŞ which was engaged in distribution and retail sale of electricity in Samsun, Ordu, Çorum, Amasya and Sinop regions, unbundled its distribution and retail operations on 31 December 2012. YEPAŞ was founded for retail sales of electricity and electricity related products by partial demerger of YEDAŞ as of 1 January 2013

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 1 Reporting entity (continued)

#### 1.2 Entities in construction segment

Company name	Type of partnership	Country
Çalık Emlak ve Gayrimenkul Yatırımları A.Ş.	Subsidiary	Turkey
Çalık İnşaat A.Ş.	Subsidiary	Turkey
Gap Construction A.B	Subsidiary	Sweden
Gap Construction Co.	Subsidiary	Libya
Gap Construction Investment and Foreign Trade LLC	Subsidiary	Qatar
Gap İnşaat Construction and Investment Co. Ltd.	Subsidiary	Sudan
Gap İnşaat Dubai FZE	Subsidiary	Dubai
Gap İnşaat Saudi Arabia Ltd.	Subsidiary	S. Arabia
Gap İnşaat Ukraine Ltd.	Subsidiary	Ukraine
Gap İnşaat Yatırım ve Dış Ticaret A.Ş.	Subsidiary	Turkey
Gapyapı İnşaat A.Ş.	Subsidiary	Turkey
Innovative Construction Technologies Trading FZE	Subsidiary	Dubai
Kentsel Dönüşüm İnşaat A.Ş.	Subsidiary	Turkey
Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları A.Ş.		
- Gap İnşaat Yatırım ve Dış Ticaret A.Ş. Ortak Girişimi	Joint operation	Turkey
White Construction N.V.	Subsidiary	The Netherlands

#### Çalık Emlak ve Gayrimenkul Yatırımları A.Ş. ("Çalık Emlak")

Çalık Gayrimenkul Ticaret A.Ş. and Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş., the formerly consolidated subsidiaries of the Group, were merged in 2015 and name of the merged company was changed as the Çalık Emlak. The purpose of Çalık Emlak is to participate or acquire the companies operating in selling and buying constructing, projecting, renting all kind of real estate property.

#### Gap İnşaat Yatırım ve Dış Ticaret A.Ş. ("Gap İnşaat")

Gap İnşaat was established in 1996 in Istanbul, Turkey in order to provide construction, contracting and decoration businesses both within Turkey and abroad. Gap İnşaat also operates in mining of all kinds of minerals, marble, lime, clay, coal and stone quarries and trading of stone cutter, spare parts and glazed ceramic tiles both within the country and abroad provided that the necessary permits are granted. Gap İnşaat has two branches in Turkmenistan and Iraq which are established to conduct several construction projects.

**Gap İnşaat Construction and Investment Co. Ltd, Gap İnşaat Saudi Arabia Ltd, Kentsel Dönüşüm İnşaat A.Ş., Gap Construction Co., Çalık İnşaat A.Ş, Gap Construction A.B, Gap Construction Investment and Foreign Trade LLC-Qatar, Gap İnşaat Dubai FZE (UAE), Gap İnşaat Ukraine Ltd. White Construction N.V. ve Innovative Construction Technologies Trading FZE.**

Subsidiaries of Gap İnşaat namely, Gap İnşaat Construction and Investment Co. Ltd, Gap İnşaat Saudi Arabia Ltd, Kentsel Dönüşüm İnşaat A.Ş., Gap Construction Co, Çalık İnşaat A.Ş., Gap Construction A.B, Gap Construction Investment and Foreign Trade LLC-Qatar, Gap İnşaat Dubai FZE, Gap İnşaat Ukraine Ltd. White Construction N.V. ve Innovative Construction Technologies Trading FZE were established for the purpose of engaging in construction projects in the countries where they operate.

#### Gapyapı İnşaat A.Ş. ("Gapyapı")

Gapyapı was founded in 2007 for the purpose of operating in construction, decoration businesses in Turkey and abroad, making research, feasibility, project designing, city planning, development planning, consultancy activities related with these businesses and also collaborating with other domestic, foreign companies dealing with same businesses whether domestic or foreign and private or governmental.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 1 Reporting entity (continued)

#### 1.2 Entities in construction segment (continued)

##### **Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları A.Ş.- Gap İnşaat Yatırım ve Dış Ticaret A.Ş. Ortak Girişimi (“Varyap-Gap Ortak Girişimi”)**

Varyap-Gap Ortak Girişimi was founded on 14 April 2010 for the purpose of construction of “Metropol Istanbul” project and sharing revenue equally of the real estate sales with a joint agreement signed between Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları Ticaret A.Ş. (“VARYAP”) and Gap İnşaat with a participation rate of 50% equally. VARYAP ultimately shares revenue with Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. and get 56.85% portion of the total sales proceeds as the land was provided by Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş.

#### 1.3 Entities in textile segment

Company names	Type of partnership	Country
Balkan Dokuma TGPJ	Associate	Turkmenistan
Çalık Alexandria For Readymade Garments	Subsidiary	Egypt
Çalık Denim Tekstil Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Gap Türkmen-Türkmenbaşı Jeans Kompleksi	Associate	Turkmenistan
Serdar Pamuk Egrigi Fabriği ÇJB	Associate	Turkmenistan
Türkmenbaşı Tekstil Kompleksi	Associate	Turkmenistan

##### **Balkan Dokuma TGPJ (“Balkan Dokuma”)**

Balkan Dokuma was established in 2000 for the purpose of manufacturing and marketing yarn.

##### **Çalık Alexandria For Readymade Garments (“Çalık Alexandria”)**

Çalık Alexandria was established in 2006 in Egypt for the purpose of engaging in the business of manufacturing and marketing ready wear, yarn and textures.

##### **Çalık Denim Tekstil Sanayi ve Ticaret A.Ş. (“Çalık Denim”)**

Çalık Denim, formerly known as Gap Güneydoğu Tekstil Sanayi ve Ticaret A.Ş., was established in 1987, in Turkey and conducts its production operation in Malatya Industrial Area. Çalık Denim has a branch, namely Gap Güneydoğu Mersin Free Zone that is engaged in the importing and exporting of textile products.

##### **Gap Türkmen -Türkmenbaşı Jeans Kompleksi (“TJK”)**

TJK was established as a joint venture of Çalık Denim and the Ministry of Textiles Industry of Turkmenistan in 1995 within the frame of Turkmenistan regulations for the purpose of yarn and denim fabric production and marketing. TJK has a denim fabric and jean factory and makes domestic and foreign sales to USA and European countries.

##### **Serdar Pamuk Egrigi Fabriği ÇJB (“Serdar Pamuk”) and Türkmenbaşı Tekstil Kompleksi (“TTK”)**

Serdar Pamuk and TTK were established in Turkmenistan for the purpose of producing denim fabric in textile industry.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 1 Reporting entity (continued)

#### 1.4 Entities in marketing segment

Company name	Type of partnership	Country
Gap Pazarlama A.Ş.	Subsidiary	Turkey
Gap Pazarlama FZE Jebel Ali Free Zone	Subsidiary	UAE – Dubai
Gappa Textile Inc.	Subsidiary	USA
Synergy Marketing N.V.	Subsidiary	The Netherlands

#### Gap Pazarlama A.Ş. (“Gap Pazarlama”)

Gap Pazarlama was established in 1994 in order to supply goods used in the production and the domestic or foreign projects carried out mainly by the Group and other non-group companies. Gap Pazarlama has a branch in Mersin Free Zone, which is engaged in the importation and exportation of textile products.

#### Gap Pazarlama FZE Jebel Ali Free Zone (“Gap Pazarlama FZE”)

Gap Pazarlama FZE was established in 2004 in United Arab Emirates (“UAE”) for the purpose of importing and exporting of trading goods.

#### Gappa Textile Inc.

Gappa Textile Inc. was established to operate in the international markets for selling of the home textiles and ready-to-wear garments.

#### Synergy Marketing N.V.

Synergy Marketing N.V. was established in 2016, in the Netherlands for the purpose to import and export of the trade goods.

#### 1.5 Entities in telecommunication segment

Company name	Type of partnership	Country
Albtelecom Sh.a.	Subsidiary	Albania
Cetel Çalık Enerji Telekomünikasyon Hizmetleri A.Ş.	Subsidiary	Turkey
Cetel Telekom İletişim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Teledem Telekom A.Ş.	Subsidiary	Turkey

As at 31 December 2016, liquidation processes of Tasfiye Halinde Yenikom Telekomünikasyon Hizmetleri A.Ş. have been completed. The activities of the companies have been terminated.

#### Albtelecom Sh.a. (“Albtelecom”)

Albtelecom was established in 1992 with a company name Albtelecom Telekom Sh.a. and transformed into a joint-stock company on 23 February 1999. Until 28 September 2007, Government of Albania as represented by the Ministry of Economy, Trade and Energy was the sole shareholder of the company. As of 28 September 2007, CT Telecom Sh.a, a former subsidiary of Cetel Telekom İletişim Sanayi ve Ticaret A.Ş. (“Cetel Telekom”) acquired 76% of the Albtelecom’s share capital. Albtelecom is the unique national operator providing wired telephone service in Albania. In 2013, CT Telecom Sh.a merged with Albtelecom under Albtelecom.

Albtelecom merged with its subsidiary Eagle Mobile Sh.a, which provides local, mobile and terrestrial communication services in Albania, on 1 February 2013.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 1 Reporting entity (continued)

#### 1.5 Entities in telecommunication segment (continued)

##### Cetel Çalık Enerji Telekomünikasyon Hizmetleri A.Ş. ("Cetel Çalık")

Cetel Çalık was established in 2004 in Istanbul for the purpose of providing various services in the fields of telecommunication, communication, press, and internet.

##### Cetel Telekom

Cetel Telekom was established in 2007 in Istanbul. The principal activities are telecommunication, multimedia, internet and data transportation.

##### Telemed Telekom A.Ş. ("Telemed")

Telemed was established in 2010 for the purpose of providing all kind of services in the fields of telecommunication, communication, media, internet, and voice and data communication.

#### 1.6 Entities in banking and finance segment

Company name	Type of partnership	Country
Aktif Yatırım Bankası A.Ş.	Subsidiary	Turkey
Albania Leasing Company	Associate	Albania
Banka Kombetare Tregtare Sh.a	Subsidiary	Albania
Çalık Finansal Hizmetler A.Ş.	Subsidiary	Turkey
Haliç Finansal Kiralama A.Ş.	Associate	Turkey
Kazakhstan Ijara Company KIC Leasing	Associate	Kazakhstan
Euro-Mediterranean Investment Company Limited	Associate	TRNC
Euroasian Leasing Company	Associate	Tatarstan-Russia
Mükafat Portföy Yönetimi A.Ş.	Subsidiary	Turkey
Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş.	Subsidiary	Turkey

##### Aktif Yatırım Bankası A.Ş. ("Aktifbank")

Aktifbank was founded as an investment and development bank in 1999 for the purpose of providing all kind of transactions related with investment, project finance and marketable securities and also to provide all kinds of investment banking services. However, Aktifbank is not authorised to accept deposits.

Name of Aktifbank was changed to "Aktif Yatırım Bankası A.Ş." from "Çalık Yatırım Bankası A.Ş." on 1 August 2008.

##### Albania Leasing Company ("Albania Leasing")

Main activity of Albania Leasing is financial leasing. As of the reporting date, Albania Leasing is non-operating.

##### Banka Kombetare Tregtare Sh.a ("BKT")

BKT was founded in 1998 by obtaining banking license and engages in banking activities in Albania.

##### Çalık Finansal Hizmetler A.Ş. ("Çalık Finansal Hizmetler")

Çalık Finansal Hizmetler was established in 2003 as Aktifbank's cooperation with Şekerbank T.A.Ş. and Çalık Holding for their projects of investing in domestic and foreign banks. In 2008, Çalık Holding acquired shares held by Şekerbank T.A.Ş..

##### Haliç Finansal Kiralama A.Ş. ("Haliç Leasing")

Haliç Leasing was established in 2004, in Turkey for the purpose of operating in financial leasing sector. 32% of the Haliç Leasing's shares were acquired by the Group on 11 October 2016.



# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 1 Reporting entity (continued)

#### 1.6 Entities in banking and finance segment (continued)

##### Kazakhstan Ijara Company KIC Leasing (“Kazakistn Ijara”)

Kazakhstan Ijara Company KIC Leasing was established in 2013, in Kazakhstan for the purpose of operating in financial leasing sector.

##### Euro-Mediterranean Investment Company Limited (“Euro-Mediterranean”)

Euro-Mediterranean was established in 2015 for the purpose of portfolio management in Northern Cyprus Turkish Republic.

##### Euroasian Leasing Company (“ELC”)

Euroasian Leasing Company was established in Tatarstan-Russia to provide leasing solutions to the SME sector in accordance with the Islamic principles.

##### Mükafat Portföy Yönetimi A.Ş. (“Mükafat Portföy”)

Mükafat Portföy is established to operate in the field of portfolio management in 2016.

##### Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş. (“Sigortayeri”)

Sigortayeri provides insurance products through the virtual and physical multi-channel structure that are shaped according to the needs of potential policyholders in order to operate insurance brokerage.

#### 1.7 Entities in other segments

Company name	Type of partnership	Country
Aktif Yatırım Bankası Sukuk Varlık Kiralama A.Ş.	Associate	Turkey
Artmin Madencilik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri Ticaret A.Ş.	Subsidiary	Turkey
Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Dore Altın ve Madencilik A.Ş.	Subsidiary	Turkey
E-Kent Elektronik Ücret Toplama Sistemleri A.Ş.	Subsidiary	Turkey
Echo Bilgi Yönetim Sistemleri A.Ş.	Subsidiary	Turkey
Emlak Girişim Danışmanlığı A.Ş.	Subsidiary	Turkey
E-Post Elektronik Perakende Otomasyon Satış ve Ticaret A.Ş.	Subsidiary	Turkey
IFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş.	Associate	Turkey
Kartalteppe Madencilik Sanayi ve Ticaret A.Ş.	Joint venture	Turkey
Lidya Madencilik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
N-Kolay Ödeme Kuruluşu A.Ş.	Subsidiary	Turkey
Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Polimetal Madencilik Sanayi ve Ticaret A.Ş.	Joint venture	Turkey
Polimetal Mineral Madencilik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Tunçpınar Madencilik Sanayi ve Ticaret A.Ş.	Joint venture	Turkey
Tura Madencilik A.Ş.	Subsidiary	Turkey
UPT Ödeme Hizmetleri A.Ş.	Subsidiary	Turkey

##### Aktif Yatırım Bankası Sukuk Varlık Kiralama A.Ş. (“Aktif VKŞ”)

Aktif VKŞ was established in 2013 in Istanbul for the purpose of issuing rent certificate in accordance with the relevant regulations promulgated by Capital Market Board of Turkey.

##### Artmin Madencilik Sanayi ve Ticaret A.Ş. (“Artmin Madencilik”)

Artmin Madencilik (formerly known as AMG mineral Madencilik A.Ş.) was established by AMG Mineral Inc for prospection and buying business licence, buying and selling mine site, managing and participating the mine tender. In 2015, the Group started to control the Artmin Madencilik by acquiring shares by 70%.

# **Çalık Holding Anonim Şirketi and its Subsidiaries**

## **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

### **1 Reporting entity (continued)**

#### **1.7 Entities in other segments (continued)**

##### **Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri Ticaret A.Ş. (“Asset Aktif”)**

Asset Aktif was established in 2014 in Istanbul for the purpose of providing ticket sale and organization management for football and art activities.

##### **Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş. (“Çalık Hava”)**

Çalık Hava was established in 2010 in Istanbul for the purpose of providing every kind of air transportation activities, scheduled or unscheduled domestic and abroad air transportation, arranging passenger and freight cargo transportation.

##### **Dore Altın ve Madencilik A.Ş. (“Dore Altın”)**

Dore Altın was established in 2010 in Istanbul for the purpose of mining, operating, purchasing and renting underground and surface mine and natural resources in accordance with existing regulations, to purchase prospecting license, to demand operating right and to take over mining rights.

##### **E-Kent Elektronik Ücret Toplama Sistemleri A.Ş. (“E-Kent”)**

E-Kent was established in 2002 and its main activity is modernisation of public transportation and suggesting new electronic solutions about electronic ticket and prosecution system.

##### **Echo Bilgi Yönetim Sistemleri A.Ş. (“Echo”)**

Echo was established in Istanbul in 2016 to provide services in the field of software, hardware and information.

##### **Emlak Girişim Danışmanlığı A.Ş. (“Emlak Girişim”)**

Emlak Girişim engages in real estate projects, structures and systems, and in this regard makes active counseling and guidance.

##### **E-Post Elektronik Perakende Otomasyon Satış ve Ticaret A.Ş. (“E-Post”)**

E-Post was established in 2009 in Istanbul for the purpose of providing tailor-made postcard designing services.

##### **IFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş. (“IFM”)**

IFM operates in special projects, land recreation, area sales and revenue sharing provisions for the construction of the immovable, construction and sales activity is independent sections.

##### **Kartaltepe Madencilik Sanayi ve Ticaret A.Ş. (“Kartaltepe”)**

Kartaltepe was established in 2011 as a wholly owned subsidiary of YAMAS. Kartaltepe is registered in Ankara, Turkey and is engaged in the operation of mining in Erzincan region. As at reporting date, Kartaltepe is a joint venture of Lidya Madencilik Sanayi ve Ticaret A.Ş. (“Lidya Maden”) and YAMAS with an ownership structure of 50% and 50%, respectively.

##### **Lidya Madencilik Sanayi ve Ticaret A.Ş. (“Lidya Maden”)**

Lidya Maden was established in 2006 in Istanbul to explore all kind of metal and mineral products and to participate in mining companies.

##### **N-Kolay Ödeme Kuruluşu A.Ş. (“N-Kolay”)**

N-Kolay was established in 2014 in Istanbul for the purpose of providing bill payment point service to its customers.

##### **Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş. (“Pavo”)**

Pavo operates in the area of new generation payment recorders import, manufacture, sales and technical services.

# **Çalık Holding Anonim Şirketi and its Subsidiaries**

## **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

### **1 Reporting entity (continued)**

#### **1.8 Entities in other segments (continued)**

##### **Polimetal Madencilik Sanayi ve Ticaret A.Ş. (“Polimetal”)**

Polimetal was incorporated in 2011 as a wholly owned subsidiary of Yeni Anadolu Mineral Madencilik Sanayi ve Ticaret Ltd. Şti. (“YAMAS”). Polimetal is registered in Ankara, Turkey and is engaged in the development and operation of mining assets. As at reporting date, Polimetal is a joint venture of Lidya Maden and YAMAS with an ownership structure of 50% and 50%, respectively.

##### **Polimetal Mineral Madencilik Sanayi ve Ticaret A.Ş. (“Polimetal Mineral”)**

Polimetal Mineral was established on 15 November 2016 to explore, develop and operate all kinds of mines.

##### **Tunçpınar Madencilik Sanayi ve Ticaret A.Ş. (“Tunçpınar”)**

Tunçpınar was established in 2011 as a wholly owned subsidiary of YAMAS. Tunçpınar is registered in Ankara, Turkey and is engaged in the operation of mining in Tunceli region. As at reporting date, Tunçpınar is a joint venture of Lidya Maden and YAMAS with an ownership structure of 50% and 50%, respectively.

##### **Tura Madencilik A.Ş. (“Tura”)**

Tura was established in 2010 in Istanbul to mine, operate, buy and rent underground and aboveground mine and natural resources in accordance with existing regulations.

##### **UPT Ödeme Hizmetleri A.Ş. (“UPT”)**

UPT was established for the purpose of electronic money transfer and payment services

# **Çalık Holding Anonim Şirketi and its Subsidiaries**

## **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

### **2 Basis of preparation**

#### **a) Statement of compliance**

Çalık Holding entities operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulatory and Supervision Agency (“BRSA”) (applicable to the financial institutions), Turkish Uniform Chart of Accounts, Turkish Commercial Code and Tax Legislation.

Group’s foreign entities maintain their books of account and prepare their statutory financial statements in accordance with the related legislation and generally accepted accounting principles applicable in the countries they operate.

Consolidated financial statements have been prepared according to the communiqué published in Official Gazette numbered II-14.1 “Financial Reporting Principals of Capital Markets Board of Turkey” (“CMB”) numbered 28676 and dated 13 June 2013 and Turkish Accounting Standards (“TAS”) published by Decision of Public Oversight Accounting and Auditing Standards Authority (“POA”). TAS includes Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”), additions and amendments related to these standards and resolutions announced by POA.

#### **b) Preparation of financial statements**

The consolidated financial statements were approved by the Group management on 13 March 2017. Çalık Holding’s General Assembly and the other regulatory bodies have the power to amend the consolidated financial statements which after their issue.

#### **c) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis and for the Group’s Turkish entities as adjusted for the effects of inflation that lasted by 31 December 2004, except for the followings:

- derivative financial instruments are measured at fair value,
- available-for-sale financial assets are measured at fair value,
- assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell,
- non-derivative financial assets at fair value through profit or loss are measured at fair value,
- investment property is measured at fair value.

The methods used to measure the fair values are discussed further in Note 34.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

#### **2 Basis of preparation (continued)**

##### **d) Functional and presentation currency**

The accompanying consolidated financial statements are presented in TL which is Çalık Holding’s functional currency. Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

##### **e) Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with TAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

- Note 3 (e) and (f) – Useful lives of property and equipment and intangible assets including goodwill
- Note 9 – Financial investments
- Note 10– Trade receivables and payables
- Note 14 – Prepayments and deferred revenue
- Note 18 – Investment property
- Note 22 – Derivatives
- Note 24 – Provisions
- Note 26 – Taxation
- Note 34 – Financial instruments – Fair values and risk management *(including fair value explanations)*

##### **f) Changes in accounting policies, estimates and error**

Accounting policies have been applied consistently to all periods presented in these consolidated financial statements. Material changes in accounting policies and material accounting errors are adjusted retrospectively and prior periods’ financial statements are restated. If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods.

# **Çalık Holding Anonim Şirketi and its Subsidiaries**

## **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

### **3 Significant accounting policies**

#### **a) Basis of consolidation**

The accompanying consolidated financial statements include the accounts of the parent company, Çalık Holding, its subsidiaries, joint arrangements and associates on the basis set out in sections below. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements.

#### **i) Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

#### **ii) Non-controlling interests**

The Group measures any non-controlling interests in the acquiree at their proportionate share of the acquiree’s identifiable net assets, which are generally at fair value.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 3 Significant accounting policies (continued)

#### a) Basis of consolidation (continued)

##### iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls a business when exposure, or rights, to variable returns due to its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

##### iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

##### v) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity.

##### vi) Associates (Equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are initially recognised at cost. The cost of investments includes transaction costs.

The consolidated financial statements include the Group's share of profit and loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associates, the carrying amount of that interest, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

### **3 Significant accounting policies (continued)**

#### **a) Basis of consolidation (continued)**

##### **vii) Joint arrangements**

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture (equity-accounted investees) – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

The accompanying consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an joint venture, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

##### **viii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Carrying value of shares owned by the Group and dividends arising from these shares has been eliminated in equity and profit or loss accounts.

In consolidation of operating results and financial positions of subsidiaries whose functional currency is other than TL, main consolidation transactions are made such as elimination of related party balances and transactions. But, a monetary asset (or liability) of related parties regardless of short-term or long-term (except for monetary items which are part of net investment of the Group in its subsidiaries whose functional currency is different than TL) can not be eliminated with related party liability (or related party asset) without presenting results of fluctuation of foreign currencies in consolidated financial statements. Because, a monetary item provides obligation of translation of any currency to other currency and makes the Group exposed to gain or losses arising from fluctuation of foreign currencies. Correspondingly, these kind of foreign exchange differences are recognized in profit or loss of consolidated financial statements of the Group.



# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 3 Significant accounting policies (continued)

#### b) Foreign currency

##### i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent the hedge is effective.

The following significant foreign exchange rates are applied as at 31 December 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Euro / TL	3,7099	3,1776
USD / TL	3,5192	2,9076

##### ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated to TL at average exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operations is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented within equity in the translation reserve.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 3 Significant accounting policies (continued)

#### c) *Financial instruments (continued)*

##### i) *Non-derivative financial assets*

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables, and available-for-sale financial assets.

##### *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. These include investments in equity instruments. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

##### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade receivables including service concession receivables and due from customers for contract work, receivables related to finance sector operations (including banking loans and advances to banks and customers and finance lease receivables) and other receivables.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances, bank deposits and other liquid assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 3 Significant accounting policies (continued)

##### c) Financial instruments (continued)

##### i) Non-derivative financial assets (continued)

###### Service concession arrangements

According to the "Transfer of Operating Rights Agreement" ("TORA") signed between Türkiye Elektrik Dağıtım A.Ş. ("TEDAŞ") and YEDAŞ on 24 July 2006, the operating rights on the distribution installations and other items related thereto were transferred to YEDAŞ for a consideration of TL 105.599 . TORA consideration has been amortized by adding to revenue cap during the first tariff period (2006-2010). As at 31 December 2016, the aforementioned TORA consideration amount has been fully amortised.

TORA term is 30 years starting from 24 July 2006. At the end of this period, operational period may be extended by TEDAŞ in accordance with the related regulations which will be in force in the same period.

Under the terms of this agreement within in the scope of IFRIC 12, the Group acts as an electricity distributor and constructs or upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for a specified period of time. There have been no changes in the structure of the agreement in the current year.

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the discretion of the grantor for the construction or upgrade of the services provided.

The Group initially measures receivables resulting from its investments of which repayments are granted through tariffs under "Due from service concession agreements" item under trade receivables at fair value in accordance with "Financial Instruments: Recognition and Measurement" standard. Subsequent to the initial recognitions, such financial assets are measured at amortised costs.

Parameters related to operating rights resulting from "Distribution and Retail Sales License" which YEDAŞ owns via TORA are updated by EMRA committee decisions during the five year implementation periods. As of 31 December 2016, YEDAŞ fulfilled its obligations related to the license for services which was privatised at 24 July 2006, including the first implementation period between 2006 and 2010 and the second implementation period which covers the years 2011 and 2015.

Rights related to second implementation period were announced by EMRA Committee Decision (Decision No: 2991) at 28 December 2010. Rights which will be applicable for the third implementation period between 2016 and 2021 were announced by EMRA with its committee decision dated 30 December 2015 and numbered 6033-1.

In case of income items remain below or above the income requirement determined by EMRA, such differences may or may not be subject to adjustment, depending on the nature of the income.

Currently adjusted revenue requirement for 5 years periods; The operating expenses required by YEDAŞ, the amortisation of its investment expenditures,

Alternative investment costs for not amortisation investment amounts, includes taxes deducted or added to income to compensate for periodical deviations resulting from tax applications. Over the years, revenue requirements and adjustment are calculated by updating with the Energy Market Index ("EPE").

YEDAŞ's revenues and costs are subject to EMRA regulations. Income requirements of YEDAŞ are determined by EMRA and adjusted if necessary for the differences of revenue items approved by EMRA.

YEDAŞ recognises and measures its revenue in accordance with TAS 18 "Revenue" for the services provided.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 3 Significant accounting policies (continued)

#### c) *Financial instruments (continued)*

##### *Finance lease receivables*

Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognised. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest rate method. Finance lease receivables are included in receivables related to finance sector operations.

##### *Held to maturity financial assets*

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortised cost using the effective interest method less and impairment losses.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in loans and receivables, at fair value through profit or loss and held to maturity of financial assets. The Group's investments in certain debt and equity instruments are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost. When an instrument is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

##### *Other*

Other non-derivative financial assets are measured at amortised cost using the effective interest rate method, less any impairment losses.

#### ii) *Non-derivative financial liabilities*

The Group initially recognises all financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into other financial liabilities which mainly are comprises of loans and borrowings, trade payables, payables related to finance sector operations, payables related to employee benefits and other payables.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 3 Significant accounting policies (continued)

#### c) Financial instruments (continued)

##### ii) Non-derivative financial liabilities (continued)

###### Security deposit

According to the Article 26 of Electricity Market Customer Services Regulation, legal entities which have retail electricity sale licenses, can demand security deposits from their subscribers in order to deduct customers' debts in case of possible inability to pay energy consumption fee due to address change and/or cease of retail sale agreements or termination of retail sale agreements.

Security deposits received from current subscribers are recognised in the "payables to third parties" item at the adjusted values based on inflation applicable to reporting dates using Consumer Price Index ("CPI") rates. Security deposits valuation expenses and realised security deposit expenses are recognised as finance cost in profit or loss.

##### iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

The Group does not engage in derivative contracts qualified for hedge accounting. Therefore, on initial recognition, derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit or loss as incurred.

##### iv) Share capital

###### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### d) Repurchase transactions

The Group enters into purchases/sales of investments under agreements to resell/repurchase substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised as "Receivables related to finance sector operations" in the accompanying consolidated financial statements. The receivables are shown as collateralized by the underlying security.

Investments sold under repurchase agreements continue to be recognised in the consolidated statement of financial position and are measured in accordance with the accounting policy for either assets held for trading, held to maturity or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as funds from repo transactions presented under "Payables related to finance sector operations".

Income and expenses arising from the repurchase and resale agreements over investments are recognised on an accruals basis over the period of the transaction and are included in "interest income" or "interest expense" presented under "revenue from finance sector operations" and "cost of revenue from finance sector operations", respectively.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

### As at and for the Year Ended 31 December 2016

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

#### 3 Significant accounting policies (continued)

##### (e) Property, plant and equipment

###### i) Recognition and measurement

The costs of items of property, plant and equipment of Çalık Group's Turkish entities purchased before 31 December 2005 are restated for the effects of inflation in TL units current at 31 December 2005 pursuant to TAS 29. Property, plant and equipment purchased after this date are recognised at their historical cost. Accordingly, property, plant and equipment of the Group are carried at costs, less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- cost of materials and direct labor;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognised in "Gain from investing activities" or "Loss from investing activities" under profit or loss.

###### ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

###### iii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 3 Significant accounting policies (continued)

#### e) *Property, plant and equipment (continued)*

##### iv) *Depreciation*

Items of property, plant and equipment are depreciated from the date that they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

<u>Description</u>	<u>Year</u>
Buildings	5-50
Machinery and equipments	5-40
Vehicles	5-10
Furniture and fixtures	3-15
Other tangible assets	5-15
Leasehold improvements	2-10

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives, also on a straight-line basis.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### f) *Intangible assets and goodwill*

##### i) *Goodwill*

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see Note 3 a) i).

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses (see accounting policy 3(j) ii). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

##### ii) *Other intangible assets*

Other intangible assets of the Group mainly consist of licences for oil exploration, hydroelectric power generation, wind power generation and liquefied natural gas import, electricity distribution rights and computer software acquired by the Group, which have finite useful lives, and are measured at cost less accumulated amortisation and any accumulated impairment losses, if any.

##### iii) *Subsequent expenditures*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated and brands, is recognised in profit or loss as incurred.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

#### **3 Significant accounting policies (continued)**

##### **f) Intangible assets and goodwill (continued)**

###### **iv) Amortisation**

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

Amortisation of service concession rights acquired by the Group is recognised in profit or loss on a straight line basis over their respective concession periods.

Amortisation of electricity distribution rights is based on the fair value of the asset which is acquired through business combination under scope of TFRS 3 “Business Combinations”. The remaining amortisation period for electricity distribution rights are 26 years which is the service concession period of YEDAŞ as it was acquired by ÇEDAŞ. Licences and other intangible assets including computer software are amortised between 10 and 50 years and 2 and 10 years, respectively.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

###### **g) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation surplus is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.



# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 3 Significant accounting policies (continued)

#### h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of trading goods and finished goods are based on the weighted average method, and includes expenditure and other costs incurred in bringing them to their existing location and condition.

Cost of trading properties are determined on cost or deemed cost method by the entities operating in construction business. Trading properties comprised lands that are held for construction projects to sell and cost of buildings that are held for trading purposes.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

#### i) Construction contracts in progress / deferred revenue

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. Construction contracts in progress is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group’s contract activities based on normal operating capacity.

Construction contracts in progress is presented as “Due from customers for contract work” within trade receivables in the consolidated statement of financial position for all contracts in which the sum of costs incurred and recognised expected losses plus recognised profits exceed progress billings. If the sum of progress billings and recognised expected losses exceed cost incurred plus recognised profits, then the difference is presented as “Due to customers for contract work” within deferred income in the consolidated statement of financial position.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Revenue measurements are based on estimates that are revised as events and uncertainties are resolved. Cost and revenues may be revised based on variations to the original contract, penalties on delays, cost escalation clauses and other similar items. These revisions are recognised in the consolidated financial statements as they are incurred. Revenue incentive are recognised as revenue to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised to the extent of costs incurred that are probable of recovery. Costs are recognised as an expense as they are incurred.

#### j) Impairment

##### i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 3 Significant accounting policies (continued)

##### j) *Impairment (continued)*

##### i) *Non-derivative financial assets (continued)*

###### *Available-for sale financial assets*

Impairment losses on available-for-sale investment securities are recognised by reclassifying the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, by the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

For an investment in unquoted equity instruments carried at cost because their fair value cannot be measured reliably, impairment losses is not reversed.

###### *Financial assets measured at amortised cost*

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment.

Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

###### *Loans and receivables*

The recoverable amounts of loans and receivables are calculated as the present value of the expected future cash flows discounted at the instruments' original effective interest rates. Short-term balances are not discounted.

Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these assets to their recoverable amounts. In assessing the recoverable amounts of the assets, the estimated future cash flows are discounted to their present value. Portfolio basis allowances are maintained to reduce the carrying amount of portfolios of similar assets to their estimated recoverable amounts at the reporting date. Increases in the allowance account are recognised in profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through profit or loss.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 3 Significant accounting policies (continued)

#### j) *Impairment (continued)*

##### i) *Non-derivative financial assets (continued)*

*Financial assets measured at amortised cost (continued)*

*Loans and receivables (continued)*

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

##### ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

*Equity-accounted investees*

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

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*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

#### **3 Significant accounting policies (continued)**

##### **k) Assets held for sale or distribution**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are not amortised or depreciated, and equity accounted investee is no longer equity accounted.

##### **l) Employee benefits**

###### **i) Reserve for employee severance indemnity**

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees of the Group's entities operating in Turkey and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment were TL 4,30 and TL 3,83 at 31 December 2016 and 2015, respectively.

TFRSs require actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. The total liability for employee severance benefit was calculated by an independent actuary based on past service cost methodology using the observable statistical market data such as mortality, inflation and interest rates or retirement pay ceilings applicable to the relevant periods and assumptions derived from the specific historic date of the Group such as retention and employee turnover rates or salary increase rates.

Income ceiling calculation for the Group's entities holding electricity distribution and retail sale license per the service concession agreement is updated yearly in accordance with EMRA decision No. 2991 dated 28 December 2010 in order to compensate the expenditures (such as employee benefit costs) relevant to the operations performed under these licenses as they incurred. Accordingly, the employee severance indemnity amounting to TL 6.015 (31 December 2015: TL 5.224) had no effect on the Group's consolidated financial statements since the same amount will be compensated by the Government as a adjusting item in the following income ceiling calculation.

Actuarial gains/losses are comprised of adjustment of difference between actuarial assumptions and results and change in actuarial assumptions. As a result of the adoption of TAS 19 (2011), all actuarial differences have to be recognised in other comprehensive income. However due to insignificance of the balances, the Group has not recognised any actuarial differences on reserve for employee severance indemnity in other comprehensive income.

Reserve for employee severance indemnity is not subject to any statutory funding.

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## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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### 3 Significant accounting policies (continued)

#### l) *Employee benefits (continued)*

##### i) *Reserve for employee severance indemnity (continued)*

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The Group's banking subsidiary in Albania makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

##### iii) *Defined benefit plans*

The Group's banking subsidiary in Albania created a fully employer sponsored pension plan fund-Staff Support Program during 2002. The amount charged to this fund (SSP) was decided as 5% of yearly budgeted personnel salary expenses.

The amount due to employees based on the above plan would be grossed up by the interest that will accrue from the date the employees leave the Group's banking subsidiary in Albania until their retirement. It would be paid to employees only when they reach the Albanian statutory retirement age, in monthly instalments equal to a minimum of 75% of their state monthly pension until the accumulated fund for the employee is consumed.

Based on the Board of Directors resolution effective on 30 September 2010, the Group's banking subsidiary in Albania stopped the investment in this fund (SSP), by transforming it into the Staff Retention Credit Program (SRCP). The demographic changes in labour force during the last ten years and the employees' average age at 31, where 80% of employees are below the age of 40, has resulted in SSP not being attractive for most employees of the Group's banking subsidiary in Albania, as it can only be enjoyed at retirement. In contrast, SRCP will be more readily beneficial for all staff of the Group's banking subsidiary in Albania, as it will provide consumer and home loans with preferential terms. The entire due amount calculated for eligible employees in Staff Support Program has been frozen on the same date. The frozen amount due to change of SSP into SRCP on 30 September 2010 and the corresponding annual interest that will be gained by the investment in AAA sovereign bonds in the future until retirement age, is recorded as a liability by the Group's banking subsidiary in Albania.

##### iv) *Vacation pay liability*

Short-term employee benefit obligations are consisting of reserve for the vacation pay liability due to the earned and unused vacation rights of its employees of the Group's Turkish entities, and measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

#### m) *Provisions*

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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### 3 Significant accounting policies (continued)

#### m) Provisions (continued)

##### i) Provisions for EMRA regulations

In case of incompliance with the Electricity Market Act numbered 6446 which is effective after the publication on the Official Gazette dated 30 March 2013, numbered 28603 as well as with the regulations and communiqués promulgated by EMRA, EMRA sends a letter notifying the reason and related penalty fee with payment maturity to the Group. Although these penalties generally are paid in advance, some payments could be delayed until the final confirmation is reached in case of disagreement with EMRA. Based on the final conclusions of the legal department of the Group and assumption/analysis made by the Group management, required provision is made on the consolidated statement of the financial position as the notification is received.

##### iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### n) Revenue

##### i) Construction contracts and real estate business

###### Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

###### Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from investment property is recognised as other income from operating activities.

###### Sale of trading properties

Revenue from the sale of trading properties in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sale is recognised.

Transfers of risks and rewards vary depending on the terms of the sale contract. For the sale of trading properties, transfer occurs when the property has been delivered to and registered in the name of the buyer officially.

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### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

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#### **3 Significant accounting policies (continued)**

##### **n) Revenue (continued)**

##### **ii) Energy business**

###### *Electricity sales*

Due to the fact that the electricity could not be stored, the purchase and sales realises at the same time and accordingly revenue and cost of revenue are recognised at the transaction time. Monthly invoicing is made at the month ends, when the Group prepares invoices for rendering services rendered to its customers during one month period. The Group management monitors closely at period ends that the delays of 5-10 days in electricity usage count do not have a significant impact on the accompanying financial statements. Revenue from the sale of electricity to subscribers is stated net of returns. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the subscribers. Transfer of risk and rewards depends on the consumption of electricity by subscribers.

###### *Retail electricity sales service income*

Electricity retail sale service is defined in Electricity Market Law and Electricity Market License Communiqué promulgated by EMRA as other services such as invoicing or collection provided to the customers excluding the sale of electricity and/or capacity, the services provided by companies holding retail sale licenses to consumers. Electricity retail sale service fee included in the invoices issued by the Group contains invoicing costs, consumer services costs, capital expenditures relevant to the electricity retail sale services. Electricity retail sale service fee is applied to all customers who purchase energy from the Group.

###### *Transmission system utilisation*

The transmission tariff is prepared by the Türkiye Elektrik İletim Anonim Şirketi ("TEİAŞ") and includes prices, terms and conditions for the provision of transmission service to all users benefiting from the transmission of generated, imported or exported electricity over the transmission facilities, which will be employed on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Grid investments made by TEİAŞ and transmission surcharges are included in the transmission tariff. Transmission system utilisation fees charged to the customers are the unit prices allocated by the entities holding electricity distribution license in order to compensate the transmission tariff charges invoiced by TEİAŞ to those entities.

###### *Distribution system utilisation*

Distribution activities covers establishing, operating and maintaining distribution facilities in order to transport the electricity through 36 kilowatt ("kW") or lower lines.

The distribution tariff includes prices, terms and conditions for the distribution service to all real persons and legal entities benefiting from the distribution of electricity through distribution facilities, which will be employed on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Distribution fee including distribution system utilisation price is calculated based on the costs of capital expenditures related to the distribution system, operating and maintenance expenses and collected from each distribution system users. Distribution fee does not include costs of energy, electricity retail sale service, meter reading and transmission.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 3 Significant accounting policies (continued)

#### n) Revenue (continued)

##### ii) Energy business (continued)

###### *Meter reading*

Meter reading fee is determined in accordance with the Electricity Market License Communiqué and Electricity Market Tariffs Communiqué and includes cost of meter reading. The mentioned fee is calculated based on reading frequency depending on the connection status and subscriber groups and charged to the distribution system users.

###### *Electricity dissipation and theft*

Electricity dissipation and theft cost is calculated using electricity dissipation and theft ratio applied to the projected electricity transfer quantity based on each distribution region and charged to each electricity consumers including the industrial plants connected to the electricity network as electricity dissipation and theft income.

###### *Price balancing*

A price balancing mechanism is applied by EMRA to protect the consumers purchasing electricity over the regulated tariffs from the price differences partially or wholly due to the cost differences among the distribution regions. The amount to be provided to or collected from the entities holding electricity distribution license is calculated in accordance with a formula determined by EMRA for each distribution region and informed to the parties. These amounts are recognised in profit or loss.

##### iii) Banking and finance business

###### *Interest income / expense*

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and commissions paid or received transaction costs, and discounts or premiums that are integral part of the effective interest rate. Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in "Revenue from finance sector operations" item in profit or loss.

Interest income and expense presented in profit or loss include the interest income on financial assets and liabilities at amortised cost on an effective interest rate basis.

###### *Fees and commission*

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income are recognised as the related services are provided. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

###### *Net trading income*

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.



## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)*

#### **3 Significant accounting policies (continued)**

##### **n) Revenue (continued)**

##### **iv) Telecommunication business**

Revenues are recognised to the extent that it is probable that economic benefits will flow to the Group and their amount can be measured reliably. Revenues are stated net of discounts, allowances, and returns.

##### *Services rendered*

Revenues from services rendered are recognized in the profit or loss according to the stage of completion of the service and only when the outcome of the service rendered can be estimated reliably.

##### *Monthly subscription fee*

Revenue related to the monthly service fees is recognised in the month that the telecommunication service is provided.

##### *Usage charges and value added services fees*

Call fees consist of fees based on airtime and traffic generated by the caller, the destination of the call and the service utilised. Usage charges are based on traffic, usage of airtime or volume of data transmitted for value added services, such as short message services, internet usage and data services. Revenues from usage charges and value added services are recognised in the period when the services are provided. Unbilled revenues from the billing cycle dating to the end of each month are estimated based on traffic and are accrued at the end of the month.

Revenue from the sale of internet services through contracts for leased lines is recognized in the profit or loss over the course of the contract. Revenue from the sale of prepaid access internet cards and access mobile cards is recognized in profit or loss at the time of usage.

Traffic revenues from interconnection and roaming are reported gross of the amounts due to other telecom operators.

Revenues from prepaid airtime are recorded on the basis of the airtime used at the predefined prices per minute. Deferred revenues for unused airtime are recorded as “Deferred revenue” in the consolidated statement of financial position.

##### *Sales of goods*

Revenue from the sale of modems and mobile phones is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer (i.e. upon delivery of goods), recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

# **Çalık Holding Anonim Şirketi and its Subsidiaries**

## **Notes to Consolidated Financial Statements**

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*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

### **3 Significant accounting policies (continued)**

#### ***n) Revenue (continued)***

##### ***v) Other businesses***

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sale is recognised.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

##### ***vi) Commissions***

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

#### ***o) Research and development costs***

Expenditure on research activities is recognised in profit or loss when incurred.

#### ***p) Dividend income***

Dividend income is recognised on the date that the Group's right to receive payment is established. Dividend payables are recognised after the dividend distribution approval in the General Assembly.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

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#### **3 Significant accounting policies (continued)**

##### **r) Leases**

##### **i) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

##### **ii) Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### **iii) Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. The following two criteria must be met for a "lease":

- The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

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## **Notes to Consolidated Financial Statements**

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### **3 Significant accounting policies (continued)**

#### **s) Finance income and finance cost**

Finance income comprises foreign currency gains (excluding those on trade receivables and payables), and gains on derivative instruments used for economic hedge for the foreign currency risk of the borrowings or interest rate risk exposures originating from the borrowings that are recognised in profit or loss (excluding other trading derivatives held by the banking subsidiaries of the Group). Interest income obtained from related parties for the funds provided is recognised as it accrues, using the effective interest method.

Finance cost comprise interest expense on borrowings and due to related parties for the funds received, foreign currency losses (excluding those on trade receivables and payables), and losses on derivative instruments used for economic hedge for the foreign currency or interest rate risk exposures originating from the borrowings that are recognised in profit or loss (excluding other trading derivatives held by the banking subsidiaries of the Group).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either other income or expense depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

#### **t) Other income and expenses from operating activities**

Except for banking and finance operations, other income from operating activities comprises interest income on time deposits that is recognised as it accrues in profit or loss, using the effective interest method, recoveries reversal from provision for doubtful receivables and inventories, rediscount gains on payables, foreign currency gains (excluding those on borrowings), fair value gains on investment property, change of fair value on service concession agreement and other operating income.

Except for banking and finance operations, other expenses from operating activities comprise commission expenses for letter of credits, provision expense for doubtful receivables and inventories, donations, rediscount losses on payables, foreign currency losses (excluding those on borrowings), fair value loss on investment property and other operating expenses.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

#### **u) Income and losses from investing activities**

Income from investing activities comprises gain on sale of property, plant and equipment and intangible assets, fair value gain of financial assets at fair value through profit or loss from the operations other than those held by finance sector entities of the Group, available for sale financial assets and financial assets at fair value through profit or loss, gain on derivative instruments (including other trading derivatives held by the finance sector entities of the Group) and other income from investing activities.

Losses from investing activities comprises gain on sale of property, plant and equipment and intangible assets, fair value loss of financial assets at fair value through profit from the operations other than those held by finance sector entities of the Group or loss on derivative financial instruments (including other trading derivatives held by the finance sector entities of the Group) and other losses from investing activities.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **As at and for the Year Ended 31 December 2016**

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### **3 Significant accounting policies (continued)**

#### **v) Income tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

##### *Current tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

##### *Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, joint arrangements and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred taxes related to fair value measurement of available for sale assets are charged or credited to equity and subsequently recognised in profit or loss together with the deferred gains that are realised.

##### *Tax exposures*

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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### **3 Significant accounting policies (continued)**

#### **v) *Income tax (continued)***

##### ***Transfer pricing in Turkey***

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading “veiled shifting of profit” via transfer pricing. The application details are stated in the “general communiqué regarding veiled shifting of profits via transfer pricing” published on 18 November 2007.

If the tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

The provisions concerning to the “thin capitalisation” are stated in the Article 12 of new corporate tax law issued by Ministry of Finance of Turkey. According to the Article 12, if the borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders exceeds three times of the shareholders' equity of the company operating in Turkey at any time during the related year, the exceeding portion of the borrowing will be treated as thin capital.

The financial borrowings were regarded as thin capitalisation provided with:

- The borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders
- Used for/in the entity
- Borrowings exceeds three times of the shareholders' equity of the company at any time during the related year.

#### **w) *Segment reporting***

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the CEO (“Chief Executive Officer”) and BOD members to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

#### **x) *De-merger/ Spin off***

Economically a de-merger represents a division of an entity into separate parts. The result of a de-merger is that the same shareholders own the same group of businesses; the shareholders structure and their ownership interests are identical both before and after the de-merger. In the absence of further guidance in TFRS, the Group has accounted the de-merger by recognising the book values.

#### **y) *Contingent assets and liabilities***

If the inflows of the economic benefits to the Group are probable, contingent assets are disclosed in the notes to the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements in the period in which the change occurs.

Contingent liabilities are assessed continuously to determine whether an outflow of resources embodying economic benefits has become probable. Unless the possibility of any outflow in settlement is remote, contingent liabilities are disclosed in the notes to the financial statements.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

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#### **3 Significant accounting policies (continued)**

##### **z) Subsequent events**

Subsequent events represents the events after reporting date comprising any event between the reporting date and the date of authorisation for the consolidated financial statements’ issue to the benefit or loss of the entity. Conditions of subsequent events are as follows:

- to have new evidences of subsequent events as of reporting date (adjusting events); and
- to have evidences of related subsequent events occurred after reporting date (non adjusting).

The Group adjusts its consolidated financial statements according to the new condition if adjusting subsequent events arise subsequent to the reporting date. If it is not necessary to adjust the consolidated financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the consolidated financial statements.

##### **aa) Statement of cash flows**

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

Cash flows from operating activities reflect cash flows mainly generated from main operations of the Group. The Group presents the cash flows from operating activities by using the indirect method such as adjusting the accruals for cash inflows and outflows from gross profit/loss, other non-cash transactions, prior and future transactions or deferrals.

Cash flows from investment activities reflect cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to financing activities reflect sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits, investment funds, reverse repo receivables and other bank deposits whose maturities are three months or less from date of acquisition. Any restricted cash and cash equivalents that are not ready for the Group’s use as at the reporting date, are excluded from the sum of the cash and cash equivalent in the consolidated statement of cash flows.

# **Çalık Holding Anonim Şirketi and its Subsidiaries**

## **Notes to Consolidated Financial Statements**

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### **3 Significant accounting policies (continued)**

#### **ab) Related parties**

Parties are considered related to the Group if:

(a) Directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with the Group (this includes parent, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture/operation in which the Group is a venturer;

(d) the party is member of the key management personnel of the Group and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e);

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

#### **ac) New standards and interpretations not yet adopted**

New standards, amendments to standards and interpretations that have been issued as of the authorisation date of these consolidated financial statements but are not effective yet and have not been applied by the Group prospectively, are as below. Unless otherwise stated, the Group will make the necessary changes to its consolidated financial statements and notes after the new standards and interpretations are issued and become effective.

#### **TFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option liabilities and requires that the change in fair value of a fair value option financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

#### **TFRS 15 Revenue from Contracts with Customers**

The standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.



# Çalık Holding Anonim Şirketi and its Subsidiaries

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### 3 Significant accounting policies (continued)

#### ac) New standards and interpretations not yet adopted (continued)

#### **New and revised standards and amendments published by International Accounting Standards Board ("IASB") but not published by POA**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing TFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under IAS.

#### **IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 -IFRS 9 (2013)**

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2014) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

#### **IFRS 9 Financial Instruments (2014)**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

#### **IFRS 16 Leases**

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

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### As at and for the Year Ended 31 December 2016

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## 3 Significant accounting policies (continued)

### ac) New standards and interpretations not yet adopted (continued)

#### **New and revised standards and amendments published by International Accounting Standards Board ("IASB") but not published by POA (continued)**

##### **IFRIC 22 – Foreign Currency Transactions and Advance Consideration**

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

##### **Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative**

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

##### **Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealized Losses**

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

##### **Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions**

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

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### 3 Significant accounting policies (continued)

(ac) New standards and interpretations not yet adopted (continued)

**New and revised standards and amendments published by International Accounting Standards Board (“IASB”) but not published by POA (continued)**

#### **IAS 40 – Transfers of Investment Property**

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

#### **Improvements to IFRSs**

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

#### **Annual Improvements to IFRSs 2014-2016 Cycle**

IFRS 1 “*First Time Adoption of International Financial Reporting Standards*”

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IFRS 12 “*Disclosure of Interests in Other Entities*”

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 12.

IAS 28 “*Investments in Associates and Joint Ventures*”

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

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### 4 Acquisition and disposals of subsidiary and non-controlling interest

#### 4.1 Purchase of non-controlling interests without control change without change in control during 2016

##### *Doğu Akdeniz*

The Group acquired interest of Doğu Akdeniz from Select Investments Pte. on 1 February 2016. Interest with a nominal value of TL 11.250 representing to 15.00% of the interest of Doğu Akdeniz's all shares were acquired for a consideration of TL 11.475. Resulting the increase, the Group's ownership interest from 84,40% to 99,40% in Doğu Akdeniz.

#### 4.2 Disposal of subsidiary during 2016

##### *Çalık Pamuk*

On 30 June 2016, the share of Çalık Denim with a nominal value of TL 16.500 representing %55.00 of Çalık Pamuk's capital have been sold for a total consideration of TL 27.225. At the end of this transaction a net profit of TL 3.013 have been recognized in the profit or loss.

#### 4.3 Acquisitions of subsidiary during 2015

##### *Technovision*

On 19 March 2015, Çalık Enerji, a consolidated subsidiary operating in energy sector contributed to the capital increase of Technovision by getting the ownership of all shares with a carrying amount of TL 112 representing 90,00% of Technovision's shares.

The combination had the following effect on the Group's assets and liabilities on 1 January 2015 which is the date of the Technovision's available financial information to be recognised in this combination, since no significant change in the Technovision's operations and financial information is expected between 1 January 2015 and the acquisition date:

	<b>Pre-acquisition carrying amounts</b>	<b>Fair value adjustments</b>	<b>Recognised values on acquisition</b>
Current assets	347	--	347
Non-current assets	3	--	3
Current liabilities	(29)	--	(29)
<b>Net identifiable assets and liabilities acquired</b>			<b>321</b>
Capital contribution			(112)
<b>Bargain purchase gain</b>			<b>209</b>

#### 4.4 Disposal of non controlling interest during 2015

##### *Çalık Enerji*

On 28 May 2015, the shares of Çalık Enerji held by the Group with a nominal value of TL 4.876 representing 4,48% of Çalık Enerji's capital have been sold to Kırmızı Elmas Enerji ve Altyapı Yatırımları A.Ş., a subsidiary of Mitsubishi Corporation, for a total consideration of TL 374.167 and this has been treated as a transaction in with non-controlling interests sold, recognised directly under equity.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

#### As at and for the Year Ended 31 December 2016

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#### 5 Disposal group held for sale

The Group has also reclassified assets and liabilities of Çalık Alexandria operating in textile sector as "Assets held for sale" as the Group plans to dispose its production and retail facilities of this subsidiary. All assets and liabilities of this subsidiary except the cash and cash equivalents have been classified as "Assets held for sale" and "Liabilities held for sale" in the consolidated financial statements, respectively. In addition, properties acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations have been re-presented under "Assets held for sale".

As at 31 December 2016, assets and liabilities including those of discontinued operations are TL 194.383 and TL 9.455 (31 December 2015: TL 189.094 and TL 7.948), respectively, and details are as follows:

<b>Assets held for sale</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Property, plant and equipment <sup>(*)</sup>	191.851	186.983
Inventories	2.416	1.996
Intangible assets	62	51
Other assets	54	64
	<b>194.383</b>	<b>189.094</b>

  

<b>Liabilities held for sale</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Trade payables	9.455	--
Other payables	--	7.812
Other liabilities	--	136
	<b>9.455</b>	<b>7.948</b>

<sup>(\*)</sup> Property, plant and equipment consist of properties classified as held for sale of the subsidiaries in textile sector amounting to TL 31.381 (31 December 2015: TL 25.927), land and buildings with a carrying value of TL 3.005 obtained against the doubtful receivables in marketing sector and properties amounting to TL 157.464 (31 December 2015: TL 161.056) which were acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

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### 6 Operating segments

The Group has six reportable segments, as described below, which are largely organised and managed separately according to the nature of products and services provided, distribution channels and profile of customers.

Assets, liabilities, profit and measurement of financial results of the segments are dependent to accounting policies of the Group. Segment operating profit, assets and liabilities consist of items directly belonging to these segment or items that can be distributed fairly.

The Group's main reportable operating segments are as follows:

*Energy:* Entities in energy segment operate in sale of electricity, operation of natural gas and crude oil resources, exploration-production of these resources and sale and transportation of these resources to international markets.

*Construction:* Entities in construction segment are operating in construction, contracting and decoration businesses both within Turkey and abroad. In addition, these entities are managing mining of all kinds of minerals, marble, lime, clay, coal and stone as long as the necessary permits are granted and trading of marble, store cutting machines with its spare parts, ceramic floor and wall tiles both within the country and abroad. These entities are also providing services for land development and project development services for urban renewal, office residential and housing markets.

*Textile:* Entities in textile segment mainly deal with production and trading activities of yarn, texture and ready wear besides providing consulting services related to importation and exportation of cotton.

*Marketing:* Entities in marketing segment mainly supplies goods used in the production and the domestic or foreign projects carried out mainly by the Group entities.

*Telecommunication:* Entities in telecommunication segment mainly provides telecommunication, communication, press and internet services.

*Banking and finance:* Entities in banking and finance segment mainly provides commercial and investment banking, financial leasing, insurance, project financing, other financial services, trading of marketable securities and credit financial services.

*Other:* Entities in other segment mainly engage in electronic fee collection, organisation, mining, transportation energy licence procurement and various services.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

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## 6 Operating segments (continued)

The following information was prepared according to the accounting policies applied for subsidiaries, associates, joint ventures and joint operations.

31 December 2016									
	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Others	Eliminations	Total
Revenue	3.551.574	2.556.801	693.314	503.514	224.527	1.578.950	99.177	(381.126)	8.826.731
Gross profit	1.039.705	520.295	155.368	114.080	82.076	794.174	81.080	(141.787)	2.644.991
Share of profit or (loss) accounted investees	103.211	--	--	--	--	771	(51.031)	--	52.951
Interest income	14.411	1.426	773	287	--	86	3.685	(402)	20.266
Other income/(costs), net	(146.430)	(6.019)	44.352	(24.801)	(81.973)	(412.923)	54.500	44.542	(528.752)
<b>Results from operating activities</b>	<b>1.010.897</b>	<b>515.702</b>	<b>200.493</b>	<b>89.566</b>	<b>103</b>	<b>382.108</b>	<b>88.234</b>	<b>(97.647)</b>	<b>2.189.456</b>
Gain /(loss) from investing activities	(852)	(1.639)	5.194	(571)	(37)	(178)	1.200.856	(1.096.684)	106.089
Interest expense	(48.079)	(136)	(35.093)	(57.366)	(31.771)	(12.596)	(231.594)	41.543	(375.092)
Finance cost / income, net	(71.533)	(10.665)	(172.715)	23.083	(3.023)	(28.371)	(814.525)	65.565	(1.012.184)
<b>Consolidated profit / (loss) before tax</b>	<b>890.433</b>	<b>503.262</b>	<b>(2.121)</b>	<b>54.712</b>	<b>(34.728)</b>	<b>340.963</b>	<b>242.971</b>	<b>(1.087.223)</b>	<b>908.269</b>
Income tax benefit / (expense)	(151.544)	(8.543)	6.299	(43)	(332)	(75.555)	(9.709)	(3.817)	(243.244)
<b>Net profit/(loss) for the year</b>	<b>738.889</b>	<b>494.719</b>	<b>4.178</b>	<b>54.669</b>	<b>(35.060)</b>	<b>265.408</b>	<b>233.262</b>	<b>(1.091.040)</b>	<b>665.025</b>

	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Other	Eliminations	Total
Segment assets	5.006.412	5.269.942	1.078.641	638.951	774.995	20.092.424	6.157.610	(9.166.227)	29.852.748
Segment liabilities	(3.561.055)	(4.240.045)	(870.943)	(520.760)	(714.137)	(17.998.398)	(4.549.144)	6.052.778	(26.401.704)
Capital expenditure	308.617	119.147	210.459	809	38.095	170.130	9.737	(105.598)	751.396
Depreciation and amortisation	(44.264)	(34.359)	(22.500)	(482)	(49.756)	(75.736)	(16.276)	--	(243.373)

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### Notes to Consolidated Financial Statements

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#### 6 Operating segments (continued)

31 December 2015									
	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Others	Eliminations	Total
Revenue	3.367.659	1.361.907	779.973	457.228	220.971	1.309.410	147.566	(398.145)	7.246.569
Gross profit	880.002	214.644	155.951	79.186	65.385	716.795	76.707	(336.711)	1.851.959
Share of profit or (loss) accounted investees	27.967	--	--	--	--	1.640	(25.639)	(253)	3.715
Interest income	53.590	1.221	17.955	8	--	618	83	(4.010)	69.465
Other income/(costs), net	(289.526)	76.195	(17.448)	(52.431)	(99.157)	(296.940)	51.678	(20.374)	(648.003)
<b>Results from operating activities</b>	<b>672.033</b>	<b>292.060</b>	<b>156.458</b>	<b>26.763</b>	<b>(33.772)</b>	<b>422.113</b>	<b>102.829</b>	<b>(361.348)</b>	<b>1.277.136</b>
Gain /(loss) from investing activities	93.133	10.591	(3.285)	505	(616)	(20.324)	794.664	(802.841)	71.827
Interest expense	(82.428)	(54.997)	(45.778)	(9.916)	(27.627)	(197.573)	(222.937)	310.116	(331.141)
Finance cost / income, net	(68.720)	(104.059)	(90.025)	(20.038)	9.720	(13.026)	(461.889)	50.766	(697.271)
<b>Consolidated profit / (loss) before tax</b>	<b>614.018</b>	<b>143.595</b>	<b>17.370</b>	<b>(2.686)</b>	<b>(52.295)</b>	<b>191.190</b>	<b>212.667</b>	<b>(803.306)</b>	<b>320.553</b>
Income tax benefit / (expense)	(38.778)	8.801	17.859	15	(3.756)	(49.538)	6.099	2.533	(56.765)
<b>Net profit/(loss) for the year</b>	<b>575.240</b>	<b>152.396</b>	<b>35.229</b>	<b>(2.671)</b>	<b>(56.051)</b>	<b>141.652</b>	<b>218.766</b>	<b>(800.773)</b>	<b>263.788</b>

	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Other	Eliminations	Total
Segment assets	3.915.066	2.745.111	948.535	289.083	683.189	15.484.638	4.706.095	(6.667.193)	22.104.524
Segment liabilities	(2.458.242)	(2.282.126)	(729.007)	(241.706)	(600.780)	(13.847.979)	(3.315.417)	3.490.778	(19.984.479)
Capital expenditure	64.594	141.246	70.310	2.409	63.769	95.015	56.408	--	493.751
Depreciation and amortisation	(37.707)	(11.153)	(16.887)	(265)	(41.860)	(50.226)	(4.906)	--	(163.004)



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### Notes to Consolidated Financial Statements

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#### 6 Operating segments (continued))

Distribution of the property, plant and equipment and revenue balances by geographic divisions where the Group operates in, are as follows:

	2016	2015
<b><u>Revenue</u></b>		
Turkey	4.053.537	4.035.578
Turkmenistan	3.662.266	2.122.250
Albania	644.840	596.306
Other	466.088	492.435
	<b>8.826.731</b>	<b>7.246.569</b>
<b><u>Non-current Assets</u></b>		
Turkey	5.339.050	4.402.110
Turkmenistan	562.352	120.752
Albania	5.882.555	4.544.698
Other	310.216	156.540
	<b>12.094.173</b>	<b>9.224.100</b>

#### 7 Related party disclosures

As disclosed in detail in Note 3, the joint ventures and associates of the Group have been accounted for using the equity method in the consolidated financial statements. Accordingly, the transactions of Group's subsidiaries with joint ventures and the balances from joint ventures and associates are not subject to elimination.

##### Related party balances

As at 31 December, the Group had the following balances outstanding from its related parties:

	31 December 2016				
	Shareholders	Associates	Joint ventures	Other	Total
Trade receivables	--	110.687	7.168	439	118.294
Other receivables	96.364	195	4.809	55.125	156.493
Receivables related to finance sector operations	--	315.107	--	50.045	365.152
Loans and borrowings	--	(24.406)	(905)	(69.901)	(95.212)
Trade payables	--	(7.202)	(390)	(1.630)	(9.222)
Payables related to finance sector operations	(1.099)	(302)	(845)	(150)	(2.396)
Other payables	(1.318)	--	--	(70)	(1.388)
<b>Total</b>	<b>93.947</b>	<b>394.079</b>	<b>9.837</b>	<b>33.858</b>	<b>531.721</b>

# Çalık Holding Anonim Şirketi and its Subsidiaries

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### 7 Related party disclosures (continued)

	31 December 2015				
	Shareholders	Associates	Joint ventures	Other	Total
Trade receivables	--	7.663	--	6.882	14.545
Other receivables	81.433	943	4.227	3.278	89.881
Trade payables	--	(13.851)	(2.177)	--	(16.028)
Other payables	--	--	--	(822)	(822)
Cash and cash equivalents	--	1.595	--	--	1.595
<b>Total</b>	<b>81.433</b>	<b>(3.650)</b>	<b>2.050</b>	<b>9.338</b>	<b>89.171</b>

No impairment losses have been recognised against balances outstanding as at 31 December 2016 (31 December 2015: None) and no specific allowance has been made for impairment losses on balances with the related parties.

As at 31 December, the Group had the following transaction with its related parties:

	31 December 2016				
	Shareholders	Associates	Joint ventures	Other	Total
Revenue	--	101.203	10.522	8.609	120.334
Cost of sales	--	(64.780)	(38)	(43.684)	(108.502)
General and administrative expenses	--	--	(792)	(215)	(1.007)
Gain from investing activities	8.415	118	--	14.851	23.384
<b>Total</b>	<b>8.415</b>	<b>36.541</b>	<b>9.692</b>	<b>(20.439)</b>	<b>34.209</b>

	31 December 2015				
	Shareholders	Associates	Joint ventures	Other	Total
Revenue	--	65.794	373	1.821	67.988
Interest expense	--	(4)	--	--	(4)
General and administrative expenses	--	--	--	(5)	(5)
Gain from investing activities	--	750	601	--	1.351
Income/(expenses) from other operation activities	--	--	--	(683)	(683)
<b>Total</b>	<b>--</b>	<b>66.540</b>	<b>974</b>	<b>1.133</b>	<b>68.647</b>

### Transactions with key management personnel

On a consolidated basis, key management costs included in general and administrative expenses for the year ended 31 December 2016 amounted to TL 65.711 (2015: TL 65.118).

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 8 Cash and cash equivalents

At 31 December, cash and cash equivalents comprised the following:

<b>2016</b>	<b>Finance<sup>(*)</sup></b>	<b>Non-finance<sup>(**)</sup></b>	<b>Total</b>
Cash on hand	150.759	2.021	<b>152.780</b>
Cash at banks	1.154.225	315.222	<b>1.469.447</b>
-Demand deposits	833.880	301.158	<b>1.135.038</b>
-Time deposits	320.345	14.064	<b>334.409</b>
Balances at central bank (excluding statutory reserve)	143.731	--	<b>143.731</b>
Other cash and cash equivalents <sup>(***)</sup>	542	3.140	<b>3.682</b>
<b>Cash and cash equivalents</b>	<b>1.449.257</b>	<b>320.383</b>	<b>1.769.640</b>
Restricted amounts	(15.949)	(43.956)	(59.905)
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b>1.433.308</b>	<b>276.427</b>	<b>1.709.735</b>

  

<b>2015</b>	<b>Finance<sup>(*)</sup></b>	<b>Non-finance<sup>(**)</sup></b>	<b>Total</b>
Cash on hand	123.570	572	<b>124.142</b>
Cash at banks	651.273	182.931	<b>834.204</b>
-Demand deposits	199.144	151.096	<b>350.240</b>
-Time deposits	452.129	31.835	<b>483.964</b>
Balances at central bank (excluding statutory reserve)	91.302	--	<b>91.302</b>
Other cash and cash equivalents <sup>(***)</sup>	8.553	706	<b>9.259</b>
<b>Cash and cash equivalents</b>	<b>874.698</b>	<b>184.209</b>	<b>1.058.907</b>
Restricted amounts	(17.118)	(65.777)	(82.895)
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b>857.580</b>	<b>118.432</b>	<b>976.012</b>

(\*) Finance represents the Group's entities operating in banking and finance business.

(\*\*) Non-finance represents the Group's entities operating in businesses other than banking and finance.

(\*\*\*) Other cash and cash equivalents are mainly due to credit card receivables amounting to TL 458 (31 December 2015: mainly due to reverse repo transactions amounting to 4.235), money in transit amounting to TL 3.149 as of 31 December 2016 (31 December 2015: TL 4.772 ). There is no receivables from money market in 31 December 2016 (31 December 2015: None).

As at 31 December 2016, restricted cash in cash equivalents amounting to TL 59.905 (31 December 2015: TL 82.895) is not available in the Group's day-to-day operations. TL 22.063 of the restricted amounts is related to the mandatory bank deposits at banks in Turkmenistan for engineering, procurement and construction projects ("EPC") in accordance with the relevant agreements (31 December 2015: TL 45.990). TL 2.246 of the restricted amounts (31 Aralık 2015: None) is related to the mandatory bank deposits at a bank in Georgia for a maintenance contract and amount of TL 6.861 are held in domestic banks as security for the outstanding bank loans. The remaining restricted cash balance of TL 4.730 (31 December 2015: TL 5.279) mainly comprised of cash security given to İstanbul Takas ve Saklama Bankası A.Ş. for the electricity purchases from Market Financial Settlement Center ("PMUM"). TL 135 of the restricted amounts consists of the amounts that are restricted by the court for the expropriation cases.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 8 Cash and cash equivalents (continued)

The mandatory restricted account amounting to TL 23.870 (31 December 2015: TL 17.118) This amounts arising from the Group's banking activities in Albania and Turkey. The first payment of the bond issue which is blocked in the account Citibank N.A. in the amount of TL 14.285 and the blocked until the completion of the Group's bond issuance of USD 100 million in 2016. Deposit amount of TL 14.285 has been removed due to the completion of the bond issue (31 December 2015: 14.285 TL).

The Group's exposure to currency risks related to cash and cash equivalents are disclosed in Note 34.

#### 9 Financial investments

At 31 December, financial investments comprised the following:

31 December 2016			
	Current	Non-current	Total
Available-for-sale financial investments	2.102.827	2.418.098	4.520.925
Held to maturity financial investments	288.968	253.028	541.996
Financial assets at fair value through profit or loss (*)	603.191	--	603.191
	<b>2.994.986</b>	<b>2.671.126</b>	<b>5.666.112</b>

  

31 December 2015			
	Current	Non-current	Total
Available-for-sale financial investments	1.644.574	1.869.116	3.513.690
Held to maturity financial investments	323.735	287.308	611.043
Financial assets at fair value through profit or loss (*)	466.379	--	466.379
	<b>2.434.688</b>	<b>2.156.424</b>	<b>4.591.112</b>

(\*)As at 31 December 2016 and 2015, equity securities in Anagold Madencilik Sanayi ve Ticaret A.Ş. which is classified as equity securities at fair value through profit or loss were valued for the consolidated financial statements. These investments are valued periodically by an independent valuation firm by using discounted cash flow method. As at 31 December 2016, an increase in fair value for this investment amounting to TL 63.708 (31 December 2015: TL 95.693) has been recognised under "Gain from investing activities" in profit or loss due to valuation of equity securities at fair value through profit or loss after in the tax effect.

As of the reporting date, 50 basis point increase/decrease in the discount rate used in the valuation of discounted cash flows of the financial asset at fair value through profit or loss would have decreased/increased the profit before tax by TL 28.330/TL 29.984 (31 December 2015: TL 20.353 /TL 21.516), respectively.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 9 Financial investments (continued)

##### Available-for-sale financial investments

As at 31 December, available-for-sale financial investments comprised the following:

	31 December 2016	31 December 2015
	<u>Carrying Amount</u>	<u>Carrying amount</u>
<b>Financial investments of finance sector companies entities</b>		
Public sector bonds, notes and bills	3.314.544	2.885.344
Private sector bonds, notes and bills	1.142.607	531.523
Equity securities – listed	27.725	58.464
<b>Total</b>	<b>4.484.876</b>	<b>3.475.331</b>
<b>Financial investments of non-finance sector companies entities</b>		
Private sector bonds, notes and bills	421	643
<b>Equity securities – non-listed</b>		
Bursagaz Bursa Şehiriçi		
Doğal Gaz Dağıtım Ticaret ve Taahhüt A.Ş.	26.140	26.140
Kayserigaz Kayseri Doğalgaz		
Dağıtım Pazarlama Ticaret A.Ş.	6.292	6.292
JSC Calik Georgia Wind	60	2.298
Other	3.136	2.986
<b>Total</b>	<b>36.049</b>	<b>38.359</b>
<b>Balance at 31 December</b>	<b>4.520.925</b>	<b>3.513.690</b>

##### *Financial assets measured at cost that are not traded in an active market*

As at 31 December 2016, investments in equity securities amounting to TL 35.628 (31 December 2015: TL 37.716) are measured at cost less impairment, if any, as these equity securities are not traded in stock exchange and have no quoted market price, and therefore their fair value cannot be reliably estimated since there is significant variability in the range of reasonable fair value estimates and the probabilities of the various estimates within the range cannot be assessed reasonably.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

## 9 Financial investments (continued)

### Held to maturity financial investments

At 31 December, held to maturity financial investments comprised the following:

	31 December 2016	31 December 2015
	<u>Carrying Amount</u>	<u>Carrying amount</u>
<b>Financial investments of finance sector companies entities</b>		
Private sector bonds, notes and bills	343.046	307.803
Public sector bonds, notes and bills	198.950	303.240
<b>Total</b>	<b>541.996</b>	<b>611.043</b>

The movements in financial investments during the year ended 31 December 2016 were as follows:

	<i>Available- for-sale portfolio</i>	<i>Held to maturity portfolio</i>	<i>Fair value through profit or loss portfolio</i>
<b>At 1 January 2016</b>	<b>3.513.690</b>	<b>611.043</b>	<b>466.379</b>
Additions through purchases	2.513.116	499.710	--
Fair value gains/ (losses)	(2.027)	--	63.708
Disposals (sale and redemption)	(1.935.112)	(703.039)	--
Capital increase effect	--	--	62.405
Foreign currency translation differences	431.258	134.282	10.699
<b>At 31 December 2016</b>	<b>4.520.925</b>	<b>541.996</b>	<b>603.191</b>

The movements in financial investments during the year ended 31 December 2015 were as follows:

	<i>Available- for-sale portfolio</i>	<i>Held to maturity portfolio</i>	<i>Fair value through profit or loss portfolio</i>
<b>At 1 January 2015</b>	<b>3.241.805</b>	<b>477.978</b>	<b>363.604</b>
Additions through purchases	980.651	285.876	--
Fair value gains/ (losses)	(20.442)	--	95.693
Disposals (sale and redemption)	(586.120)	(494.446)	--
Transfers	(259.061)	259.061	--
Foreign currency translation differences	156.857	82.574	7.082
<b>At 31 December 2015</b>	<b>3.513.690</b>	<b>611.043</b>	<b>466.379</b>

The Group's exposure to credit, currency and interest rate risks related to investment securities is disclosed in Note 34.

In 2015, the Group's subsidiaries operating in banking and finance segments classified their financial assets held as financial assets available for sale consisting of government debt securities amounting to TL 259.061 as investments held-to-maturity due to the change in the Group's intention of holding.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 10 Trade receivables and payables

##### Trade receivables

##### Short-term trade receivables

As at 31 December, short-term trade receivables comprised the following:

	31 December 2016	31 December 2015
Due from related parties	118.294	14.545
Due from third parties	3.967.121	2.837.815
	<b>4.085.415</b>	<b>2.852.360</b>

As at 31 December, short-term trade receivables comprised the following:

	31 December 2016	31 December 2015
Due from customers for contract work (Note 20)	2.130.139	1.409.073
Accounts receivables	1.673.559	1.186.628
Doubtful receivables	187.971	141.807
Service concession receivables	147.618	92.988
Post dated cheques received	86.875	65.632
Notes receivables	37.322	91.684
Other trade receivables	11.439	7.202
	<b>4.274.923</b>	<b>2.995.014</b>
Allowances for doubtful trade receivables (-)	(187.971)	(141.807)
Discount on trade receivables (-)	(1.537)	(847)
<b>Total</b>	<b>4.085.415</b>	<b>2.852.360</b>

Trade receivable of the Group mainly consists of uncollected portion of invoices billed in accordance with ongoing engineering, procurement and construction projects ("EPC") contracts abroad including excess cost amounting to TL 2.593.777 as of 31 December 2016 (31 December 2015: TL 1.753.925).

Movements of allowance for doubtful receivables for the year ended at 31 December were as follows:

	31 December 2016	31 December 2015
Balance at 1 January	141.807	153.024
Allowance for the period	50.533	21.400
Recoveries of amounts previously impaired (-)	(12.188)	(47.110)
Foreign currency translation difference	7.819	14.493
<b>Total</b>	<b>187.971</b>	<b>141.807</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 10 Trade receivables and trade payables (continue)

##### Trade receivables (continue)

##### Long-term trade receivables

As at 31 December, long-term trade receivables comprised the following:

	31 December 2016	31 December 2015
Service concession receivables	793.711	510.077
Accounts receivables	413.405	20.436
<b>Total</b>	<b>1.207.116</b>	<b>530.513</b>

Maturity of the service concession receivables was as follows:

Redemption year	Receivables subject to redemption	
	31 December 2016	31 December 2015
2016	--	92.988
2017	147.618	102.109
2018	187.217	99.235
2019	147.754	88.340
2020	132.835	78.101
2021	106.912	58.528
2022	82.610	40.532
2023	64.389	27.803
2024	46.476	15.429
2025	25.518	--
<b>Total</b>	<b>941.329</b>	<b>603.065</b>

Movement of service concession receivables for the years ended 31 December was as follows:

	31 December 2016	31 December 2015
<b>At 1 January</b>	<b>603.065</b>	<b>405.894</b>
Additions	249.475	193.432
Redemptions related to current year investments	(92.067)	(67.351)
Fair value gain	150.360	100.969
Correction at current period regarding revenue caps	32.618	--
Other	(2.122)	(29.879)
<b>At 31 December</b>	<b>941.329</b>	<b>603.065</b>



## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 10 Trade receivables and trade payables (continue)

##### Short-term trade payables

As at 31 December, short-term trade payables comprised the following:

	31 December 2016	31 December 2015
Accounts payables <sup>(*)</sup>	1.821.059	1.328.141
Notes payable	23.888	17.947
Cheques given and payment orders	998	163
Other trade payables	56.503	23.693
<b>Total</b>	<b>1.902.448</b>	<b>1.369.944</b>

<sup>(\*)</sup>Accounts payables mainly consists of payables to suppliers of material and equipment for the EPC projects and payables to the subcontractors for the ongoing construction projects.

##### Long term trade payables

As at 31 December, long-term trade payables comprised the following:

	31 December 2016	31 December 2015
Accounts payables	67.907	83.974
<b>Total</b>	<b>67.907</b>	<b>83.974</b>

The Group's exposure to credit and currency risks related to trade receivables and liquidity and currency risks of trade payables are disclosed in Note 34.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 11 Receivables and payables related finance sector operations

##### Receivables related finance sector operations

As at 31 December, current receivables related to finance sector activities comprised the following:

	31 December 2016	31 December 2015
<b>Current receivables related to finance sector operations</b>		
Due from third parties	3.374.908	2.532.693
Due from related parties	365.112	--
<b>Total</b>	<b>3.740.060</b>	<b>2.532.693</b>

	31 December 2016	31 December 2015
<b>Receivables related to finance sector operations</b>		
Loans and receivables from customers	2.642.723	1.837.720
Loans and receivables from banks	1.069.123	665.879
Non-performing loans and receivables	103.525	92.240
<b>Subtotal</b>	<b>3.815.371</b>	<b>2.595.839</b>
Provision for impairment in value of loans and receivables	(75.311)	(63.146)
<b>Total</b>	<b>3.740.060</b>	<b>2.532.693</b>

As at 31 December, non-current receivables related to finance sector activities comprised the following:

	31 December 2016	31 December 2015
<b>Non current receivables related to finance sector operations</b>		
Due from third parties	4.217.376	3.351.155
<b>Total</b>	<b>4.217.376</b>	<b>3.351.155</b>

	31 December 2016	31 December 2015
<b>Receivables related to finance sector operations</b>		
Loans and receivables from customers	4.203.179	3.370.119
Loans and receivables from banks	180.240	58.963
<b>Subtotal</b>	<b>4.383.419</b>	<b>3.429.082</b>
Provision for impairment in value of loans and receivables	(166.043)	(77.927)
<b>Total</b>	<b>4.217.376</b>	<b>3.351.155</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 11 Receivables and payables related to finance sector operations (continued)

Movements of provision for impairment in value of loans and receivables for the years ended 31 December were as follows:

	31 December 2016	31 December 2015
<b>Specific allowances for impairment</b>		
Balance on 1 January	114.763	86.191
Impairment loss for the year	63.262	14.367
- Charge for the year	82.003	52.857
- Recoveries	(18.741)	(38.490)
Translation difference	26.044	14.205
<b>Balance on 31 December</b>	<b>204.069</b>	<b>114.763</b>
<b>Collective allowances for impairment</b>		
Balance on 1 January	26.310	31.897
Impairment loss for the year	4.349	(256)
- Charge for the year	4.663	--
- Recoveries	(314)	(256)
Translation difference	6.626	(5.331)
<b>Balance on 31 December</b>	<b>37.285</b>	<b>26.310</b>
<b>Total allowances for impairment</b>	<b>241.354</b>	<b>141.073</b>

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 11 Receivables and payables related finance sector operations (continued)

#### Payables related to finance sector operations

As at 31 December, short term payables related to finance sector operations comprised the following:

Short term payables related to finance sector operations	31 December 2016	31 December 2015
Due to related parties	2.396	--
Due to third parties	10.053.355	7.205.222
<b>Total</b>	<b>10.055.751</b>	<b>7.205.222</b>

As at 31 December, short-term payables to third parties comprised the following:

Short term payables related to finance sector operations	31 December 2016	31 December 2015
<b>Due to banks</b>	<b>224.129</b>	<b>222.800</b>
Time deposits	214.241	213.187
Current accounts	9.888	9.613
<b>Due to customers</b>	<b>7.204.597</b>	<b>5.626.305</b>
Individual	5.812.276	4.563.070
Private enterprises	1.043.507	767.764
Public institutions	204.822	149.155
Other	143.992	146.316
<b>Customer accounts (*)</b>	<b>1.292.167</b>	<b>709.857</b>
<b>Funds from repo transactions</b>	<b>1.334.858</b>	<b>646.260</b>
<b>Total</b>	<b>10.055.751</b>	<b>7.205.222</b>

(\*) The Group's banking subsidiary in Turkey is not entitled to collect deposits. The customer accounts represent the transitory balances of loan customers for the respective transactions. As at 31 December 2016, this account did not include any deposit amount (31 December 2015: None).

As at 31 December, long term payables related to finance sector operations comprised the following:

Long term payables related to finance sector operations	31 December 2016	31 December 2015
Payables from finance sector activities to third parties	1.058.123	836.269
<b>Total</b>	<b>1.058.123</b>	<b>836.269</b>

Long term payables related to finance sector operations	31 December 2016	31 December 2015
<b>Due to customers</b>		
Individual	974.984	768.755
Private enterprises	70.814	48.734
Public institutions	12.325	18.780
<b>Total</b>	<b>1.058.123</b>	<b>836.269</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

## 12 Other receivables and other payables

### Other short term receivables

As at 31 December, other short-term receivables comprised the following:

	31 December 2016	31 December 2015
Due from related parties	156.493	89.881
Due from third parties	393.056	479.091
	<b>549.549</b>	<b>568.972</b>

As at 31 December, short-term other receivables from third parties comprised the following:

	31 December 2016	31 December 2015
Due from shareholders	96.683	82.518
Deposits and guarantees given	82.253	41.773
Receivables from tax authorities	24.413	17.531
Due from associates	4.142	3.142
Receivables from personnel	307	1.380
Other receivables (*)	352.148	431.529
	<b>559.946</b>	<b>577.873</b>
Allowance for other doubtful receivables (-)	(10.397)	(8.901)
<b>Total</b>	<b>549.549</b>	<b>568.972</b>

(\*)This amount mainly consists of receivables of the Group's subsidiaries operating in construction sector amounting to TL 29.696 (31 December 2015: TL 185.514) from Emlak Konut Yatırım Ortaklığı A.Ş., receivables of the Group's former related party, Anateks Anadolu Tekstil Fabrikası A.Ş., amounting to TL 221.725 (31 December 2015: TL 240.114) and the other receivables amounting to TL 55.105 from Çalık Pamuk, which is a former subsidiary of the Group, and other miscellaneous receivables of subsidiaries in other sectors.

### Other long term receivables

As at 31 December, other long term receivables comprised the following:

	31 December 2016	31 December 2015
Deposits and guarantees given	192.029	55.796
Other receivables	7.537	10.830
<b>Total</b>	<b>199.566</b>	<b>66.626</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

## 12 Other receivables and other payables (continued)

### Other short term payables

As at 31 December, other short-term payables comprised the following:

	31 December 2016	31 December 2015
Due to related parties	1.388	822
Due to third parties	77.150	64.190
<b>Total</b>	<b>78.538</b>	<b>65.012</b>

As at 31 December, other short-term payables comprised the following:

	31 December 2016	31 December 2015
Due to shareholders and other related parties	1.388	822
Deposits and guarantees received (*)	64.422	42.068
Other payables	12.728	22.122
<b>Total</b>	<b>78.538</b>	<b>65.012</b>

### Other long term payables

As at 31 December, other long-term payables comprised the following:

	31 December 2016	31 December 2015
Due to third parties	164.889	138.436
	<b>164.889</b>	<b>138.436</b>

As at 31 December, other long-term payables to third parties comprised the following:

	31 December 2016	31 December 2015
Deposits and guarantees received (*)	164.889	138.436
<b>Total</b>	<b>164.889</b>	<b>138.436</b>

(\*) As at 31 December 2016 and 2015, the deposits and guarantees received mainly consist of security deposits received by the electricity distribution and retail sale companies of the Group from their consumers.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 13 Inventories

As at 31 December, inventories comprised the following:

	31 December 2016	31 December 2015
Trading properties(*)	1.224.123	706.559
Raw materials	343.506	317.136
Trading goods	135.049	136.108
Finished goods	50.617	38.197
Semi finished goods in production	26.840	19.691
Other inventories	2.558	1.468
Allowance for impairment of inventories	(11.190)	(10.420)
<b>Total</b>	<b>1.771.503</b>	<b>1.208.739</b>

(\*) Trading properties comprise residential and office buildings under development in various areas of Istanbul for selling.

Movements of provision for inventories for the year ended at 31 December were as follows:

	31 December 2016	31 December 2015
Beginning balance	10.420	8.687
Current year provision	1.343	1.949
Reversal due to sale	(1.907)	(1.095)
Translation difference	1.334	879
	<b>11.190</b>	<b>10.420</b>

As at 31 December 2016, the Group capitalised borrowing costs amounting to TL 221.209 (accumulated) on trading properties under development (31 December 2015: TL 172.626 (accumulated)).

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 14 Prepayments and deferred revenue

##### Current prepayments

As at 31 December, current portion of prepayments comprised the following:

	31 December 2016	31 December 2015
Advances given (*)	509.991	357.348
Other	45.253	56.501
<b>Total</b>	<b>555.244</b>	<b>413.849</b>

(\*) Advances given mainly consists of advances given to suppliers and service providers for ongoing EPC projects.

##### Non current prepayments

As at 31 December, non current prepayments comprised the following:

	31 December 2016	31 December 2015
Advances given for property, plant and equipment acquisitions	1.097	6.597
Other(*)	108.910	175.903
<b>Total</b>	<b>110.007</b>	<b>182.500</b>

(\*) The other non-current prepayments mainly consist of the payment made to football clubs and Turkish Football Federation ("TFF") amounting to TL 93.046 (31 December 2015: TL 162.714) according to respective agreement.

##### Short term deferred revenue

As at 31 December, short term portion of deferred revenue comprised the following:

	31 December 2016	31 December 2015
<b>Short term deferred revenue</b>		
Advances received (*)	2.259.421	1.360.749
Short term deferred income	25.447	14.649
Contract progress income (Note 20)	19.743	103.773
<b>Total</b>	<b>2.304.611</b>	<b>1.479.171</b>

As at 31 December, long term deferred revenue comprised the following:

	31 December 2016	31 December 2015
<b>Long term deferred revenue</b>		
Long term deferred income (**)	1.119.772	972.288
<b>Total</b>	<b>1.119.772</b>	<b>972.288</b>

(\*) As at 31 December 2016 and 2015, advances received mainly comprised from advance payments from the customers of the Group's subsidiaries operating in energy sector for which the Group constructs electricity power plant and electricity distribution lines and other advances received from the Turkmenistan Government for the construction projects being conducted in Turkmenistan.

(\*\*) As at 31 December 2016 and 2015, deferred income was derived from Gap İnşaat's real estate development projects and Metropol project constructed by Varyap - Gap İnşaat Ortak Girişimi, respectively TL 572.035 (31 December 2015: TL 286.729) ve TL 448.475 (31 December 2015: TL 364.303).



## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

## **15 Investments in equity-accounted investees**

### *i) Joint ventures*

#### *KÇLE*

KÇLE was established as a joint venture with a joint agreement between ÇEDAŞ, Çalık Enerji and Limak Yatırım on 17 September 2012 with the participation of these three companies by 25%, 25% and 50%, respectively, in the share capital of KÇLE. On 8 May 2013, KÇLE purchased all shares of the state-owned enterprise namely Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement in Kosovo for a consideration of TL 61.976 (equivalent of EUR 26.300) within the scope of a tender in the privatisation process initiated by the Government of Republic of Kosovo.

As per Share Transfer Agreement dated 27 April 2015, Çalık Enerji acquired 1.250 number of shares of KÇLE with a nominal value of EUR 12 held by ÇEDAŞ for a total consideration of EUR 17.475, and increased its ownership percent from 25.00% to 50.00%.

#### *Doğu Aras*

Doğu Aras was founded in accordance with energy market regulations as a joint venture with a joint agreement between ÇED and Kiler Alışveriş on 5 May 2013 with the participation of these two companies by 49% and 51%, respectively, for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, providing consultancy services on technical, financial, information processing and human resources management issues and making industrial and commercial investments through this companies.

On 28 June 2013, Doğu Aras purchased all shares of EDAŞ and EPAŞ which were previously state owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Erzurum, Ağrı, Bayburt and Erzurum within the privatisation by paying an amount of TL 247.337 (equivalent to USD 128.500) as a result of a tender in the privatisation process. As at the reporting date, the Group has recognised an asset amounting to TL 1.708 under "Investments in from equity accounted investees" (31 December 2015: liability amounting to TL 58.666).

#### *Atagas Doğalgaz*

Atagas Doğalgaz was established on 10 October 2014 as a joint venture with a joint agreement between Aktif Doğalgaz and ASL Enerji with the participation of these two companies equally by 50%, for the purpose of exporting natural gas, to be purchased from Turkmenistan, through Iran and wholesales in Turkey and/or re-exporting abroad.

#### *LC Electricity*

LC Electricity was established on 3 July 2014 in Serbia as a joint venture with a joint agreement between Türkmen Elektrik and Limak Yatırım with the participation of these two companies equally by 50%. The purpose of LC Electricity is trading electricity and sales/purchases of goods and services as part of this operation.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 15 Investments in equity-accounted investees (continued)

#### i) Joint ventures (continued)

Investments in equity-accounted joint ventures and the Group's share of control as follows:

Joint ventures	31 December 2016		31 December 2015	
	<u>Carrying value</u>	<u>% of ownership</u>	<u>Carrying value</u>	<u>% of ownership</u>
<b><u>Assets</u></b>				
KÇLE	223.945	50,00	152.469	50,00
Polimetal	25.275	50,00	30.149	80,00
Kartaltepe	24.078	50,00	21.896	50,00
Tunçpınar	8.731	50,00	9.714	50,00
Çalık Limak Adı Ortaklığı	2.223	50,00	1.465	50,00
Doğu Aras	1.708	49,00	--	49,00
Atagas Doğalgaz	513	50,00	536	50,00
LC Electricity	22	50,00	22	50,00
	<b>286.495</b>		<b>216.251</b>	
<b><u>Liabilities</u></b>				
Doğu Aras (*)	--	--	(58.666)	49,00
<b>Total</b>	<b>286.495</b>		<b>157.585</b>	

(\*) Since the Group's share of losses in Doğu Aras, a joint venture of the Group, exceeds its interest in this joint venture, the Group recognised a liability of TL 58.666 as the Group is obligated to fund Doğu Aras's operations as at 31 December 2015.

For the years ended 31 December, the movements in net investments in joint ventures were as follows:

	2016	2015
<b>Balance at 1 January</b>	<b>157.585</b>	<b>106.362</b>
Share of profit of equity accounted investees	52.448	2.328
Translation difference	30.153	14.053
Share capital increases	25.471	35.442
Dividend income	(756)	(600)
Change of interest in equity accounted investees	21.594	--
<b>Balance at 31 December</b>	<b>286.495</b>	<b>157.585</b>

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 15 Investments in equity accounted investees (continued)

#### ii) Associates

Investments in equity-accounted Associates and the Group's share of control are as follows:

Associates <u>Assets</u>	31 December 2016		31 December 2015	
	<u>Carrying value</u>	<u>% of ownership</u>	<u>Carrying value</u>	<u>% of ownership</u>
Kazakhstan Ijara				
Company KIC Leasing	8.494	14,31	6.599	14,31
Euro-Mediterranean (*)	4.849	21,00	4.148	21,00
Haliç Leasing	6.552	32,00	--	--
Albania Leasing (***)	4.454	29,99	3.809	29,99
Eurasian Leasing Company	2.679	25,00	1.905	25,00
TAPCO	211	49,87	481	49,87
VKŞ (**)	100	100,00	100	100,00
IFM	--	5,00	--	5,00
TJK	--	40,20	--	40,20
TTK	--	32,00	--	32,00
Serdar Pamuk	--	10,00	--	10,00
Balkan Dokuma	--	31,00	--	31,00
<b>Total</b>	<b>27.339</b>		<b>17.042</b>	

(\*)Euro-Mediterranean is established on 22 December 2015 in Turkish Republic of Northern Cyprus as an associate for operates in finance sector to perform portfolio management.

(\*\*)Aktif VKŞ engages issuance of Sukuk. According to TFRS 10, a company shall have the major effect on the financial statements of the parent company. On the other hand, Aktif VKŞ does not have the major effect on the founder of the parent company's financial statements required to be consolidated power, variable power and variable returns to affect returns in order to considered in the consolidation. Aktif VKŞ does not meet with consolidation requirements of TFRS 10. Thus it has not been consolidated in the Group's consolidated financial statements as at 31 December 2016 and 2015.

(\*\*\*)Albania Leasing was established on 2 August 2013 as a joint stock company. The company obtained the license from the Bank of Albania on 21 April 2014 and started its leasing activity in June 2014.

For the years ended 31 December, the movements in investments in associates were as follows:

	<b>2016</b>	<b>2015</b>
Balance at 1 January	17.042	15.601
Acquisition of shares in associates	6.380	3.875
Share of gain/(loss) of equity accounted investees	503	1.387
Translation difference	3.414	(3.996)
Capital contribution to share increase in associates	--	175
<b>Balance at 31 December</b>	<b>27.339</b>	<b>17.042</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 15 Investments in equity-accounted investees (continued)

Summary financial information for equity-accounted associates was presented below:

31 December 2016													
Company name-Associates	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/(loss)
Kazakhstan Ijara Company Jsc.	31 December	14,31%	24.039	37.640	61.679	1.883	73	1.956	59.723	76	8.546	8.494	12
Euro Mediterranean	31 December	21,00%	23.041	4.267	27.308	4.401	--	4.401	22.907	3.300	4.810	4.849	696
Aktif VKŞ	31 December	100,00%	66.513	9.825	76.338	66.321	184	66.505	9.833	19	9.833	100	21
Eurasian Leasing Company	31 December	25,00%	7.550	3.592	11.142	1.116	--	1.116	10.026	(443)	2.507	2.679	(110)
Albania Leasing Company	31 December	29,99%	8.247	16.193	24.440	5.077	7.417	12.494	11.946	(123)	3.584	4.454	(37)
Haliç Finansal Kiralama	31 December	32,00%	19.272	1.417	20.689	551	--	551	20.138	539	6.444	6.552	174
TAPCO	31 December	50,00%	2.087	1.581	3.668	3.246	--	3.246	422	(510)	211	211	(253)
<b>Total</b>												<b>27.339</b>	<b>503</b>

Summary financial information for equity-accounted joint ventures was presented below:

31 December 2016													
Company name-Joint ventures	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/(loss)
KÇLE	31 December	50,00%	277.630	386.041	663.671	169.435	46.348	215.780	447.891	82.646	223.946	223.945	41.323
Doğu Aras	31 December	49,00%	211.203	729.379	940.582	463.654	456.599	920.253	20.329	123.214	9.961	1.708	60.375
Çalık Limak Adı Ortaklığı	31 December	50,00%	3.120	--	3.120	--	3.100	3.100	20	3.026	10	2.223	1.513
Atagas Doğalgaz	31 December	50,00%	1.140	6	1.146	121	--	121	1.025	(46)	513	513	(23)
Polimetal(*)	31 December	50,00%	19.875	14.209	34.084	3.491	759	4.250	29.834	(33.499)	14.917	25.275	(26.506)
Tuncpınar	31 December	50,00%	1.168	1	1.169	535	--	535	634	(1.321)	317	8.731	(661)
Kartaltepe	31 December	50,00%	116	18.041	18.157	6.267	--	6.267	11.889	(46.579)	5.945	24.078	(23.290)
LC Electricity	31 December	50,00%	2.605	7	2.612	1.893	--	1.893	719	(567)	360	22	(284)
<b>Total</b>												<b>286.495</b>	<b>52.447</b>

(\*)As of 31 December 2016, the Group's interest in Polimetal decreased from 80% to 50%. The Group measured the investment in by 80% Polimetal until the date of ownership change.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

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

#### 15 Investments in equity-accounted investees (continued)

Summary financial information for equity-accounted associates was presented below:

31 December 2015													
Company name-Associates	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/ (loss)
Kazakhstan Ijara Company Jsc.	31 December	14,31	21.149	28.323	49.472	3.304	54	3.358	46.114	11.203	6.599	6.599	1.604
IFM	31 December	5	--	12.746	346.485	359.231	4.513	359.231	--	(69)	--	--	--
Company Euro Mediterranean Investment	31 December	21,00	19.499	173	19.672	59	--	59	19.613	700	4.148	4.148	148
VKŞ	31 December	100,00	7.646	8	7.654	7.471	183	7.654	--	64	100	100	--
Eurasian Leasing Company	31 December	25,00	1.074	7.962	9.036	608	808	1.416	7.620	(447)	1.905	1.905	(112)
Albania Leasing Company	31 December	29,99	17.111	969	18.080	546	4.801	5.347	12.733	(294)	3.819	3.809	--
TAPCO	31 December	49,87	1.998	1.588	3.586	2.641	--	2.641	945	(507)	471	481	(253)
<b>Total</b>												<b>17.042</b>	<b>1.387</b>

Summary financial information for equity-accounted joint ventures was presented below:

31 December 2015													
Company name-Joint ventures	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/ (loss)
KÇLE	31 December	50,00	200.001	290.205	490.206	131.883	53.384	185.267	304.939	93.904	152.470	152.469	46.954
Doğu Aras	31 December	50,00	160.846	632.108	792.954	435.719	460.459	896.178	(103.224)	(41.196)	(50.580)	(58.666)	(20.186)
Çalık Limak Adı Ortaklığı	31 December	50,00	8.523	--	8.523	--	8.503	8.503	20	1.201	10	1.465	1.201
Atagas Doğalgaz	31 December	50,00	1.133	8	1.141	69	--	69	1.072	(54)	536	536	(27)
Polimetal	31 December	80,00	18.179	5.617	23.796	2.408	402	2.810	20.986	(24.297)	16.789	30.149	(19.438)
Tuncpınar	31 December	50,00	3.125	1	3.126	526	--	526	2.600	(1.226)	1.300	9.714	(613)
Kartaltepe	31 December	50,00	33	10.451	10.484	2.959	--	2.959	7.525	(11.123)	3.763	21.896	(5.563)
LC Electricity	31 December	50,00	3.418	7	3.425	3.292	--	3.292	133	105	66	22	--
<b>Total</b>												<b>157.585</b>	<b>2.328</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 15 Investments in equity-accounted investees (continued)

The following table summarises cash and cash equivalents, depreciation and amortisation expenses, interest income and interest expenses of significant joint ventures before consolidation eliminations and adjustments:

<u>Company name</u>	<b>31 December 2016</b>			
	<b><u>Cash and cash equivalents</u></b>	<b><u>Depreciation and amortisation</u></b>	<b><u>Interest income</u></b>	<b><u>Interest expense</u></b>
KÇLE	65.580	(37.053)	--	(3.317)
Doğu Aras	22.894	(6.574)	--	(74.787)
Çalık Limak Adi Ortaklığı	220	--	--	(196)
Kartaltepe	108	(119)	--	--
Polimetal	19.875	(1.136)	811	--
Tunçpınar	1.168	(173)	--	--
Atagas Doğalgaz	1.124	--	--	--
LC Electricity	923	--	--	--

<u>Company name</u>	<b>31 December 2015</b>			
	<b><u>Cash and cash equivalents</u></b>	<b><u>Depreciation and amortisation</u></b>	<b><u>Interest income</u></b>	<b><u>Interest expense</u></b>
KÇLE	40.600	(31.451)	76	(6.049)
Doğu Aras	9.833	(12.497)	10.760	(24.249)
Çalık Limak Adi Ortaklığı	413	(1)	--	(1)
Kartaltepe	29	(121)	--	--
Polimetal	12.959	(698)	416	--
Tunçpınar	607	(23)	--	--
Atagas Doğalgaz	1.124	--	--	--
LC Electricity	431	--	--	(1)

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

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

#### 16 Property, plant and equipment

Movements of property, plant and equipment, and related accumulated depreciation during the years ended 31 December were as follows:

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress <sup>(*)</sup>	Leasehold improvements	Total
<b>Balance at 1 January 2015</b>	<b>339.800</b>	<b>897.674</b>	<b>35.562</b>	<b>195.994</b>	<b>51.695</b>	<b>191.111</b>	<b>39.113</b>	<b>1.750.949</b>
Additions	2.953	114.807	12.470	46.508	3.897	190.292	17.683	388.610
Transfers	16.060	60.157	--	5.772	--	(83.276)	119	(1.168)
Foreign currency translation differences	42.068	109.322	5.460	13.050	5.456	963	142	176.461
Disposals	(7.307)	(5.016)	(4.810)	(11.895)	(26)	(25.713)	2.409	(52.358)
<b>Balance at 31 December 2015</b>	<b>393.574</b>	<b>1.176.944</b>	<b>48.682</b>	<b>249.429</b>	<b>61.022</b>	<b>273.377</b>	<b>59.466</b>	<b>2.262.494</b>
<b>Balance at 1 January 2016</b>	<b>393.574</b>	<b>1.176.944</b>	<b>48.682</b>	<b>249.429</b>	<b>61.022</b>	<b>273.377</b>	<b>59.466</b>	<b>2.262.494</b>
Additions	156.138	34.215	9.838	37.944	4.267	323.601	(420)	565.583
Transfers	25.479	315.878	451	4.517	--	(344.744)	(3.299)	(1.718)
Foreign currency translation differences	55.676	139.853	9.776	25.157	8.777	4.398	--	243.637
Disposals of subsidiary	--	--	(1.907)	(848)	--	--	(731)	(3.486)
Disposals	(2.983)	(18.226)	(2.840)	(5.259)	(1.663)	(1)	(460)	(31.432)
<b>Balance at 31 December 2016</b>	<b>627.884</b>	<b>1.648.664</b>	<b>64.000</b>	<b>310.940</b>	<b>72.403</b>	<b>256.631</b>	<b>54.556</b>	<b>3.035.078</b>

(\*)The construction in progress mainly consists of the cost of the headquarter building constructions of the subsidiary operating in the banking sector, Çalık Rüzgar's wind power plant construction located in Demircili and Sarpıncık, and Çalık Elektrik's hydroelectric power plant construction located Kızılkaya.

As at 31 December 2016, total insurance coverage on property, plant and equipment is TL 967.170 (31 December 2015: TL 840.514)

At 31 December 2016, there are mortgages on property, plant and equipment amounting to TL 351.920 (31 December 2015: TL 208.620)

## Çalık Holding Anonim Şirketi and its Subsidiaries

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

#### 16 Property, plant and equipment (continued)

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
<b>Accumulated depreciation</b>								
<b>Balance at 1 January 2015</b>	<b>(96.182)</b>	<b>(319.658)</b>	<b>(24.719)</b>	<b>(83.306)</b>	<b>(1.737)</b>	<b>--</b>	<b>(29.575)</b>	<b>(555.177)</b>
Current year depreciation	(13.449)	(61.467)	(6.496)	(22.204)	(4.325)	--	(3.679)	(111.620)
Foreign currency translation differences	(15.604)	(50.270)	(1.967)	(7.994)	(4.314)	--	--	(80.149)
Disposal	810	3.248	2.457	7.668	26	--	5	14.214
<b>Balance at 31 December 2015</b>	<b>(124.425)</b>	<b>(428.147)</b>	<b>(30.725)</b>	<b>(105.836)</b>	<b>(10.350)</b>	<b>--</b>	<b>(33.249)</b>	<b>(732.732)</b>
<b>Balance at 1 January 2016</b>	<b>(124.425)</b>	<b>(428.147)</b>	<b>(30.725)</b>	<b>(105.836)</b>	<b>(10.350)</b>	<b>--</b>	<b>(33.249)</b>	<b>(732.732)</b>
Current year depreciation	(23.108)	(93.637)	(9.969)	(29.750)	(4.371)	--	(5.305)	(166.140)
Foreign currency translation differences	(19.772)	(43.576)	(4.799)	(14.407)	(7.034)	--	--	(89.588)
Disposals of subsidiary	--	--	342	485	--	--	470	1.297
Disposal	838	14.664	2.542	3.509	1.657	--	143	23.353
<b>Balance at 31 December 2016</b>	<b>(166.467)</b>	<b>(550.696)</b>	<b>(42.609)</b>	<b>(145.999)</b>	<b>(20.098)</b>	<b>--</b>	<b>(37.941)</b>	<b>(963.810)</b>
<b>Net carrying value at 1 January 2015</b>	<b>243.618</b>	<b>578.016</b>	<b>10.843</b>	<b>112.688</b>	<b>49.957</b>	<b>191.111</b>	<b>9.538</b>	<b>1.195.771</b>
<b>Net carrying value at 31 December 2015</b>	<b>269.149</b>	<b>748.797</b>	<b>17.957</b>	<b>143.593</b>	<b>50.672</b>	<b>273.377</b>	<b>26.217</b>	<b>1.529.762</b>
<b>Net carrying value at 31 December 2016</b>	<b>461.417</b>	<b>1.097.968</b>	<b>21.391</b>	<b>164.941</b>	<b>52.305</b>	<b>256.631</b>	<b>16.615</b>	<b>2.071.268</b>



# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

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

### 17 Intangible assets

Movements of intangible assets and related accumulated amortisation during the years ended 31 December 2016 and 2015 were as follows

Cost	Goodwill	Licences & software	Electric distribution rights	Brand names	Other intangibles	Total
<b>Balance at 1 January 2015</b>	<b>3.796</b>	<b>163.790</b>	<b>499.073</b>	<b>--</b>	<b>96.674</b>	<b>763.333</b>
Additions	--	80.121	--	11.206	365	91.692
Foreign currency translation differences	--	1.440	--	--	2.430	3.870
Transfers from property, plant and equipment	--	761	--	--	407	1.168
Disposals	--	(8.022)	--	--	(28)	(8.050)
<b>Balance at 31 December 2015</b>	<b>3.796</b>	<b>238.090</b>	<b>499.073</b>	<b>11.206</b>	<b>99.848</b>	<b>852.013</b>
<b>Balance at 1 January 2016</b>	<b>3.796</b>	<b>238.090</b>	<b>499.073</b>	<b>11.206</b>	<b>99.848</b>	<b>852.013</b>
Additions	--	106.695	--	247	4.726	111.668
Foreign currency translation differences	--	15.943	--	--	4.213	20.156
Transfers from property, plant and equipment	--	851	--	--	867	1.718
Disposals of subsidiary	--	(3)	--	--	(5)	(8)
Disposals	--	(1.061)	--	--	(151)	(1.212)
<b>Balance at 31 December 2016</b>	<b>3.796</b>	<b>360.515</b>	<b>499.073</b>	<b>11.453</b>	<b>109.498</b>	<b>984.335</b>
<b>Accumulated amortisation</b>						
<b>Balance at 1 January 2015</b>	<b>--</b>	<b>(94.658)</b>	<b>(76.885)</b>	<b>--</b>	<b>(23.660)</b>	<b>(195.203)</b>
Current year amortisation	--	(29.740)	(19.195)	--	(2.448)	(51.383)
Foreign currency translation differences	--	364	--	--	(2.936)	(2.572)
Disposals	--	7.070	--	--	16	7.086
<b>Balance at 31 December 2015</b>	<b>--</b>	<b>(116.964)</b>	<b>(96.080)</b>	<b>--</b>	<b>(29.028)</b>	<b>(242.072)</b>
<b>Balance at 1 January 2016</b>	<b>--</b>	<b>(116.964)</b>	<b>(96.080)</b>	<b>--</b>	<b>(29.028)</b>	<b>(242.072)</b>
Current year amortisation	--	(54.068)	(19.195)	(22)	(3.948)	(77.233)
Foreign currency translation differences	--	(2.805)	--	--	(3.249)	(6.054)
Disposals of subsidiary	--	3	--	--	4	7
Disposals	--	43	--	--	--	43
<b>Balance at 31 December 2016</b>	<b>--</b>	<b>(173.791)</b>	<b>(115.275)</b>	<b>(22)</b>	<b>(36.221)</b>	<b>(325.309)</b>
<b>Net carrying value at 1 January 2015</b>	<b>3.796</b>	<b>69.132</b>	<b>422.188</b>	<b>--</b>	<b>73.014</b>	<b>568.130</b>
<b>Net book value at 31 December 2015</b>	<b>3.796</b>	<b>121.126</b>	<b>402.993</b>	<b>11.206</b>	<b>70.820</b>	<b>609.941</b>
<b>Net book value at 31 December 2016</b>	<b>3.796</b>	<b>186.724</b>	<b>383.798</b>	<b>11.431</b>	<b>73.277</b>	<b>659.026</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 18 Investment property

As at 31 December, investment property comprised the following:

	31 December 2016	31 December 2015
Investment property under development	350.577	289.030
Investment property	191.614	124.404
	<b>542.191</b>	<b>413.434</b>

For the years ended 31 December, movements in investment property were as follows:

	2016	2015
Balance at 1 January	413.434	357.948
Additions	74.145	13.449
Changes in fair value ( Note 30 )	54.612	42.037
<b>Total</b>	<b>542.191</b>	<b>413.434</b>

The Group obtained independent appraisal reports for each item of investment property and measured them at their fair values. Fair value information for all investment property within the scope of TFRS 13 based on fair value hierarchy are as follows:

<b>2016</b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Investment property	--	--	542.191	542.191
<b>Total</b>	<b>--</b>	<b>--</b>	<b>542.191</b>	<b>542.191</b>
<b>2015</b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Investment property	--	--	413.434	413.434
<b>Total</b>	<b>--</b>	<b>--</b>	<b>413.434</b>	<b>413.434</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

#### As at and for the Year Ended 31 December 2016

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

#### 18 Investment property (continued)

As at 31 December, fair value of the investment property is calculated by using the discounted cash flow method and a peer comparison by independent appraisal.

Peer comparison method determines recently listed or sold properties in market and takes into consideration of other factors for the adjustment of value based on size of land of property with current condition and location. For current market outlook the appraisers contact with the property sale intermediaries.

The following table shows the discounted cash flow valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

##### Valuation technique

Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

##### Significant unobservable inputs

- ❖ Expected market rental growth, 2%
- ❖ Occupancy rate (100%)
- ❖ Risk-adjusted discount (10%)
- ❖ Capitalization rate (6,5%).

As at 31 December 2016, borrowing costs capitalised by the Group are amounting to TL 69.312 (accumulated) on investment properties (31 December 2015: TL 49.068 (accumulated)).

As at 31 December 2016, the Group does not have mortgages on investment properties (31 December 2015: 111.216 TL).

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 19 Other assets and liabilities

##### Other current assets

As at 31 December, other current assets comprised the following:

	31 December 2016	31 December 2015
Reserve Deposits at Central Banks (*)	1.683.356	1.376.374
Value Added Tax ("VAT") receivables	292.318	192.554
Other income accruals	24.443	29.956
Personnel advances	15.105	2.421
Other current assets	56.599	161
	<b>2.071.821</b>	<b>1.601.466</b>

(\*) As at 31 December 2016 and 2015, this amount consists only of reserve deposits, which represents the mandatory deposit and is not available in the Group's day-to-day operations.

##### Other short term liabilities

As at 31 December, other short term liabilities comprised the following:

	31 December 2016	31 December 2015
Taxes and funds payable	82.106	83.198
Blockage on corporate collection account	79.035	57.376
Turkish Football Federation' share on collection of card sales	6.549	3.921
VAT payable	464	1.164
Other current liabilities	52.693	52.293
	<b>220.847</b>	<b>197.952</b>

#### 20 Due from/due to customers for contract work

Due from customers for contract work and due to customers for contract work were included in the accompanying consolidated statement of financial position under the following captions:

	31 December 2016	31 December 2015
Due from customers for contract work (Note 10)	2.130.139	1.409.073
Due to customers for contract work (Note 14)	(19.743)	(103.773)
<b>Total</b>	<b>2.110.396</b>	<b>1.305.300</b>

As at 31 December, the details of uncompleted contracts were as follows:

	31 December 2016	31 December 2015
Total costs incurred on uncompleted contracts	12.273.822	8.057.060
Estimated earnings	3.920.799	2.480.414
<b>Total estimated revenue on uncompleted contracts</b>	<b>16.194.621</b>	<b>10.537.474</b>
Less: Billings to date	(14.084.225)	(9.232.174)
<b>Net amounts due from customers for contract work</b>	<b>2.110.396</b>	<b>1.305.300</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 21 Loans and borrowings

As at 31 December 2016, loans and borrowings comprised the following:

	31 December 2016	31 December 2015
<b>Short term loans and borrowings</b>		
Securities issued	3.115.944	2.646.006
Funds borrowed by the Group's banking subsidiaries	2.856.490	2.493.943
Current portion of long term bank loans	863.774	431.084
Bank loans	481.535	412.757
Issued bonds	173.743	--
Factoring payables	29.684	37.081
Lease obligations	22.111	22.126
Other financial liabilities	63.924	31.033
<b>Total</b>	<b>7.607.205</b>	<b>6.074.030</b>
	31 December 2016	31 December 2015
<b>Long term loans and borrowings</b>		
Bank loans	975.989	787.490
Funds borrowed by the Group's banking subsidiaries	114.505	108.367
Subordinated liabilities	92.826	79.330
Issued bonds	92.450	--
Securities issued	52.704	198.232
Lease obligations	25.823	30.769
Deferred interest of lease obligation	(1.910)	(3.507)
<b>Total</b>	<b>1.352.387</b>	<b>1.200.681</b>

As at 31 December 2016, the terms and conditions of outstanding loans and borrowings including factoring payables comprised the following:

31 December 2016					
	Currency	Nominal interest rate (%)	Year of maturity	Nominal value	Carrying amount
Secured bank borrowings	TL	Revolving	2017	27.800	27.800
Secured bank borrowings	TL	14,50-19,30	2017	178.674	179.639
Secured bank borrowings	USD	0,06-12,00	2017-2021	1.437.712	1.449.454
Secured bank borrowings	EUR	0,13-13,30	2017-2025	372.002	373.750
Unsecured bank borrowings	TL	7,00-19,00	2017-2018	301.271	225.611
Unsecured bank borrowings	USD	0,10-10,00	2017	1.148.640	1.163.545
Unsecured bank borrowings	USD	Spot	2017	92.467	92.829
Unsecured bank borrowings	EUR	0,01-8,30	2017-2031	1.849.673	1.844.878
Unsecured bank borrowings	CHF	0,50-1,14	2017	27.599	27.617
Debt securities issued	TL	10,50-14,00	2017	2.965.923	2.749.694
Debt securities issued	USD	3,00-Libor+5,00	2017-2020	395.658	417.305
Debt securities issued	EUR	1,80-3,28	2017	257.938	267.842
Factoring payables	TL	6,00-18,25	2017	15.595	15.595
Factoring payables	USD	6,50-10,00	2017	14.089	14.089
				<b>9.085.041</b>	<b>8.849.648</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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## 21 Loans and borrowings (continued)

At 31 December 2015, the terms and conditions of outstanding loans and borrowings including factoring payables were as follows:

31 December 2015					
	Currency	Nominal interest rate (%)	Year of maturity	Nominal value	Carrying amount
Secured bank borrowings	TL	Revolving	2016	27.800	27.800
Secured bank borrowings	TL	18,30	2016	108.896	109.594
Secured bank borrowings	USD	2,40 – 12,00	2016-2018	250.327	250.592
Secured bank borrowings	EUR	0,73-10,30	2018-2025	260.913	261.091
Unsecured bank borrowings	TL	8,44-20,00	2016-2018	289.014	291.137
Unsecured bank borrowings	USD	1,70-10,00	2016-2021	2.309.283	2.283.116
Unsecured bank borrowings	USD	Spot	2016	40.391	40.391
Unsecured bank borrowings	EUR	2,08 - 9,55	2016-2031	1.008.786	1.011.677
Unsecured bank borrowings	CHF	2,20	2016	2.531	2.531
Unsecured bank borrowings	CHF	0,50 – 0,82	2016	22.245	22.281
Unsecured bank borrowings	GBP	1,00-1,00	2016	1.521	1.521
Unsecured bank borrowings	ILS	1,00-1,35	2016	11.196	11.240
Debt securities issued	TL	10,80-15,00	2016-2017	2.307.491	2.308.862
Debt securities issued	USD	2,50 – 4,60	2016-2020	337.588	407.096
Debt securities issued	EUR	2,15 – 3,00	2016	128.280	128.280
Factoring payables	TL	18,25	2016	50.140	37.081
				<b>7.156.402</b>	<b>7.194.290</b>

As at 31 December 2016, there are mortgages on administrative buildings and investment properties under construction which belong to Gap İnşaat amounting to TL 63.888 (31 December 2015: TL 30.244) and TL 590.953 (31 December 2015: TL 327.250), respectively, against the bank borrowings used.

There are pledges over Çalık Enerji's shares of YEDAŞ, YEPAŞ and ÇEDAŞ with numbers of 85 (TL 0,085), 115 (TL 0,115), 377.622.000 (TL 377.622), respectively and ÇEDAŞ's shares of YEPAŞ and YEDAŞ, with numbers of 6.358.770.388 (TL 63.587) and 35.700.685.312 (TL 357.006), as a guarantee for the bank borrowings used or will be used by Çalık Holding, ÇEDAŞ, YEDAŞ and YEPAŞ from a bank.

## 22 Derivatives

The carrying values of derivative instruments held at 31 December, were as follows:

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Forward transactions	2.852	(2.726)	374	(3.261)
Swap transactions	8.686	(10.358)	7.438	(9.577)
Currency options	673	(671)	--	(13)
	<b>12.211</b>	<b>(13.755)</b>	<b>7.812</b>	<b>(12.851)</b>

All derivatives in a net receivable position (positive fair value) are reported as derivative assets. All derivatives in a net payable position (negative fair value) are reported as derivative liabilities.

Further disclosure regarding the derivative contracts of the Group are explained at Note 34.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

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#### 23 Payables related to employee benefits

As at 31 December, payables related to employee benefits comprised the following:

	31 December 2016	31 December 2015
Due to personnel	19.293	12.777
Social security premiums payable	12.352	6.330
	<b>31.645</b>	<b>19.107</b>

#### 24 Provisions

As at 31 December, provisions comprised the following items:

	31 December 2016	31 December 2015
<b><u>Short term provisions</u></b>		
Short term employee benefits	44.848	28.876
Other short term provisions	44.822	40.567
<b>Total short term provisions</b>	<b>89.670</b>	<b>69.443</b>
<b><u>Long term provisions</u></b>		
Long term employee benefits	39.976	31.413
Other short term provisions	1.098	--
<b>Total long term provisions</b>	<b>41.074</b>	<b>31.413</b>
<b>Total provisions</b>	<b>130.744</b>	<b>100.856</b>

As at 31 December, short-term and long term employee benefits comprised the following items:

	31 December 2016	31 December 2015
<b><u>Short-term</u></b>		
Vacation pay liability	18.573	15.492
Bonus provisions	26.269	12.744
Other employee benefits	6	640
	<b>44.848</b>	<b>28.876</b>
<b><u>Long term</u></b>		
Employee termination benefits	39.976	31.413
Other	1.098	--
	<b>41.074</b>	<b>31.413</b>

As at 31 December, other provisions comprised the following items:

	31 December 2016	31 December 2015
<b><u>Short-term</u></b>		
Provisions for expenses	5.759	4.927
Provision for litigations	35.613	35.640
Other current provisions	3.450	--
	<b>44.822</b>	<b>40.567</b>

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### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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#### 24 Provisions (continued)

##### Reserve for employee severance indemnity

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die. According to change of regulation, dated 8 September 1999, there are additional liabilities for the integration articles.

For the years ended 31 December, the movements in the reserve for employee severance indemnity were as follows:

	2016	2015
Balance at the beginning of the year	28.616	30.809
Interest cost	4.794	2.876
Cost of services	7.100	4.132
Paid during the year	(3.664)	(8.658)
Actuarial difference	3.130	(543)
<b>Balance at the end of the year</b>	<b>39.976</b>	<b>28.616</b>

The reserve has been calculated by estimating the present value of future probable obligation of the Group arising from the retirement of the employees.

Actuarial valuation methods were developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2016	2015
	%	%
Discount rate	4,72	2,31
Interest rate	11,00	10,50
Expected rate of salary/limit increase	6,00-9,00	6,00-9,00
The range of turnover rate to estimate the probability retirement	1,00-6,00	1,00-6,00

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. As at 31 December 2016, the ceiling amount was TL 4,30 (31 December 2015: TL 3,83).

For the years ended 31 December, the movements in the provisions were as follows:

	1 January 2016	Provision for the reserve	Reversal	Currency translation differences	31 December 2016
Provision for litigations	35.640	2.082	(2.109)	--	35.613
Vacation pay liability	15.492	3.811	(730)	--	18.573
Bonus provisions	12.744	25.252	(12.676)	949	26.269
Employee termination benefits	28.616	15.024	(3.664)	--	39.976
Other expense provisions	7.724	1.137	(2.004)	--	6.857
Other	640	3.450	(634)	--	3.456
<b>Total</b>	<b>100.856</b>	<b>50.756</b>	<b>(21.817)</b>	<b>949</b>	<b>130.744</b>



## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

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#### 24 Provisions (continued)

	1 January 2015	Provision for the reserve	Reversal	Currency translation differences	31 December 2015
Provision for litigations	12.527	24.225	(1.112)	--	35.640
Vacation pay liability	11.399	5.044	(951)	--	15.492
Bonus provisions	20.265	7.480	(16.066)	1.065	12.744
Employee termination benefits	30.809	7.008	(9.201)	--	28.616
Other expense provisions	14.827	2.620	(9.723)	--	7.724
Other	787	--	(321)	174	640
<b>Total</b>	<b>90.614</b>	<b>46.377</b>	<b>(37.374)</b>	<b>1.239</b>	<b>100.856</b>

#### 25 Commitments and contingencies

Guarantee, pledge and mortgages ("GPM") in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2016 are as follows:

31 December 2016	Original currency (TL equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	1.358.684	1.247.922	69.263	2.675.870
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	798.217	--	798.217
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	798.217	--	798.217
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given	--	--	--	--
<b>Total</b>	<b>1.358.684</b>	<b>2.046.139</b>	<b>69.263</b>	<b>3.474.087</b>

GPMs in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2015 are as follows:

31 December 2015	Original currency (TL equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	1.113.927	296.874	114.197	1.524.998
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	614.560	--	614.560
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	614.560	--	614.560
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given	--	--	--	--
<b>Total</b>	<b>1.113.927</b>	<b>911.434</b>	<b>114.197</b>	<b>2.139.558</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

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#### 25 Commitments and contingencies (continued)

Details of the commitments and contingent liabilities arising in the ordinary course of the business of the Group comprised the following items as at 31 December:

	31 December 2016	31 December 2015
Given for ongoing EPC projects	2.002.084	1.268.029
Pledge on shares	798.217	614.560
TETAŞ and TEİAŞ	281.321	162.423
Given to banks	227.556	30.246
Given to EMRA	13.272	14.012
Given to other suppliers and government agencies	151.637	50.288
<b>Total contingent liabilities</b>	<b>3.474.087</b>	<b>2.139.558</b>

#### *Litigation and claims*

As at 31 December 2016, the expected cash outflow amount for the pending claims filed against to the Group is TL 35.613 (31 December 2015: TL 35.640). As at 31 December 2016, the provision for litigation and claims are mainly related to the labor cases against the Group. The Group made a provision for the whole amount related to these claims.

#### *Pending tax audits*

In Turkey, the tax and other government authorities (Social Security Institution) have the right to inspect the Group's tax returns and accounting records for the past five fiscal years. The Group has not recorded a provision for any additional taxes for the fiscal years that remained unaudited, as the amount cannot be estimated with any degree of uncertainty. The Group's management believes that no material assessment will arise from any future inspection for unaudited fiscal years.

#### *Lease commitments*

As at 31 December, non-cancellable operating lease commitments are payable as follows:

Operating lease commitment	2016	2015
Within one year	22.650	19.598
After one year not more than five years	48.599	50.828
More than five years	12.276	12.569
<b>Total</b>	<b>83.525</b>	<b>82.995</b>

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

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## **26 Taxation**

### Turkey

Corporate income tax is levied on the statutory corporate income tax base, which is determined by modifying income for certain tax exclusions and allowances.

Corporate income tax is levied at the rate of 20% (2015: 20%) and advance tax returns are filed on a quarterly basis.

According to the new Corporate Tax Law, 75% (2015: 75%) of the capital gains arising from the sale of properties and investments owned for at least two years are exempted from corporate tax on the condition that such gains are kept under equity as restricted funds within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. According to the amendments in the tax legislations, which became effective from 24 April 2003, dividends that are paid to the shareholders from the profits of the years between 1999 and 2002 are immune from the withholding tax, if such profits are exempted from corporation tax bases of the companies. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no:5520 revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, was increased from 10% to 15%. In applying the withholding tax rates on dividend payments to the non resident institutions and the individuals the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

### *Transfer pricing regulations*

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

#### **26 Taxation (continued)**

##### *Tax applications for foreign subsidiaries and joint ventures of the Group*

###### *Republic of Albania*

The applicable corporate tax rate in Republic of Albania is 15% (31 December 2015: 15%). Tax base is by modifying accounting income for certain exclusions and allowances in accordance with the related tax legislations. Non-documented expenses, repayments of loans and borrowings which are four times higher than equity, pre-payments, representation and accommodation expenses and fringe benefits over a certain limit are not subject to reduction for tax purposes.

###### *Republic of Kosovo*

The applicable corporate tax rate in Republic of Kosovo is 10% (31 December 2015: 10%).

Under Kosovo tax legislation system, tax losses can be carried forward to be offset against future taxable income for up to seven years.

###### *Republic of Iraq*

As at 31 December 2016, the applicable corporate tax rate for the subsidiaries and branches operating in Iraq is 15% (31 December 2015: 15%). Tax losses can be carried forward to be offset against future taxable income for up to five years to the extent of the half of the current year profit when the financial profit is reported. As at 31 December 2016 and 2015, profit generated from Group's operations in Iraq is not subject to corporate tax.

###### *Arab Republic of Egypt*

The applicable corporate tax rate for the subsidiaries operating in Egypt is 25% (31 December 2015: 25%). Since the Group is operating in free trade zone of Egypt, the Group is not subject to corporate tax.

###### *United Arab Emirates*

As at 31 December 2016, the Group has subsidiaries in the United Arab Emirates located in Dubai. There is no federal corporate tax in United Arab Emirates. However, similar taxes are implemented in different sectors in different emirates. As at 31 December 2016 and 2015, the Group's subsidiaries operating in Dubai are not subject to corporate tax.

###### *USA*

As at 31 December 2016, the applicable corporate tax rate for the subsidiary operating in USA is 40% (31 December 2015: 40%) but additional tax applications up to 12% could be charged.

###### *Georgia*

The applicable corporate tax rate in Georgia is 15% (31 December 2015: 15%).

###### *Turkmenistan*

According to Turkmenistan law, while the corporate tax rate is 8% for local companies, it is 20% for branches of foreign companies and for local companies which have foreign partner. Parent company of branches located in Turkmenistan is tax-exempt due to income generated from construction projects outside Turkey is tax exempt in Turkey. Besides, revenue arising from sales of machinery and equipment which are exported from Turkey and included in construction cost in those countries are subject to corporate tax in Turkey.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

## 26 Taxation (continued)

*Tax applications for foreign subsidiaries and joint ventures of the Group (continued)*

### *Libya*

The corporate tax rate is 20% (31 December 2015: 20%). In addition to the 20% tax rate, a Jihad tax is levied by 4%.

### *Serbia*

The applicable corporate tax rate in Serbia is 15% (31 December 2015: 15%).

### *Uzbekistan*

The applicable corporate tax rate in Uzbekistan is 17,2%.(31 December 2015: 17.2%).

### *The Netherlands*

The applicable corporate tax rate in The Netherlands is 25% (31 December 2015: 25%).

### **Tax recognised in profit or loss**

Income tax expense for the years ended 31 December comprised the following items:

### **Reconciliation of effective tax rate**

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current corporation and income taxes	135.881	106.576	--	--	135.881	106.576
Deferred tax expense / (benefit)	107.363	(49.811)	--	--	107.363	(49.811)
<b>Total income tax expense / (benefit)</b>	<b>243.244</b>	<b>56.765</b>	<b>--</b>	<b>--</b>	<b>243.244</b>	<b>56.765</b>

The reported income tax expense for the years ended 31 December are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	<b>2016</b>		<b>2015</b>	
	<u><b>Amount</b></u>	<u><b>%</b></u>	<u><b>Amount</b></u>	<u><b>%</b></u>
Reported profit before taxation	908.269		320.553	
Taxes on reported profit per statutory tax rate of the Company	(181.654)	(20,00)	(64.111)	(20,00)
<b>Permanent differences:</b>				
Disallowable expenses	(43.443)	(4,78)	(93.364)	(29,13)
Tax exempt income	231.903	25,53	71.607	22,34
Effect of different tax rates in foreign jurisdictions	4.246	0,47	2.708	0,84
Investment incentives effect	6.131	0,68	20.064	6,26
Recognition of previously unrecognized temporary differences	(8.529)	0,94	--	--
Effect of share of profit of equity-accounted investees and other consolidated adjustments	(255.901)	(28,17)	743	0,23
Current-year tax losses for which no deferred tax asset is recognised	(30.669)	(3,38)	(15.610)	(4,87)
Utilisation of previously unrecognised tax losses	32.669	(3,60)	19.048	5,94
Recognition of previously unrecognised tax losses carried forward	--	--	6.819	2,14
Current-year amortisation expense of electricity distribution rights for which no deferred tax asset is recognised	(3.839)	(0,42)	(3.839)	(1,20)
Others, net	5.842	0,64	(830)	(0,26)
<b>Tax expense</b>	<b>(243.244)</b>	<b>(26,78)</b>	<b>(56.765)</b>	<b>(17,71)</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 26 Taxation (continued)

##### Current tax assets/liabilities

As at 31 December, current tax assets and liabilities comprised the following:

	2016	2015
Taxes on income	243.244	56.765
Less: Deferred tax (expense)/benefit	107.363	(49.811)
Corporation taxes paid in advance	(113.961)	(97.949)
<b>Current tax liabilities/(assets), net</b>	<b>21.920</b>	<b>8.627</b>

As at 31 December 2016, current tax liabilities on income amounting to TL 35.683 (31 December 2015: TL 20.471) is not offset with prepaid taxes amounting to TL 13.763 (31 December 2015: TL 11.844) since they are related to different tax jurisdictions.

##### Deferred tax assets and liabilities

Deferred tax is provided in respect of taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

##### Unrecognised deferred tax assets and liabilities

As at 31 December 2016, deferred tax assets amounting to TL 150.072 have not been recognised with respect to the statutory tax losses carried forward as at 31 December 2016 (31 December 2015: TL 58.440). Such losses carried forward expire until 2021. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The table below shows the expiration date of the tax losses carried forward for which no deferred asset has been recognised:

	2016	2015
2016	--	187.722
2017	711	198.981
2018	173.823	643.149
2019	219.881	491.173
2020	303.563	78.050
2021	52.383	--
	<b>750.361</b>	<b>1.599.075</b>

The Group applied the "Tax Amnesty Law" numbered 6736 which was approved by the Turkish Grand National Assembly on 3 August 2016 and published in the Official Gazette dated 19 August 2016 and numbered 29806 subsequent to the approval of President of Turkish Republic. As of 31 December 2016, the Group made a voluntary increase in its tax base by reducing the 50% of the carry forward tax losses amounting to TL 685.369 of the years for which the Group made a voluntary increase. As a result those tax losses cannot be used any longer in accordance with the corporate tax paragraphs of Tax Amnesty Law and deducted from unused tax losses carried forward as at 31 December 2016.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 26 Taxation (continued)

##### Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December are attributable to the items detailed in the table below:

	2016		2015	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Vacation pay liability	6.125	--	4.530	--
Employee severance indemnity	5.407	--	4.561	--
Loans and receivables impairment provision	4.235	--	--	(1.013)
Financial assets at fair value through profit or loss	--	(21.218)	--	(21.570)
Available for sale investment securities	6.609	--	109	--
Derivative financial instruments	675	--	598	--
Provisions	4.670	--	10.428	--
Inventories	683	(43.092)	--	(10.210)
Deferred income	--	--	18.970	--
TAS 39 effect on loans and borrowings	7.216	(14.031)	3.573	(7.417)
Investment property	--	(85.003)	--	(101.789)
Property, plant and equipment and intangible	176.405	(25.414)	149.165	(24.228)
Investment incentives	63.911	--	57.229	--
Tax losses carried forward	31.001	--	35.402	--
Contract progress	--	(2.288)	--	--
Effect of percentage of completion method	--	(11.817)	--	(3.600)
Service concession receivables	--	(201.061)	--	(129.536)
Allowance for doubtful receivables	4.642	--	2.688	--
Security deposits	12.806	--	10.678	--
Other temporary differences	7.101	(19.672)	21.047	(6.675)
<b>Total deferred tax assets/(liabilities)</b>	<b>331.486</b>	<b>(423.596)</b>	<b>318.978</b>	<b>(306.038)</b>
Set off of tax	(228.823)	228.823	(168.526)	168.526
<b>Deferred tax assets/(liabilities), net</b>	<b>102.663</b>	<b>(194.773)</b>	<b>150.452</b>	<b>(137.512)</b>

According to the Tax Procedural Law in Turkey, statutory losses can be carried forward maximum for five years. Consequently, 2021 is the latest year for recovering the deferred tax assets arising from such tax losses carried forward.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 26 Taxation (continued)

Movements in deferred tax balances during the year 2016:

	1 January 2016	Effects of translation	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2016
Vacation pay liability	4.530	--	1.595	--	6.125
Employee severance indemnity	4.561	--	846	--	5.407
Loan impairment provision	(1.013)	--	5.248	--	4.235
Financial assets at fair value through profit or loss	(21.570)	--	352	--	(21.218)
Available for sale investment securities	109	--	6.224	276	6.609
Derivative financial instruments	598	--	77	--	675
Contract progress	--	--	(2.288)	--	(2.288)
Provisions	10.428	--	(5.758)	--	4.670
Inventories	(10.210)	--	(32.199)	--	(42.409)
Deferred income	18.970	--	(18.970)	--	--
TAS 39 effect on borrowings	(3.844)	--	(2.970)	--	(6.814)
Investment property	(101.789)	--	16.786	--	(85.003)
Property, plant and equipment and intangible assets fixed assets	124.937	--	26.054	--	150.991
Investment incentives	57.229	--	6.682	--	63.911
Tax losses carried forward	35.402	--	(4.401)	--	31.001
Loss provision					
Effect of percentage of completion method	(3.600)	--	(8.217)	--	(11.817)
Service concession receivables	(129.536)	--	(71.525)	--	(201.061)
Allowance for doubtful receivables	2.688	--	1.954	--	4.642
Security deposits	10.678	--	2.128	--	12.806
Other temporary differences	14.372	2.037	(28.981)	--	(12.572)
<b>Total deferred tax assets/(liabilities)</b>	<b>12.940</b>	<b>2.037</b>	<b>(107.363)</b>	<b>276</b>	<b>(92.110)</b>



## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 26 Taxation (continued)

Movements in deferred tax balances during the year 2015:

	1 January 2015	Effects of translation	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2015
Vacation pay liability	2.363	--	2.167	--	4.530
Employee severance indemnity	6.165	--	(1.604)	--	4.561
Loan impairment provision	2.017	--	(3.030)	--	(1.013)
Financial assets at fair value through profit or loss	(18.180)	--	(3.390)	--	(21.570)
Available for sale investment securities	437	--	(5.284)	4.956	109
Derivative financial instruments	298	--	300	--	598
Provisions	(582)	--	11.010	--	10.428
Inventories	(51.985)	--	41.775	--	(10.210)
Deferred income	10.323	--	8.647	--	18.970
TAS 39 effect on borrowings	(753)	--	(3.091)	--	(3.844)
Investment property	(85.922)	--	(15.867)	--	(101.789)
Property, plant and equipment and intangible assets	143.989	(3.856)	(15.196)	--	124.937
Investment incentives	37.165	--	20.064	--	57.229
Tax losses carried forward	19.232	--	16.170	--	35.402
Loss provision	(5.286)	--	5.286	--	--
Effect of percentage of completion method	1.990	--	(5.590)	--	(3.600)
Service concession receivables	(95.762)	--	(33.774)	--	(129.536)
Allowance for doubtful receivables	3.609	--	(921)	--	2.688
Security deposits	5.889	--	4.789	--	10.678
Other temporary differences	(3.512)	(9.466)	27.350	--	14.372
<b>Total deferred tax assets/(liabilities)</b>	<b>(28.505)</b>	<b>(13.322)</b>	<b>49.811</b>	<b>4.956</b>	<b>12.940</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

## 27 Capital and reserves

### *Paid in capital*

At 31 December 2016, the Group's statutory nominal value of authorised and paid-in share capital is TL 400.000 (31 December 2015: TL 400.000 ) (comprising of 400.000.000 registered shares (31 December 2015: 400.000.000) having par value of TL 1 (31 December 2015: TL 1) each).

At 31 December, the shareholding structure of Çalık Holding based on the number of shares is presented below:

	<b>2016</b>		<b>2015</b>	
	<i>Thousand of shares</i>	<i>%</i>	<i>Thousand of shares</i>	<i>%</i>
Ahmet Çalık	399.999	99,99	399.999	99,99
Other	1	0,01	1	0,01
	<b>400.000</b>	<b>100,00</b>	<b>400.000</b>	<b>100,00</b>

### *Restricted reserves*

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Group's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of share capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital.

According to the 5<sup>th</sup> paragraph of the Corporate Tax Law numbered 5520, 75% of the capital gains arising from the sale of tangible assets and investments owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the restricted reserve within equity as a special fund with the intention to be utilised in a share capital increase within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

As at 31 December 2016, in the accompanying consolidated financial statements, special funds arising from the sale of associates classified to legal reserves excluding the non-controlling interest portion are amounting to TL 674.995 (31 December 2015: 301.388).

In the accompanying consolidated financial statements, the total legal restricted reserves excluding the non-controlling interest portion amounted to TL 1.082.637 as at 31 December 2016 (31 December 2015: TL 597.774).

### *Non-controlling interests*

For the years ended 31 December, movements of the non-controlling interest were as follows:

	<b>2016</b>	<b>2015</b>
Non controlling interest at the beginning of the year	138.319	88.846
Net profit for the year attributable to non controlling interests	35.253	8.018
Foreign currency translation differences	24.610	11.894
Disposal of interests in consolidated subsidiaries resulting loss of control	(19.141)	--
Effect of the acquisition/(disposal) of non-controlling interests	(8.336)	31.191
Acquisition of subsidiary with non-controlling interest	--	77
Formation of a subsidiary with non-controlling interests	2.540	--
Contribution to the capital increase by the non-controlling interests	6.921	--
Liquidation of subsidiaries with non-controlling interest	87	--
Dividend distribution	--	(1.707)
<b>Balance at the end of the year</b>	<b>180.253</b>	<b>138.319</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 27 Capital and reserves (continued)

##### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

#### 28 Revenue and cost of sales

For the years ended 31 December, revenue and cost of sales comprised the following:

	2016	2015
Domestic sales	2.665.815	2.521.007
Export sales	5.060.940	3.892.018
Other sales	31.531	35.185
Sales discounts (-)	(23.079)	(14.444)
<b>Subtotal</b>	<b>7.735.207</b>	<b>6.433.766</b>
Cost of sales (-)	(5.748.493)	(5.064.367)
<b>Gross profit from non-finance operations</b>	<b>1.986.714</b>	<b>1.369.399</b>
Revenue from finance sector operations	1.091.524	812.803
Cost of revenues from finance sector operations (-)	(433.247)	(330.243)
<b>Gross profit from finance sector activities</b>	<b>658.277</b>	<b>482.560</b>
<b>Gross profit</b>	<b>2.644.991</b>	<b>1.851.959</b>

The depreciation and amortisation expense of TL 154.941 was recognised in the cost of sales (2015: TL 115.351).

#### 29 General and administrative expenses, selling, marketing and distribution expenses, and research and development expenses and expenses by nature

For the years ended 31 December, general and administrative expenses comprised the following:

	2016	2015
Personnel expenses	337.603	307.063
Depreciation and amortisation expenses	81.913	42.827
Rent expense	62.623	47.317
Representation expenses	37.515	17.538
Maintenance and repair expenses	36.785	24.280
Consulting expenses	30.989	43.119
Travel and accommodation expenses	19.002	26.887
Communication and information expenses	18.614	19.998
Taxes, duties and fees other than on income	17.351	14.221
Insurance expenses	10.701	11.060
Utility expenses	8.000	6.466
Office expenses	6.432	16.706
Provision for employee severance payment indemnity	3.833	324
Other	93.037	73.874
	<b>764.398</b>	<b>651.680</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

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

#### 29 General and administrative expenses, selling, marketing and distribution expenses, and research and development expenses and expenses by nature (continued)

For the years ended 31 December, selling, marketing and distribution expenses comprised the following:

	2016	2015
Personnel expenses	75.561	69.311
Maintenance and repair expenses	54.687	68.835
Advertising and promotion expenses	20.882	54.711
Transportation expenses	20.693	31.578
Commission expense	15.019	10.360
Rent expense	11.231	10.090
Office expenses	7.772	10.025
Travel and accommodation expenses	6.087	6.262
Taxes, duties and fees	5.770	7.983
Consulting expenses	5.086	4.134
Depreciation and amortization expenses	2.064	1.672
Communication and information expenses	1.083	2.027
Fair expenses	1.604	1.316
Other	15.508	21.614
<b>Total</b>	<b>243.047</b>	<b>299.918</b>

For the years ended 31 December, research and development expenses comprised the following:

	2016	2015
Personnel expenses	7.174	8.271
Depreciation and amortisation expenses	4.455	3.154
Travel and accommodation expenses	3.140	3.501
Representation expenses	1.309	870
Consulting expenses	1.234	3.130
Rent expense	1.171	1.121
Other	5.670	4.167
<b>Total</b>	<b>24.153</b>	<b>24.214</b>

For the years ended 31 December, personel and depreciation and amortization expenses comprised the following.

	2016	2015
<b><u>Personnel expenses</u></b>		
Cost of sales (-)	293.143	119.086
General and administrative expenses	337.603	307.063
Selling, marketing and distribution expenses	75.561	69.311
Research and development expenses	7.174	8.271
<b>Total</b>	<b>713.481</b>	<b>503.731</b>
<b><u>Depreciation and amortization expenses</u></b>		
Cost of sales (-)	154.941	115.351
General and administrative expenses	81.913	42.827
Selling, marketing and distribution expenses	2.064	1.672
Research and development expenses	4.455	3.154
<b>Total</b>	<b>243.373</b>	<b>163.004</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 30 Other income and expense from operating activities

For the years ended 31 December, other income from operating activities comprised the following:

	2016	2015
Foreign exchange gains	423.672	253.895
Fair value differences of service concession receivables (Note10)	150.360	100.969
Updated alternative return on investment	68.715	41.952
Fair value gain on revaluation of investment properties	54.612	42.037
Recoveries/reversals of provisions made	33.150	86.951
Interest income	20.266	69.465
Other income from operating activities	156.041	13.039
<b>Total</b>	<b>906.816</b>	<b>608.308</b>

For the year ended 31 December, other expense from operating activities comprised the following

	2016	2015
Impairment of loans and receivables of finance sector entities	86.666	52.857
Due from shareholders within the scope of law no. 6736	77.376	--
Foreign exchange losses	65.478	72.536
Provision for doubtful receivables	52.029	23.280
Rediscount interest expense	32.184	33.567
Expenses related to canceled real estate development project	18.213	--
Provision expenses	8.012	28.794
Other expense from operating activities	43.747	--
	<b>383.705</b>	<b>211.034</b>

(\*)As of 31December 2016, the Group has benefitted tax amnesty. In this respect, Çalık Holding voluntarily made an application for charging off the receivables from shareholders amounting TL 77.376. With the estimated tax amount of 2.321 TL for this transaction, Çalık Holding, in total, to recorded TL 79.697 on its profit or loss in the current year for relevant period.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 31 Gain and loss from investing activities

For the years ended 31 December, gains from investing activities comprised the following:

	2016	2015
Gain on financial assets at fair value through profit or loss	63.708	95.693
Gain on sale of investments in equity accounted investees	24.995	--
Gain from sale of derivative financial instruments	9.359	--
Gain on sale of property, plant and equipment	5.064	--
Gain on sale of associate (subsidiary)	3.013	--
Dividend income from equity securities held	1.336	991
Foreign exchange gains	121	--
Other	7.202	4.632
<b>Total</b>	<b>114.798</b>	<b>101.316</b>

For the years ended 31 December, losses from investing activities comprised the following:

	2016	2015
Loss on sale of property, plant and equipment	6.769	5.855
Loss on other investment activities	1.243	2.665
Loss on sale of derivative financial instruments	--	18.511
Other	697	2.548
<b>Total</b>	<b>8.709</b>	<b>29.489</b>

#### 32 Finance income and finance cost

For the years ended 31 December, finance income comprised the following:

	2016	2015
Foreign exchange gains on borrowings	19.941	1.467
Interest income late payment	10.442	--
Other	96	11.979
<b>Total</b>	<b>30.479</b>	<b>13.446</b>

For the years ended 31 December, finance cost comprised the following:

	2016	2015
Foreign exchange losses on borrowings	969.163	654.564
Interest expense on borrowings	375.092	331.141
Bank commission expenses	32.523	11.318
Letters of guarantees commission expenses	5.793	12.571
Financing expenses on factoring activities	2.416	2.908
Other charges and commission expenses	32.768	29.354
<b>Total</b>	<b>1.417.755</b>	<b>1.041.856</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 33 Disclosure of interests in other entities

Information regarding the subsidiaries in which the Group has major non-controlling interests is as follows:

<b>Subsidiaries</b>	<b>Non-controlling interests</b>	<b>Profit attributable to non-controlling interests</b>	<b>Cumulative non-controlling interests</b>	<b>Dividends paid to non-controlling interests</b>
<b><u>Çalık Pamuk</u></b>				
31 December 2016	--	--	--	--
31 December 2015	45,45	3.604	18.109	1.654
<b><u>Albtelecom</u></b>				
31 December 2016	39,20	(10.692)	40.419	--
31 December 2015	39,20	(19.575)	45.816	--
<b><u>Çalık Enerji</u></b>				
31 December 2016	4,58	43.685	99.596	--
31 December 2015	4,58	23.310	48.249	--

The financial information of Çalık Pamuk before the Group's consolidation adjustments and eliminations is as follows:

<b>Summary of Çalık Pamuk's statement of financial position</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash and cash equivalents	--	491
Trade receivables	--	25.691
Other current assets	--	81.612
Non-current assets	--	3.320
<b>Total assets</b>	<b>--</b>	<b>111.114</b>
Short-term borrowings	--	39.283
Short term portion of long term loans and borrowings	--	14.957
Other short term liabilities	--	16.587
Long-term liabilities	--	146
<b>Total liabilities</b>	<b>--</b>	<b>70.973</b>
<b>Total equity</b>	<b>--</b>	<b>40.141</b>
<b>Total equity and liabilities</b>	<b>--</b>	<b>111.114</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 33 Disclosure of interests in other entities (continued)

<b>Summary of Çalık Pamuk's statement of profit or loss:</b>	<b>2016</b>	<b>2015</b>
Revenue	--	396.663
Cost of sales	--	(371.934)
Operating expenses	--	(4.944)
Gain from investing activities	--	15
Finance cost	--	(9.605)
Tax expenses	--	(2.265)
<b>Profit/(loss) for the period</b>	<b>--</b>	<b>7.930</b>

The financial information of Albtelecom before the Group's consolidation adjustments and eliminations is as follows:

<b>Summary of Albtelecom's statement of financial position</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash and cash equivalents	4.506	14.335
Trade receivables	44.402	51.731
Other current assets	36.181	26.688
Non-current assets	679.524	582.227
<b>Total assets</b>	<b>764.613</b>	<b>674.981</b>
Short-term borrowings	13.874	47.677
Other short term liabilities	255.205	187.847
Long-term liabilities	402.375	330.636
<b>Total liabilities</b>	<b>671.454</b>	<b>566.160</b>
<b>Total equity</b>	<b>93.158</b>	<b>108.821</b>
<b>Total equity and liabilities</b>	<b>764.612</b>	<b>674.981</b>

<b>Summary of Albtelecom's statement of profit or loss</b>	<b>2016</b>	<b>2015</b>
Revenue	224.527	220.363
Cost of sales	(142.451)	(155.586)
Operating expenses	(82.109)	(94.021)
Loss from investing activities	(37)	(616)
Finance cost	(26.771)	(16.321)
Tax expenses	(332)	(3.756)
<b>Profit/(loss) for the period</b>	<b>(27.173)</b>	<b>(49.937)</b>



## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

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

#### 33 Disclosure of interests in other entities (continued)

The consolidated financial information of Çalık Enerji before the Group's consolidation adjustments and eliminations is as follows:

Summary of Çalık Enerji's statement of financial position	31 December 2016	31 December 2015
Cash and cash equivalents	64.788	79.324
Trade receivables	1.960.818	1.728.530
Other current assets	357.509	625.753
Non-current assets	2.623.297	1.481.459
<b>Total assets</b>	<b>5.006.412</b>	<b>3.915.066</b>
Short-term borrowings	120.629	68.191
Short term portion of long term loans and borrowings	171.859	31.858
Other short term liabilities	1.931.595	1.985.390
Long-term liabilities	1.336.972	372.802
<b>Total liabilities</b>	<b>3.561.055</b>	<b>2.458.241</b>
<b>Total equity</b>	<b>1.445.357</b>	<b>1.456.825</b>
<b>Total equity and liabilities</b>	<b>5.006.412</b>	<b>3.915.066</b>
Summary of Çalık Enerji's statement of profit or loss	2016	2015
Revenue	3.551.574	3.367.659
Cost of sales	(2.511.869)	(2.487.657)
Operating expenses	(28.808)	(207.968)
Gain from investing activities	(852)	93.133
Finance cost	(119.612)	(151.148)
Tax expenses	(151.544)	(38.778)
<b>Profit/(loss) for the period</b>	<b>738.889</b>	<b>575.241</b>

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 34 Financial instruments – Fair values and risk management

#### Financial risk management

##### Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

#### Risk management framework

Risk management activities are conducted by a realistic organizational structure and it is fully supported with the commitment of top level management.

Group acts proactively in terms of risk management in order to ensure that its business operations in different industries and regions are not adversely affected as a result of market, operational, liquidity and counterparty risks. Risk Management and internal audit departments within each sector and at the Group level provide and maintain awareness for different types of risks, including emerging risks, and ensure that appropriate risk management mechanisms are in place.

#### Banking:

##### Risk management framework

For the Group's banking group, Aktifbank and BKT actively use collateral management as the major risk mitigation mechanism. The Board of Directors of the Group's banking group has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee and Risk Management Department, which are responsible for developing and monitoring the Group's banking group's risk management policies in their specified areas. The Audit Committee has non-executive members and report regularly to the Board of Directors on their activities.

The Group's banking group's risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group's banking group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Aktif Bank and BKT. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

#### **34 Financial instruments – Fair values and risk management (continued)**

##### **Financial risk management (continued)**

###### **Credit risk:**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's principal financial assets are cash and cash equivalents, financial investments, trade receivables and other receivables. The Group requires a certain amount of collateral in respect of its account receivable. Credit evaluations are performed on all customers requiring credit over a certain amount on individual level.

At reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

###### **Banking:**

###### *Impaired loans and advances to customers and investment securities*

Impaired loans and advances to customers and investment debt securities are those for which the Group's banking group determines that it is probable that it will be unable to collect all principal and interest due to according to the contractual terms of the loans and investment debt securities.

###### *Allowance for impairment*

The Group's banking and finance group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loans and advances to customers and investment in debt security portfolio. This allowance is a specific loss component that relates to individually significant exposures.

Due to the increase in the consumer loan portfolio of Aktifbank and the availability of the historical trends of the probability of default, starting from 1 January 2012, Aktifbank started to provide collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified except for loans and receivables subject to individual assessment for impairment.

###### *Write-off policy*

The Group's banking group write off a loan or investment debt security balance, and any related allowances for impairment losses, when the Group's banking subsidiaries determine that the loan or security is uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

###### *Loans with renegotiated terms*

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group's banking subsidiaries have made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 34 Financial instruments – Fair values and risk management (continued)

**Credit risk (continued):**

**Exposure to credit risk:**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

31 December 2016	Receivables				Cash at banks and other cash and cash equivalents <sup>(*)</sup>	Financial investments <sup>(**)</sup>	Receivables from finance sector operations	Derivatives
	Trade receivables		Other receivables					
	Related party	Third party	Related party	Third party				
Maximum credit risk exposure at reporting date (A+B+C+D)	118.294	5.174.237	156.493	592.622	1.473.129	4.999.568	7.957.436	12.211
Portion of maximum risk covered by guarantees					--			
A. Carrying value of financial assets that are neither past due nor impaired	99.501	5.101.774	156.493	370.897	1.473.129	4.999.568	7.592.410	12.211
B. Carrying value of financial assets that are past due but not impaired	18.793	72.463	--	221.725	--	--	365.026	--
C. Carrying value of impaired assets	--	--	--	--	--	--	--	--
Past due (gross carrying amount)	--	100.224	--	10.397	--	--	389.286	--
- Impairment (-)	--	(100.224)	--	(10.397)	--	--	(389.286)	--
- The part of net value under guarantee with collateral etc	--	--	--	--	--	--	--	--
Not past due (gross carrying amount)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
D. Elements including credit risk on off statement of financial position	--	--	--	--	--	--	--	--

(\*) Balances at central banks are excluded.

(\*\*) Equity securities are excluded.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 34 Financial instruments – Fair values and risk management (continued)

**Credit risk (continued):**

**Exposure to credit risk (continued):**

31 December 2015	Receivables				Cash at banks and other cash and cash equivalents <sup>(*)</sup>	Financial investments <sup>(**)</sup>	Receivables from finance sector operations	Derivatives
	Trade receivables		Other receivables					
	Related party	Third party	Related party	Third party				
Maximum credit risk exposure at reporting date (A+B+C+D)	14.545	3.368.328	89.881	545.717	843.463	4.028.553	5.883.848	7.812
Portion of maximum risk covered by guarantees	--	--	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	14.545	3.321.078	89.881	305.603	843.463	4.028.553	5.312.080	7.812
B. Carrying value of financial assets that are past due but not impaired	--	47.250	--	240.114	--	--	571.768	--
C. Carrying value of impaired assets	--	--	--	--	--	--	--	--
Past due (gross carrying amount)	--	141.807	--	8.901	--	--	217.263	--
- Impairment (-)	--	(141.807)	--	(8.901)	--	--	(217.263)	--
- The part of net value under guarantee with collateral etc	--	--	--	--	--	--	--	--
Not past due (gross carrying amount)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
D. Elements including credit risk on off statement of financial position	--	--	--	--	--	--	--	--

(\*) Balances at central banks are excluded.

(\*\*) Equity securities are excluded.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 34 Financial instruments – Fair values and risk management (continued)

##### Credit risk (continued):

##### Impairment losses

As of 31 December 2016 and 2015, the aging of trade receivables that are past due but not impaired was as below:

	Receivables		Receivables from financial sector operations
	Trade Receivables	Other Receivables	
<b>31 December 2016</b>			
Past due 0-30 days	3.747	--	149.751
Past due 1-3 months	913	--	197.263
Past due 3-12 months	87.509	--	3.959
Past due 1-5 years	--	221.725	14.053
More than five years	--	--	--
<b>Total</b>	<b>91.256</b>	<b>221.725</b>	<b>365.026</b>
Part of secured with guarantee etc	--	--	--

	Receivables		Receivables from financial sector operations
	Trade Receivables	Other Receivables	
<b>31 December 2015</b>			
Past due 0-30 days	25.357	--	124.569
Past due 1-3 months	3.190	--	176.075
Past due 3-12 months	18.703	123.422	73.395
Past due 1-5 years	--	116.692	197.729
More than five years	--	--	--
<b>Total</b>	<b>47.250</b>	<b>240.114</b>	<b>571.768</b>
Part of secured with guarantee etc	--	--	--

##### Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Group has access to funding sources from banks and keeps certain level assets as cash and cash equivalents. The Group continuously assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Group strategy.

##### Banking:

##### Management of liquidity risk

The Group's banking group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to their reputation.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 34 Financial instruments – Fair values and risk management (continued)

#### Liquidity risk(continued):

##### Banking:

##### Management of liquidity risk

The Group's banking group funds its short-term liquidity with interbank. In the case of long-term liquidity need, the Group's banking group utilises capital and debt market instruments. Additionally, the Group's banking group also funds itself from the domestic and foreign market when it needs additional funds.

##### Exposure to liquidity risk

The key measure used by the Group's banking group for managing liquidity risk is the ratio of net liquid assets to short-term loans and borrowings. Net liquid assets include cash and cash equivalents and trading debt securities for which there is an active market.

As at 31 December, the followings are carrying amounts, contractual cash flows and the contractual maturities of financial liabilities are as follows:

<b>31 December 2016</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>3 months or less</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than five year</b>
<b>Contractual maturities</b>						
<b>Non-derivative financial liabilities</b>						
Payables related to finance sector operations	(11.113.874)	(11.115.006)	(4.145.585)	(5.911.298)	(984.936)	(73.187)
Loans and borrowings	(8.959.592)	(9.449.708)	(3.995.388)	(3.626.212)	(1.662.111)	(165.997)
	<b>(20.073.466)</b>	<b>(20.564.714)</b>	<b>(10.312.327)</b>	<b>(7.326.445)</b>	<b>(2.880.654)</b>	<b>(45.288)</b>
<b>Expected maturities</b>						
<b>Non-derivative financial liabilities</b>						
Trade payables	(1.970.355)	(1.970.355)	(569.137)	(1.333.311)	(67.907)	--
Other payable	(243.427)	(243.427)	(44.404)	(34.134)	(151.147)	(13.743)
Payable related to employee benefits	(31.645)	(31.645)	(19.944)	(11.700)	--	--
	<b>(2.245.427)</b>	<b>(2.245.427)</b>	<b>(633.485)</b>	<b>(1.379.145)</b>	<b>(219.054)</b>	<b>(13.743)</b>
<b>Derivative financial instruments</b>						
Outflow	12.211	2.169.768	1.395.245	774.523	--	--
Inflow	(13.755)	(2.162.534)	(1.390.587)	(771.947)	--	--
	<b>(1.544)</b>	<b>7.234</b>	<b>4.658</b>	<b>2.576</b>	<b>--</b>	<b>--</b>

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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### 34 Financial instruments – Fair values and risk management (continued)

#### Liquidity risk (continued)

<b>31 December 2015</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>3 months or less</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than five year</b>
<b>Contractual maturities</b>						
<i>Non-derivative financial liabilities</i>						
Payables related to finance sector operations	(8.041.491)	(8.059.267)	(4.581.250)	(2.641.749)	(763.081)	(73.187)
Loans and borrowings	(7.274.711)	(7.495.075)	(4.347.142)	(1.941.762)	(1.055.154)	(151.017)
	<b>(15.316.202)</b>	<b>(15.554.342)</b>	<b>(8.928.392)</b>	<b>(4.583.511)</b>	<b>(1.818.235)</b>	<b>(224.204)</b>
<b>Expected maturities</b>						
<i>Non-derivative financial liabilities</i>						
Trade payables	(1.453.918)	(1.460.181)	(787.012)	(589.019)	(84.150)	--
Other payable	(203.448)	(203.543)	(71.962)	(89.872)	(41.441)	(268)
Payable related to employee benefits	(19.107)	(19.107)	(8.104)	(10.982)	(21)	--
	<b>(1.676.473)</b>	<b>(1.682.831)</b>	<b>(867.078)</b>	<b>(689.873)</b>	<b>(125.612)</b>	<b>(268)</b>
<i>Derivative financial instruments</i>						
Inflow	7.812	2.099.663	2.050.394	44.634	--	--
Outflow	(12.851)	(2.099.893)	(2.055.029)	(49.499)	--	--
	<b>(5.039)</b>	<b>(230)</b>	<b>(4.635)</b>	<b>(4.865)</b>	<b>--</b>	<b>--</b>

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.



## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

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

#### 34 Financial instruments – Fair values and risk management (continued)

##### *Interest rate risk*

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as six months Libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

##### *Profile*

As at 31 December, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	<u>2016</u>	<u>2015</u>
<b>Fixed rate instruments</b>		
Financial assets	4.890.036	4.182.922
Financial liabilities	18.233.374	14.460.200
<b>Variable rate instruments</b>		
Financial assets	8.733.512	6.292.038
Financial liabilities	1.840.092	856.002

As of 31 December 2016, an increase of 100 basis points in interest rates dominated in Turkish Lira would have decreased profit or loss before tax and allocation of the non-controlling interest by TL 9.575 (31 December 2015: TL 15.847). Under the same conditions, a decrease of 100 basis points in interest rates dominated in Turkish Lira would have increased profit or loss by TL 9.575 (31 December 2015: TL 15.464). This analysis assumes that all other variables remain constant.

##### *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rate as of the reporting date would not affect profit or loss and equity.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

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### 34 Financial instruments – Fair values and risk management (continued)

#### Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are Euro and USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is exposed to currency risk through the impact of rate changes on the translation of foreign currency denominated payables and bank borrowings from financial institutions. Such risk is monitored by the Board of Directors and limited through taking positions within approved limits as well as using derivative instruments where necessary.

To minimise risk arising from foreign currency denominated statement of financial position items, the Group sometimes utilises derivative instruments as well as keeping part of its idle cash in foreign currencies.

At 31 December 2016, the currency risk exposures of the Group in TL equivalents are as follows:

CURRENCY POSITION STATEMENT		31 DECEMBER 2016			
	TL equivalent	USD	EURO	OTHER <sup>(*)</sup>	
1. Trade Receivables	739.820	98.840	104.141	5.629	
2a. Monetary financial assets	6.341.678	545.730	1.133.968	214.237	
2b. Non-monetary financial assets	--	--	--	--	
3. Other	401.036	97.935	4.294	40.453	
<b>4. Current assets (1+2+3)</b>	<b>7.482.533</b>	<b>742.505</b>	<b>1.242.403</b>	<b>260.319</b>	
5. Trade Receivables	227.527	33.198	29.562	1.025	
6a. Monetary financial assets	2.357.275	247.089	391.497	35.305	
6b. Non-monetary financial assets	24.306	3.545	2.032	4.292	
7. Other	20.033	5.158	507	--	
<b>8. Non-current assets (5+6+7)</b>	<b>2.629.142</b>	<b>288.990</b>	<b>423.598</b>	<b>40.622</b>	
<b>9. Total Assets (4+8)</b>	<b>10.111.675</b>	<b>1.031.495</b>	<b>1.666.001</b>	<b>300.941</b>	
10. Trade payables	(597.971)	(75.212)	(58.251)	(117.180)	
11. Financial liabilities	(4.628.225)	(667.401)	(606.995)	(27.617)	
12a. Other monetary liabilities	(5.304.836)	(271.644)	(1.131.249)	(152.046)	
12b. Other non-monetary liabilities	(1.854)	(377)	(142)	--	
<b>13. Short term liabilities (10+11+12)</b>	<b>(10.532.887)</b>	<b>(1.014.634)</b>	<b>(1.796.637)</b>	<b>(296.843)</b>	
14. Trade payables	(13.793)	--	(3.718)	--	
15. Financial liabilities	(1.023.082)	(224.057)	(63.231)	--	
16a. Other monetary liabilities	(1.052.164)	(25.224)	(257.760)	(7.132)	
16b. Other non-monetary liabilities	--	--	--	--	
<b>17. Long term liabilities (14+15+16)</b>	<b>(2.089.039)</b>	<b>(249.281)</b>	<b>(324.709)</b>	<b>(7.132)</b>	
<b>18. Total liabilities (13+17)</b>	<b>(12.621.927)</b>	<b>(1.263.915)</b>	<b>(2.121.346)</b>	<b>(303.975)</b>	
<b>19. Outside of the financial statements derivatives instruments net assets / (liability) position (19a+19b)</b>	<b>125.136</b>	<b>(75.757)</b>	<b>99.245</b>	<b>23.552</b>	
19a. Hedged portion of assets amount	739.780	81.258	111.181	41.346	
19b. Hedged portion of liabilities amount	(614.643)	(157.015)	(11.936)	(17.794)	
<b>20. Net foreign currencies assets / (liability) position (9+18+19)</b>	<b>(2.385.114)</b>	<b>(308.177)</b>	<b>(356.100)</b>	<b>20.518</b>	
<b>21. Monetary items Net foreign currencies assets / (liability) position (TFRS 7.b23)</b>					
<b>(=1+2a+5+6a+10+11+12a+14+15+16a)</b>	<b>(2.953.772)</b>	<b>(338.681)</b>	<b>(462.036)</b>	<b>(47.779)</b>	

(\*) TL equivalents are given.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 34 Financial instruments – Fair values and risk management (continued)

#### Currency risk (continued)

At 31 December 2015, the currency risk exposures of the Group in TL equivalents are as follows:

CURRENCY POSITION STATEMENT	31 DECEMBER 2015			
	TL equivalent	USD	EURO	OTHER <sup>(*)</sup>
1. Trade Receivables	1.523.361	480.008	33.804	20.276
2a. Monetary financial assets	4.370.673	537.923	826.600	180.004
2b. Non-monetary financial assets	--	--	--	--
3. Other	175.843	26.692	2.639	89.850
<b>4. Current assets (1+2+3)</b>	<b>6.069.877</b>	<b>1.044.622</b>	<b>863.043</b>	<b>290.129</b>
5. Trade Receivables	15.131	5.203	--	3
6a. Monetary financial assets	1.837.663	214.376	374.258	25.101
6b. Non-monetary financial assets	24.184	2.475	3.996	4.292
7. Other	19.539	4.057	797	5.210
<b>8. Non-current assets (5+6+7)</b>	<b>1.896.517</b>	<b>226.111</b>	<b>379.050</b>	<b>34.606</b>
<b>9. Total Assets (4+8)</b>	<b>7.966.394</b>	<b>1.270.733</b>	<b>1.242.093</b>	<b>324.735</b>
10. Trade payables	(790.491)	(159.551)	(85.555)	(54.719)
11. Financial liabilities	(3.666.334)	(822.880)	(378.986)	(69.461)
12a. Other monetary liabilities	(3.506.000)	(213.065)	(863.008)	(144.198)
12b. Other non-monetary liabilities	--	--	--	--
<b>13. Short term liabilities (10+11+12)</b>	<b>(7.962.825)</b>	<b>(1.195.497)</b>	<b>(1.327.549)</b>	<b>(268.378)</b>
14. Trade payables	(19.856)	--	(6.249)	--
15. Financial liabilities	(785.372)	(202.432)	(61.928)	--
16a. Other monetary liabilities	(1.053.121)	(22.668)	(309.649)	(3.272)
16b. Other non-monetary liabilities	--	--	--	--
<b>17. Long term liabilities (14+15+16)</b>	<b>(1.858.349)</b>	<b>(225.099)</b>	<b>(377.826)</b>	<b>(3.272)</b>
<b>18. Total liabilities (13+17)</b>	<b>(9.821.174)</b>	<b>(1.420.596)</b>	<b>(1.705.375)</b>	<b>(271.650)</b>
<b>19. Outside of the financial statements derivatives instruments net assets / (liability) position (19a+19b)</b>	<b>453.622</b>	<b>47.848</b>	<b>88.865</b>	<b>32.123</b>
19a. Hedged portion of assets amount	822.188	130.339	128.963	33.421
19b. Hedged portion of liabilities amount	(368.566)	(82.491)	(40.099)	(1.298)
<b>20. Net foreign currencies assets / (liability) position (9+18+19)</b>	<b>(1.401.158)</b>	<b>(102.015)</b>	<b>(374.417)</b>	<b>85.208</b>
<b>21. Monetary items Net foreign currencies assets / (liability) position (TFRS 7.b23)</b>				
(=1+2a+5+6a+10+11+12a+14+15+16a)	<b>(2.074.346)</b>	<b>(183.087)</b>	<b>(470.713)</b>	<b>(46.266)</b>

(\*) TL equivalents are given.

## Çalık Holding Anonim Şirketi and its Subsidiaries

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#### 34 Financial instruments – Fair values and risk management (continued)

##### Currency risk (continued)

##### Sensitivity analysis

A strengthening/weakening of the TL against the other currencies below would have increased/ (decreased) the comprehensive income and profit/loss (excluding the tax effect) as of 31 December as follows:

31 December 2016	Profit / (Loss)		Equity	
	Strengthening of TL	Weakening of TL	Strengthening of TL	Weakening of TL
<b>Increase/(decrease) 10% of USD parity</b>				
1-US Dollar net asset / liability	108.454	(108.454)	--	--
2-Hedged portion of US Dollar amounts(-)	--	--	--	--
<b>3-Net effect of US Dollar (1+2)</b>	<b>108.454</b>	<b>(108.454)</b>	<b>--</b>	<b>--</b>
<b>Increase/(decrease) 10% of EUR parity</b>				
4-EUR net asset / liability	132.109	(132.109)	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
<b>6-Net effect of EUR (4+5)</b>	<b>132.109</b>	<b>(132.109)</b>	<b>--</b>	<b>--</b>
<b>Increase/(decrease) 10% of other parities</b>				
7-Other foreign currency net asset / liability	(2.052)	2.052	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
<b>9-Net effect of other foreign currencies (7+8)</b>	<b>(2.052)</b>	<b>2.052</b>	<b>--</b>	<b>--</b>
<b>TOTAL (3+6+9)</b>	<b>238.511</b>	<b>(238.511)</b>	<b>--</b>	<b>--</b>

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 34 Financial instruments – Fair values and risk management (continued)

##### Currency risk (continued)

31 December 2015	Profit / (Loss)		Equity	
	Strengthening of TL	Weakening of TL	Strengthening of TL	Weakening of TL
<b>Increase/(decrease) 10% of USD parity</b>				
1-US Dollar net asset / liability	29.662	(29.662)	--	--
2-Hedged portion of US Dollar amounts(-)	--	--	--	--
<b>3-Net effect of US Dollar (1+2)</b>	<b>29.662</b>	<b>(29.662)</b>	--	--
<b>Increase/(decrease) 10% of EUR parity</b>				
4-EUR net asset / liability	118.975	(118.975)	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
<b>6-Net effect of EUR (4+5)</b>	<b>118.975</b>	<b>(118.975)</b>	--	--
<b>Increase/(decrease) 10% of other parities</b>				
7-Other foreign currency net asset / liability	(8.521)	8.521	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
<b>9-Net effect of other foreign currencies (7+8)</b>	<b>(8.521)</b>	<b>8.521</b>	--	--
<b>TOTAL (3+6+9)</b>	<b>140.116</b>	<b>(140.116)</b>	--	--

##### Capital management

The Group's objectives when managing capital include:

- to comply with the capital requirements required by the regulators of the financial markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

#### **34 Financial instruments – Fair values and risk management (continued)**

##### ***Capital management (continued)***

###### **Banking:**

###### ***Aktifbank***

BRSA sets and monitors capital requirements for the Aktifbank regularly.

The capital adequacy ratio calculations are made in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in Official Journal No 28337 of 28 June 2012 from 1 July 2012. Standard Method is used to calculate market risk which is included in computation of capital adequacy ratio.

In implementing current capital requirements of BRSA requires Aktifbank to maintain a 12% ratio of total capital to total risk-weighted assets.

As at 31 December 2016, the Aktifbank's capital adequacy ratio is 12,70% (31 December 2015: 13,60%).

###### ***BKT***

BKT's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognised and BKT recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in BKT's management of capital during the period.

Regulatory capital: BKT monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Bank of Albania ("BoA"), which ultimately determines the statutory capital required to underpin its business. The regulation "On capital adequacy" is issued pursuant to Law No. 8269 date 23 December 1997 "On the Bank of Albania", and Law No. 9662 dated 18 December 2006 "On Banks in the Republic of Albania".

The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted exposures, calculated as the sum of the risk-weighted exposure amounts, on- and off-statement of financial position for credit risk and for credit counterparty risk, capital requirement for market and operational risk. The minimum Capital Adequacy Ratio required by Bank of Albania is 12%, while BKT has maintained this ratio at 14,08% as at 31 December 2016 (31 December 2015: 13,99%).

In December 2016, BKT has reported Regulatory Capital Ratio, Tier 1 Capital Ratio and Common Equity Tier 1 Ratio as 14,08%, 12,92% and 12,92%, respectively. (31 December 2015: 14,00%, 12,60% and 12,60%).

Risk-Weighted Assets (RWAs): For calculation of credit risk, exposures, on- and off-statement of financial position are classified in 15 exposure classes. In general terms, client/ issuer type, loan destination and collateral are the main determinants of the exposure class. Each exposure class has its own specific requirements on how to assess the appropriate risk weight and respective risk weighted exposures. For credit risk and counterparty risk is applied the Standardised Approach. Market risk capital requirements are calculated in case the BKT has a trading portfolio that fulfils the requirements defined by the regulation and/ or a total net open currency position that is larger than the defined minimum threshold. Operational risk capital requirement is calculated based on the Basic Indicator Approach.

Compliance: BKT and its individually regulated operations have complied with all internally and externally imposed capital requirements throughout the year.

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

**As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

#### **34 Financial instruments – Fair values and risk management (continued)**

##### ***Operational risk***

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions,
- compliance with regulatory and other legal requirements,
- documentation of controls and procedures,
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- requirements for the reporting of operational losses and proposed remedial action,
- development of contingency plans,
- training and professional development,
- ethical and business standards,
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Group.

##### ***Fair value information***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted market price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

### 34 Financial instruments – Fair values and risk management (continued)

#### Fair value information

The table below shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2016	Held-for trading	Designated at fair value	Loans and receivables	Available for-sale	Held to maturity	Other financial liabilities	Total carrying values Total	Level 1	Level 2	Level 3	Total fair values
<b>Financial assets measured at fair value</b>											
Financial investments	--	603.841	--	4.485.297	--	--	<b>5.005.979</b>	4.485.297	--	603.841 <sup>(**)</sup>	<b>5.089.138</b>
Derivatives	12.211	--	--	--	--	--	<b>12.211</b>	--	12.211	--	<b>12.211</b>
<b>Financial assets not measured at fair value</b>											
Financial investments	--	--	--	35.628	541.996	--	<b>577.624</b>	--	--	577.624 <sup>(**)</sup>	<b>577.624</b>
Trade receivables	--	--	5.292.531	--	--	--	<b>5.292.531</b>	--	--	--	--
Other receivables	--	--	749.115	--	--	--	<b>749.115</b>	--	--	--	--
Cash and cash equivalents	--	--	1.769.640	--	--	--	<b>1.769.640</b>	--	--	--	--
Receivables related to finance sector operations	--	--	7.957.436	--	--	--	<b>7.957.436</b>	--	--	--	--
	<b>12.211</b>	<b>603.841</b>	<b>15.768.722</b>	<b>4.520.925</b>	<b>541.996</b>	--	<b>21.364.536</b>	<b>4.485.297</b>	<b>12.211</b>	<b>1.181.465</b>	<b>5.678.973</b>
<b>Financial liabilities measured at fair value</b>											
Derivatives	13.755	--	--	--	--	--	<b>13.755</b>	--	13.755	--	<b>13.755</b>
<b>Financial liabilities not measured at fair value</b>											
Loans and borrowings	--	--	--	--	--	8.959.592	<b>8.959.592</b>	--	--	8.959.592 <sup>(**)</sup>	<b>8.959.592</b>
Trade payables	--	--	--	--	--	1.970.355	<b>1.970.355</b>	--	--	--	--
Payables related to finance sector operations	--	--	--	--	--	11.113.874	<b>11.113.874</b>	--	--	--	--
Other payables <sup>(*)</sup>	--	--	--	--	--	(243.427)	<b>(243.427)</b>	--	--	--	--
	<b>13.755</b>	--	--	--	--	<b>22.800.394</b>	<b>21.814.149</b>	--	<b>13.755</b>	<b>8.959.592</b>	<b>8.973.347</b>

<sup>(\*)</sup> Deposits and guarantees given are excluded from other liabilities.

<sup>(\*\*)</sup> Calculated for disclosure purpose.



# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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### 34 Financial instruments – Fair values and risk management (continued)

#### *Fair value information (continued)*

The table below shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2015	Held-for trading	Designated at fair value	Loans and receivables	Available for-sale	Held to maturity	Other financial liabilities	Total carrying values	Total	Level 1	Level 2	Level 3	Total fair values
<b>Financial assets</b>												
<b>measured at fair value</b>												
Financial investments	--	431.401	--	3.510.309	--	--	3.941.710	3.725.165	--	--	431.401	<b>4.156.566</b>
Derivatives	7.812	--	--	--	--	--	7.812	--	--	7.812	--	<b>7.812</b>
<b>Financial assets not measured at fair value</b>												
Financial investments	--	--	--	38.359	611.043	--	649.402	--	--	--	651.536 <sup>(**)</sup>	<b>651.536</b>
Trade receivables	--	--	3.382.873	--	--	--	3.382.873	--	--	--	--	--
Other receivables	--	--	635.598	--	--	--	635.598	--	--	--	--	--
Cash and cash equivalents	--	--	1.058.907	--	--	--	1.058.907	--	--	--	--	--
Receivables related to finance sector operations	--	--	5.883.848	--	--	--	5.883.848	--	--	--	5.836.884 <sup>(**)</sup>	<b>5.836.884</b>
	<b>7.812</b>	<b>431.401</b>	<b>10.961.226</b>	<b>3.548.668</b>	<b>611.043</b>	<b>--</b>	<b>15.560.150</b>	<b>-</b>	<b>3.725.165</b>	<b>7.812</b>	<b>6.919.821</b>	<b>10.652.798</b>
<b>Financial liabilities</b>												
<b>measured at fair value</b>												
Derivatives	(12.851)	--	--	--	--	--	(12.851)	--	--	(12.851)	--	<b>(12.851)</b>
<b>Financial liabilities not measured at fair value</b>												
Loans and borrowings	--	--	--	--	--	(7.274.711)	(7.274.711)	--	--	--	(7.495.075) <sup>(**)</sup>	<b>(7.495.075)</b>
Trade payables	--	--	--	--	--	(1.453.918)	(1.453.918)	--	--	--	--	<b>--</b>
Payables related to finance sector operations	--	--	--	--	--	(8.041.491)	(8.041.491)	--	--	--	--	<b>--</b>
Other payables <sup>(*)</sup>	--	--	--	--	--	(22.944)	(22.944)	--	--	--	--	<b>--</b>
	<b>(12.851)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(16.793.064)</b>	<b>(16.805.915)</b>	<b>--</b>	<b>(12.851)</b>	<b>(7.495.075)</b>	<b>(7.507.926)</b>	

<sup>(\*)</sup>Deposits and guarantees given are excluded from other liabilities.

<sup>(\*\*)</sup>Deposits and guarantees given are excluded from other liabilities

## Çalık Holding Anonim Şirketi and its Subsidiaries

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#### 34 Financial instruments – Fair values and risk management (continued)

##### *Fair value information (continued)*

##### *Fair value hierarchy*

The fair value hierarchy consists of three levels, depending upon whether fair values are determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have significant impact on the fair value of the instrument (Level 3):

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: This category includes inputs that are quoted market prices (unadjusted) in active markets for identical instruments. These are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Group's portfolio.
- Level 2: This category includes inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: This category includes all instruments where the valuation technique uses inputs based on unobservable data, which could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant, unobservable adjustments or assumptions are required to reflect differences between instruments. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived.

##### *Valuation models*

The Group uses following assumptions to estimate the fair value of financial instruments:

**Equity securities:** Fair values of publicly traded equity securities are based on quoted market prices where available. In the case of where no quoted market is available, fair value is determined based on quoted prices for similar securities or other valuation techniques. Valuation techniques include discounted cash flow models and transaction multiple methods. Where equity securities are not traded in stock exchange and have no quoted market price, and therefore their fair value cannot be reliably estimated since there is significant variability in the range of reasonable fair value estimates and the probabilities of the various estimates within the range cannot be assessed reasonably, they are measured at cost less impairment, if any, and their fair values are expected to approximate to their costs.

Valuation of equity securities designated as at fair value through profit or loss was carried out by an independent appraiser firm as at 31 December 2016. Discounted cash flow method was used as valuation method and the fair value of this investment was assessed TL 603.191 (USD equivalent 171.400) (31 Decemer 2015: TL 466.379) (USD equivalent 160.400).

**Debt securities:** Fair values are based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using a market interest rate curves, referenced credit spreads and maturity of the investment.

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

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#### 34 Financial instruments – Fair values and risk management (continued)

##### *Fair value information (continued)*

##### *Valuation models (continued)*

**Derivative assets and liabilities:** Derivatives are valued using valuation techniques. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. Observable prices or model inputs are usually available in the market for exchange-traded derivatives and simple over-the-counter derivatives.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The principal technique used to value these instruments are based on discounted cash flows. These valuation models calculate the present value of expected future cash flows. Inputs to valuation models are determined from observable market data where possible. The inputs used include prices available from exchanges, dealers, brokers or providers of consensus pricing, yield curves, credit spreads, default rates, recovery rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes, where available.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives, fair values taken into account both credit valuation adjustments and debit valuation adjustments.

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

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

### 35 Group enterprises

The consolidated financial statements aggregate financial information from the following entities:

#### Subsidiaries

The table below sets out the subsidiaries and their shareholding structure at 31 December:

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2016	2015	2016	2015
Adacami Enerji <sup>(1)</sup>	99,95	99,95	95,38	95,38
Aktif Doğalgaz	97,50	97,50	97,40	97,40
Aktifbank	99,86	99,86	99,86	99,86
Albtelecom <sup>(5)</sup>	76,00	76,00	60,80	60,80
Ant Enerji <sup>(1)</sup>	50,00	50,00	47,71	47,71
Asset Aktif <sup>(6)</sup>	100,00	100,00	99,86	99,86
Atayurt İnşaat <sup>(1)</sup>	99,75	99,75	95,20	95,20
Atlas Petrol	100,00	100,00	99,89	99,89
Ayas Rafineri	99,89	99,89	99,89	99,89
Artmin <sup>(10)</sup>	70,00	70,00	69,50	69,50
Başak Yönetim	100,00	100,00	100,00	100,00
BKT <sup>(9)</sup>	100,00	100,00	100,00	100,00
Çalık Alexandria <sup>(3)</sup>	100,00	100,00	99,08	99,08
Çalık Denim <sup>(*)</sup>	99,18	99,18	99,18	99,18
Çalık Elektrik <sup>(1)</sup>	100,00	100,00	95,42	95,42
Çalık Emlak	98,06	98,06	98,06	98,06
Çalık Enerji	95,42	95,42	95,42	95,42
Çalık Enerji AB <sup>(1)</sup>	100,00	100,00	95,42	95,42
Çalık Enerji Dubai <sup>(1)</sup>	100,00	100,00	95,42	95,42
Çalık Finansal Hizmetler	100,00	100,00	100,00	100,00
Çalık Gaz	99,89	99,89	99,89	99,89
Çalık Georgia <sup>(1)</sup>	100,00	100,00	95,42	95,42
Çalık Hava	100,00	100,00	100,00	100,00
Çalık İnşaat <sup>(2)</sup>	99,75	99,75	99,13	99,07
Çalık Korea <sup>(3)</sup>	--	--	--	99,18
Çalık NTF <sup>(1)</sup>	100,00	100,00	95,42	95,42
Çalık Pamuk <sup>(3)</sup>	--	55,00	--	54,55
Çalık Petrol	80,00	80,00	79,91	79,91
Çalık Rüzgar <sup>(1)</sup>	95,00	95,00	90,65	90,65
Çalık Solar Enerji <sup>(1)</sup>	100,00	100,00	95,42	95,42
Çalık USA <sup>(3)</sup>	--	--	--	99,18
ÇED <sup>(1)</sup>	100,00	100,00	95,42	95,42
ÇEDAŞ <sup>(1)</sup>	99,95	99,95	95,38	97,62
Çep Petrol	99,75	99,75	99,64	99,64
Cetel Çalık <sup>(7)</sup>	100,00	100,00	100,00	100,00
Cetel Telekom <sup>(6)</sup>	80,00	80,00	80,00	80,00
Doğu Akdeniz Petrokimya	99,40	84,40	99,29	84,31
Dore Altın	100,00	100,00	100,00	100,00
E-Kent <sup>(8)</sup>	100,00	100,00	99,86	99,86
E-Post <sup>(8)</sup>	100,00	100,00	99,86	99,86
Echo <sup>(8)</sup>	50,00	--	49,93	--
Emlak Girişim <sup>(8)</sup>	100,00	100,00	99,86	99,86
Gap İnşaat Dubai <sup>(2)</sup>	100,00	100,00	99,37	99,32
Gap Elektrik	99,96	99,96	99,87	99,87
Gap Güneydoğu FZE <sup>(3)</sup>	--	100,00	--	99,18
Gap İnşaat	99,37	99,32	99,37	99,32
Gap İnşaat Cons. <sup>(2)</sup>	100,00	99,00	99,37	98,32
Gap Qatar <sup>(2)</sup>	100,00	100,00	99,37	98,54

# Çalık Holding Anonim Şirketi and its Subsidiaries

## Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

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### Group enterprises (continued)

#### Subsidiaries (continued)

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2016	2015	2016	2015
Gap Construction Co. <sup>(2)</sup>	100,00	100,00	99,37	98,54
Gap Pazarlama	95,01	95,01	95,01	95,01
Gap Pazarlama FZE <sup>(4)</sup>	100,00	100,00	95,01	95,01
Gap İnşaat Saudi Arabia Ltd <sup>(2)</sup>	100,00	99,00	99,37	98,32
Gap İnşaat Ukraine <sup>(2)</sup>	100,00	99,00	99,37	98,32
Gap Yapı	99,75	99,75	99,75	99,75
Gappa <sup>(4)</sup>	100,00	100,00	95,01	95,01
Gap Construction A.B <sup>(2)</sup>	100,00	100,00	99,37	99,28
Hamerz Green Energy	100,00	--	95,42	--
Innovative Construction <sup>(2)</sup>	100,00	--	99,37	--
İkideniz Petrol	99,99	99,99	99,89	99,89
Irmak Yönetim	100,00	100,00	100,00	100,00
Japan International	100,00	100,00	99,89	99,89
JSC Georgia <sup>(1)</sup>	85,00	100,00	81,11	95,42
Kentsel Dönüşüm <sup>(2)</sup>	99,75	99,75	99,13	99,07
Kızılırmak <sup>(1)</sup>	99,40	99,40	94,86	94,86
Lidya Maden	99,29	99,29	99,29	99,29
Mayestan Clean Energy <sup>(1)</sup>	100,00	--	95,42	--
Momentum Enerji <sup>(1)</sup>	100,00	100,00	95,42	95,42
Mükafat Portföy <sup>(8)</sup>	80,00	--	79,89	--
N Kolay Ödeme Kuruluşu A.Ş. <sup>(8)</sup>	100,00	100,00	99,86	99,86
Onyx Trading <sup>(1)</sup>	100,00	--	95,42	--
Ortur Elektrik <sup>(1)</sup>	--	90,00	--	85,88
Pavo <sup>(8)</sup>	80,00	80,00	79,89	79,89
Petrotrans Enerji	99,92	99,92	99,92	99,92
Polimetal Mineral	100,00	--	99,29	--
Sembol Enerji	100,00	100,00	99,89	99,89
Sigortayeri <sup>(8)</sup>	100,00	100,00	99,86	99,86
Synergy Marketing N.V	100,00	--	95,01	--
Telemed	100,00	100,00	100,00	100,00
Technological Energy <sup>(1)</sup>	100,00	--	95,42	--
Technovision <sup>(1)</sup>	90,00	90,00	85,88	85,88
Tura	100,00	99,99	100,00	99,99
Türkmen Elektrik <sup>(1)</sup>	97,00	97,00	92,63	92,63
UPT	100,00	--	99,86	99,86
Vadi Elektrik <sup>(1)</sup>	--	99,00	--	94,47
YEDAŞ <sup>(1)</sup>	100,00	100,00	95,38	97,62
Yenikom <sup>(1)</sup>	--	99,99	--	97,71
YEPAŞ <sup>(1)</sup>	100,00	100,00	95,38	97,62
Yeşilçay Enerji <sup>(1)</sup>	100,00	100,00	95,42	95,42
White Construction N.V	100,00	--	99,37	--

<sup>1</sup>First consolidated under Çalık Enerji, then consolidated under the Group

<sup>2</sup> First consolidated under Gap İnşaat, then consolidated under the Group

<sup>3</sup> First consolidated under Çalık Denim, then consolidated under the Group

<sup>4</sup> First consolidated under Gap Pazarlama, then consolidated under the Group

<sup>5</sup> First consolidated under Cetel Telekom, then consolidated under Cetel Çalık, then consolidated under Telemed, then consolidated under the Group

<sup>6</sup> First consolidated under Cetel Çalık, then consolidated under Telemed, then consolidated under the Group

<sup>7</sup> First consolidated under Telemed, then consolidated under the Group

<sup>8</sup> First consolidated under Akıfbank, then consolidated under the Group

<sup>9</sup> First consolidated under Çalık Finansal Hizmetler, then consolidated under the Group

<sup>10</sup> First consolidated under Lidya Maden, then consolidated under the Group

## Çalık Holding Anonim Şirketi and its Subsidiaries

### Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2016

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

#### 35 Group enterprises (continued)

##### Joint ventures

The table below sets out the joint ventures and their shareholding structure at 31 December:

	<i>Direct controlling interest of Çalık Holding and its subsidiaries</i>		<i>Effective ownership interest of Çalık Holding and its Subsidiaries</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Çalık Limak Adi Ortaklığı	50,00	50,00	49,92	49,92
Doğu Aras	49,00	49,00	48,97	48,97
KÇLE	50,00	50,00	37,17	37,17
Kartaltepe	50,00	50,00	49,65	49,65
Polimetal	50,00	80,00	49,65	79,43
Tunçpınar	50,00	50,00	49,65	49,65
LC Electricity	50,00	50,00	50,00	50,00
Atagas Doğalgaz	50,00	50,00	50,00	50,00

##### Joint operation

The table below sets out the joint operation and their shareholding structure at 31 December:

	<i>Direct controlling interest of Çalık Holding and its subsidiaries</i>		<i>Effective ownership interest of Çalık Holding and its Subsidiaries</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Varyap-Gap Ortak Girişimi	50,00	50,00	49,64	49,64

##### Associates

The table below sets out the associates and their shareholding structure at 31 December:

	<i>Direct controlling interest of Çalık Holding and its subsidiaries</i>		<i>Effective ownership interest of Çalık Holding and its Subsidiaries</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Albania Leasing	29,99	29,99	26,25	26,25
Balkan Dokuma	31,00	31,00	31,00	31,00
Euro-Mediterranean	21,00	20,48	21,00	20,48
ELC	25,00	24,38	25,00	24,38
Haliç Leasing	32,00	--	31,96	--
IFM	5,00	5,00	4,99	4,99
Kazakhstan Ijara Company KIC Leasing	14,31	14,31	14,31	14,31
Serdar Pamuk	10,00	10,00	10,00	10,00
TAPCO	49,87	49,87	49,87	49,87
TJK	40,20	40,20	49,96	49,96
TTK	32,00	32,00	32,00	32,00
VKŞ	100,00	100,00	100,00	100,00

## **Çalık Holding Anonim Şirketi and its Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **As at and for the Year Ended 31 December 2016**

*(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)*

#### **36 Subsequent events**

Çalık Enerji, a consolidated subsidiary of the Group, issued a bond to the qualified investors with a nominal value of TL 150.000, a maturity of 24 months with quarterly coupon payments and variable interest on 3 February 2017 in accordance with the approval of issuance certificate by Capital Markets Board of Turkey dated 15 July 2016 and numbered 22/795.

On 6 January 2017, the Group acquired from the Kiler Holding A.Ş. all shares with a nominal value of TL 670 representing 1,00% of the share capital of the Doğu Aras for a consideration of TL 670. Group increased the ownership interest in Doğu Aras from 49,00% to 50,00% with this acquisition.

On 27 February 2017, Cetel Çalık, a consolidated subsidiary of the Group, merged with Telemed Telekom under Telemed Telekom. As a result of this merger Cetel Çalık A.Ş. expired without liquidation.