



**2015-2016
ANNUAL REPORT**

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Continued growth with a focus on institutionalization and sustainability...

The journey that began with the textile industry in 1953 in Babadağ, Denizli continues with great pace today with the addition of many other fields of business, including consumer electronics and white goods, energy, real estate, mining-metallurgy, factoring, and tourism among others.

Starting its life as a family business, Zorlu Holding has continuously grown during its transformation into a corporate enterprise, exceeding Turkey's boundaries and reaching far continents, yet it always remained a role model and game changer with subsidiaries that play an important role in their respective sectors.

Throughout the years, Zorlu Holding became a reputable brand in both Turkey and the world, combining its deep-rooted experience, know-how and qualified human resources with highly intuitive, strong management.

Since then, Zorlu Holding has embarked upon new journeys with the goal of further strengthening its corporate structure as it continues to create value for all of its stakeholders and grows alongside Turkey, acting as a unified whole and taking firm steps towards sustainability with the synergy created by Group companies.

Zorlu Group Overview

Zorlu: A Reliable and Reputable Brand in Turkey and the World

With around 27 thousand employees and over 60 companies, Zorlu is one of the leading conglomerates in Turkey.

Zorlu Group's foundation was laid in 1953 with the establishment of a textile company in Babadağ, Denizli.

Having begun its life as a family business, Zorlu Group today is one of the key conglomerates in Turkey with over 60 countries and around 27 thousand employees.

Zorlu Group companies are some of the leading players in their respective sectors. As of the end of 2016, Zorlu Group is active in five main categories of

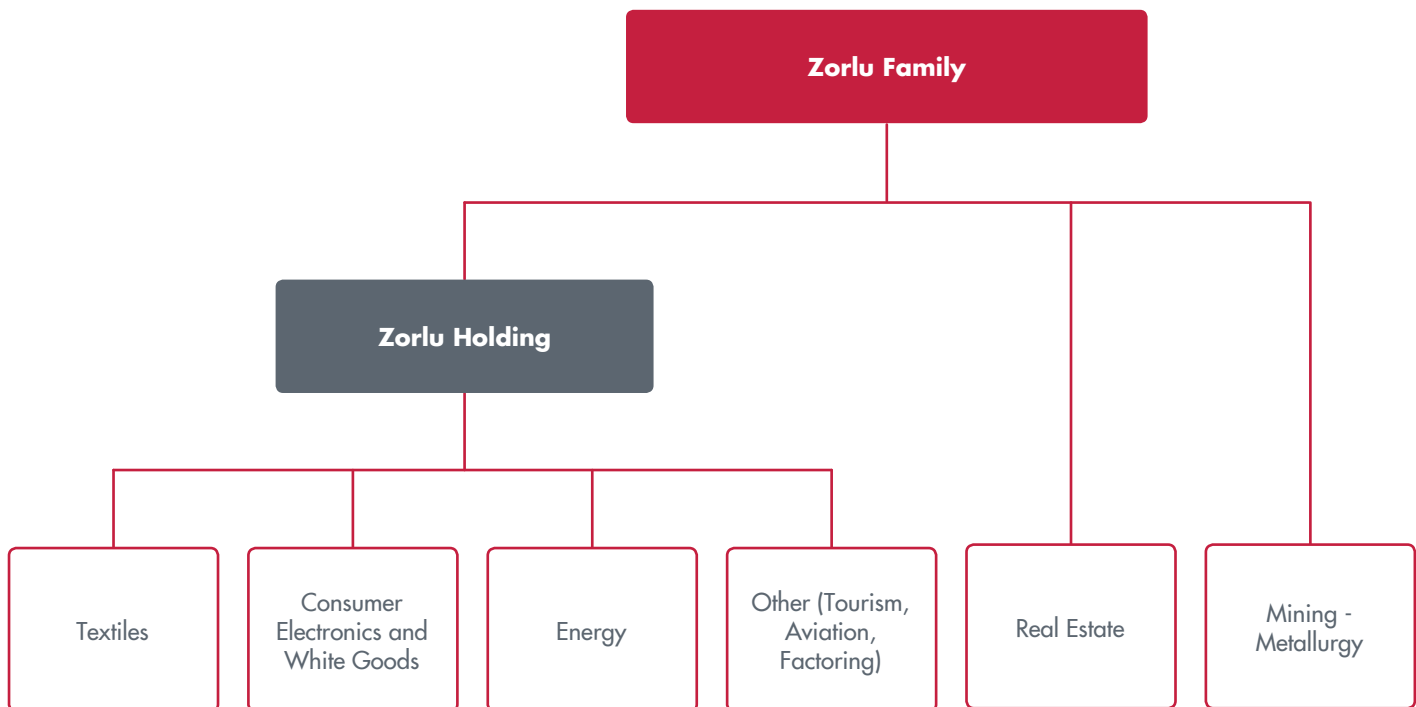
- textiles,
- consumer electronics and white goods,
- energy,

- real estate,
- mining-metallurgy
- other (tourism, factoring, aviation)

and continues to generate value-added for the country's economy, with the Group accounting for a significant portion of the country's overall exports.

Standing out in their areas of business with their innovative approach, pioneer position, corporate structure and performance coupled with distinct global production and service capabilities, Zorlu Group companies are set to carry their operations into the future to further enhance the value of the Zorlu brand, which has become a symbol of quality, trust and reputation in the market, and to create lasting value for all their stakeholders.

Zorlu Group Organization Chart



Zorlu Group Milestones

1953

Hacı Mehmet Zorlu lays the foundation of the Zorlu Group by establishing Zorlu Mensucat in Babadağ, Denizli.

1960

The Group enters textile trading business by opening a store in Trabzon.

1966

The company takes the information and experience gained in Trabzon to Istanbul and begins contract manufacturing.

1976

Korteks Velvet Weaving Plant is established in Bursa.

1984

The company begins its first official exports with Korteks products.

1989

Korteks Yarn Factory is built in Bursa to meet the need for high-quality polyester yarn in the Turkish textile industry.

1990

Korteks Polyester Yarn Factory, Europe's largest integrated polyester yarn manufacturer and exporter, commences production.

1993

Zorlu Enerji is founded to meet the energy and steam needs of Zorlu Group's industrial enterprises.

1994

Vestel joins the Zorlu Group.

1997

Vestel Household Appliances is founded.

Denizbank is founded

1999

Mehmet Zorlu Education, Health, Culture and Solidarity Foundation is established.

White goods production begins.

2000

20% of Zorlu Energy's shares are offered to the public, and listed on Borsa Istanbul for trading.

2001

Zorluteks becomes Europe's largest and the world's third largest cotton household linen producer.

2003

Zorlu Group celebrates its 50th anniversary.

Vestel City opens its doors.

2004

Jules Verne joins the Zorlu Group

2006

Zorlu Real Estate Group is established.

Zorlu Group sells its stake in Denizbank to Dexia for USD 2.4 billion in total.

31.5% of Vestel Beyaz Eşya's shares are offered to the public, and listed on Borsa Istanbul for trading.

Zorlu Energy Group obtains natural gas distribution licenses for Gaziantep and Trakya regions and begins supplying natural gas.

2007

Zorlu Holding signs the UN Global Compact.

Meta Nikel-Kobalt is established.

2008

Zorlu Enerji wins the privatization tender held by ADÜAŞ, involving nine power plants with a total installed capacity of 141 MW, with a bid of USD 510 million.

The construction of Zorlu Center, Turkey's first five-function multi-use project, begins.

2011

Vestel wins the first Smart Board (Interactive Board) tender issued as part of Fatih Project.

2012

Zorlu Factoring begins operations.

2013

Zorlu Center's shopping mall and performing arts center open their doors.

Kızıldere II Geothermal Power Plant is commissioned.

Jhampir Wind Power Plant in Pakistan goes into operation.

Vestel wins the second Smart Board tender worth TL 1 billion.

2014

Meta Nikel-Kobalt starts nickel production in Gördes.

Turkey's first locally produced smartphone Venus is launched.

A+ office project Levent 199 enters into service.

The Dorad Natural Gas Combined Cycle Power Plant in Israel, in which Zorlu Enerji has a 25% stake, starts commercial operation.

2015

Zorlu Holding signs the United Nations Women Empowerment Principles, institutionalizing its support for empowering women in the society, business, and the economy.

Phase I of Alaşehir I Geothermal Power Plant enters into operation.

The Ramat Negev and Ashdod natural gas cogeneration power plants in Israel, in which Zorlu Energy has 42.15% stakes, become operational.

Vestel Elektronik is included in the BIST Sustainability Index for the November 2015 - October 2016 period.

2016

Vestel Beyaz Eşya and Zorlu Enerji voluntarily enter Borsa Istanbul's (BIST) Sustainability Index for the November 2016 - October 2017 period.

Sarıtepe-Demirciler Wind Power Plants commence generation.

Zorlu Center is named Europe's Best Shopping Center by ICSC.

Having advanced to the finals of the Industrial Excellence Awards 2016 after winning the title in Turkey, Vestel Beyaz Eşya is proclaimed the winner, becoming the first Turkish company in its sector to win the award.

Zorluteks R&D Center enters into service.

Zorlu Holding

Zorlu Holding AŞ ("Zorlu Holding") is the parent company of Zorlu Group affiliates.

Zorlu Group's consumer electronics, white goods, textiles and energy companies operate under Zorlu Holding, which is controlled by the Zorlu Family.

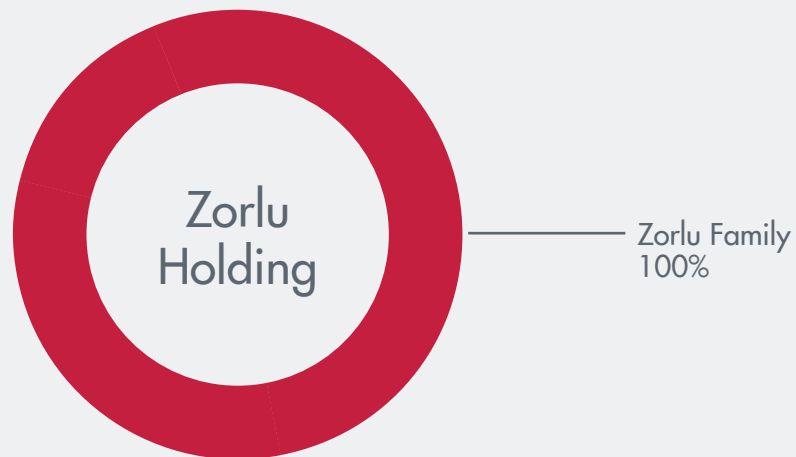
The Group's real estate and mining companies, on the other hand, are directly controlled by the Zorlu Family.

The stocks of other companies that operate under Zorlu Holding, including Vestel Elektronik Sanayi ve Ticaret AŞ, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ and Zorlu Enerji Elektrik Üretim AŞ, as

well as the corporate bonds of Korteks Mensucat Sanayi ve Ticaret AŞ, Zorlu Faktoring AŞ and Zorlu Enerji Elektrik Üretim AŞ are listed on Borsa İstanbul (BIST).

As of December 31, 2016, Zorlu Holding's paid-in capital amounts to TL 3,325,000,000.

Zorlu Holding Shareholding Structure



Sustainability at the Focus of Zorlu Holding's Strategy

Zorlu Holding aims to contribute to a better future by focusing on sustainability.

Zorlu Holding aims to contribute to a better future by focusing on sustainability.

To leave a better world to future generations, Zorlu Holding builds upon its responsibilities to carry out economic, environmental and social activities and projects, and driven with its strong corporate values and principles, it aims to do its part for a sustainable tomorrow.

Zorlu Holding has accelerated its efforts towards what it considers to be the main pillars of sustainability, namely reduction of the environmental impact and carbon emissions of its companies, transitioning to eco-friendly production technologies,

developing products which consume less natural resources, and increasing the share of renewables in electricity generation. It leverages its excellence in R&D and innovation to further these initiatives while directing its investments towards the development of products with greater value added by keeping a close eye on the evolving changes and trends in the world.

Through the Mehmet Zorlu Foundation, Zorlu Holding carries out projects for social benefit in a number of key areas such as culture & arts, health and social solidarity in line with its mission of investing in the future of Turkey.

Zorlu Holding will continue to work with great determination to strengthen its corporate structure by taking its sustainability-focused institutionalization approach to new levels, and to build a better future with the synergic collaboration of the Group companies and their human resources.



Summary Financial Statements and Operational Indicators*

In 2016, Zorlu Holding maintained its trend of profitable growth, increasing its consolidated sales revenues by 7% over 2015 to TL 14.2 billion, while its earnings before interest, taxes, depreciation, and amortization

(EBITDA) reached TL 2 billion with a 16% increase.

The strong performance in textile and energy businesses was the main driver of the EBITDA growth.

During the same period, EBITDA margin increased from 13% to 14%. Zorlu Holding's total assets rose by 17% to reach TL 30 billion as of the year end 2016.

Summary Balance Sheet (thousand TL)	2016	2015	2014
Current Assets	15,302,421	15,304,388	11,025,696
Fixed Assets	14,687,840	10,286,183	9,745,518
Total Assets	29,990,261	25,590,571	20,771,214
Short-Term Liabilities	15,878,317	13,877,275	10,613,310
Long-Term Liabilities	9,529,287	7,712,975	5,919,617
Equity	4,582,657	4,000,321	4,238,287
Total Liabilities & Equity	29,990,261	25,590,571	20,771,214

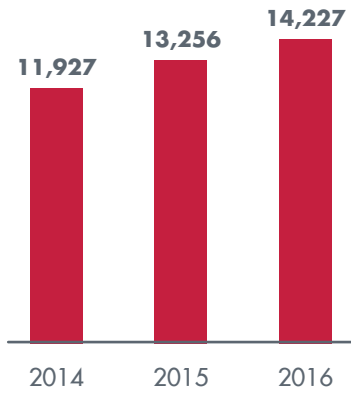
Summary Income Statement (Thousand TL)	2016	2015	2014
Sales Revenues	14,227,063	13,255,949	11,926,642
Gross Profit	3,422,689	3,056,907	2,244,040
Operating Profit**	1,394,927	1,199,112	652,980
EBITDA**	2,007,612	1,737,387	1,172,622
Net Financial Expenses	(1,495,656)	(1,519,104)	(578,783)
Net Loss for the Period***	(207,408)	(787,549)	(42,318)
Gross Profit Margin	24%	23%	19%
EBITDA Margin	14%	13%	10%
Export Ratio	52%	53%	50%

* Consolidated financial statements of Zorlu Holding include the energy, textile, consumer electronics and white goods businesses of the Group. Mining and Real Estate business lines are not a part of the Holding and are therefore excluded from the above consolidated financial statements.

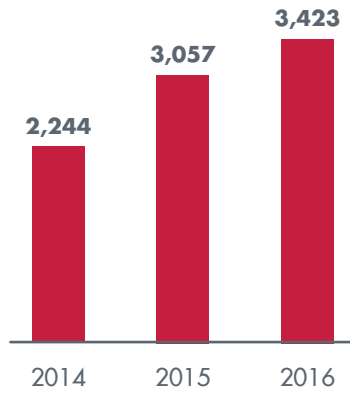
** Includes profits/losses from investments accounted for by the equity method, but excludes other revenues and expenses from operations

*** Profit/(loss) attributable to the equity holders of the parent

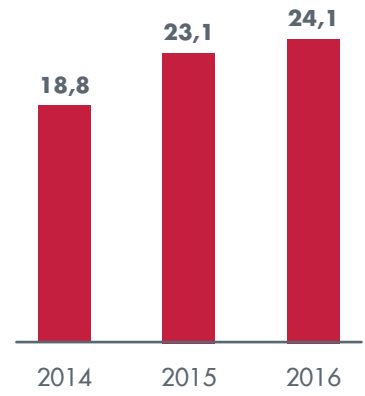
Net Sales
(Million TL)



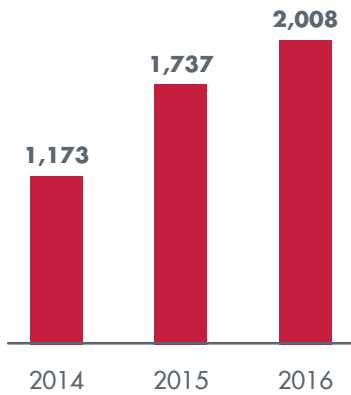
Gross Profit
(Million TL)



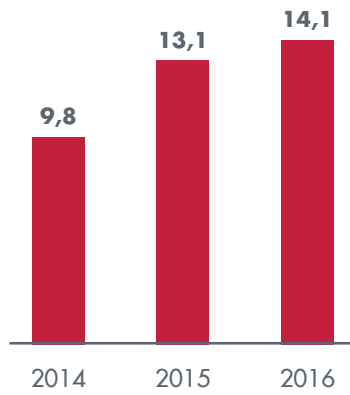
Gross Profit Margin
(%)



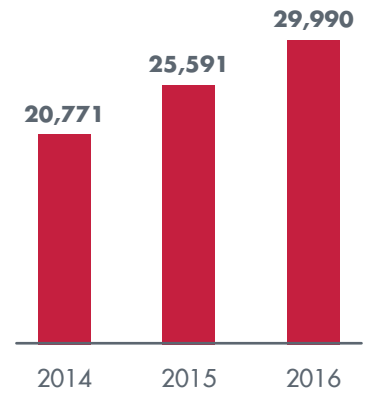
EBITDA*
(Million TL)



EBITDA Margin
(%)



Total Assets
(Million TL)



*Includes profits/losses from investments accounted for by the equity method, but excludes other revenues and expenses from operations.

Zorlu Group's Fields of Operation



Textiles

The founding pillar of Zorlu Holding, textile remains one of the key sectors of the Group today.

With Turkey's largest integrated polyester yarn manufacturer and exporter and Europe's leading household linen producer under its umbrella, Zorlu Textiles Group is constantly growing and enhancing its position in domestic and international markets.

Engaged in the production and marketing of yarns, curtains and household linens, which are led by Zorluteks and Korteks, Zorlu Textiles Group serves as a preferred business and solutions partner for global enterprises, thanks to its high production capacity, high-quality products, and excellent marketing and distribution capabilities.



Consumer Electronics and White Goods

Operating in the consumer electronics and white goods sectors, Vestel Group is one of the leading ODMs (Original Design Manufacturer) in the world.

Being the market leader in TVs and one of the top three players in the white goods market in Turkey, as a global producer Vestel also ranks among the top two manufacturers in the TV market and top five in the white goods market in Europe.

Vestel's manufacturing operations are based in Vestel City, one of Europe's largest single-site industrial manufacturing complexes.



Energy

One of the foremost integrated enterprises in the market, Zorlu Energy Group is on a course of growth with particular focus on renewables as it seeks investment opportunities both inside and outside Turkey.

As of year-end 2016, Zorlu Energy Group had a total installed capacity of 1,047 MW, half of which was generated from renewable energy sources. The Group plans to increase this ratio even further to contribute to a more sustainable future.

In the meantime, Zorlu Energy Group continues to develop natural gas infrastructure in regions it added to its licensed distribution area to support wider use of safe and clean natural gas.

Real Estate

Innovative and perfectionist, Zorlu Real Estate Group develops world-class projects and constructs exemplary buildings that are poised to set the standards in the real estate sector.

Having adopted contemporary project development and work methods, Zorlu Real Estate Group brings together technology, R&D, human resources, systems, sustainability, strategies and processes to create a strong synergy. Accordingly, Zorlu Real Estate Group prioritizes two areas in particular: sustainable buildings and digital building management systems driven by the Industry 4.0.



Zorlu Group's Fields of Operation

Mining - Metallurgy

Zorlu Mining Group is the developer of Turkey's first nickel-cobalt processing plant in Gordes, Manisa, which still serves as its base of operations in its mining and metallurgy activities.

Employing advanced techniques and contemporary technologies in its operations, Zorlu Mining Group aims to specialize in the development of nickel-cobalt deposits, processing of ores into metals, and in time, into products with higher value-added, and ultimately become one of the leading suppliers of nickel-cobalt in the region.









Other Fields of Operation

Zorlu Holding continues to distinguish itself in a wide range of other fields, ranging from tourism to factoring and aviation.

Renowned for their reliability, ambition and strong identity, Zorlu Group companies work to meet customer needs and demands in their respective sectors all the while contributing to the country's economy through the value-added and employment they provide.



Zorlu Group's Fields of Operation






SECTOR	SCOPE	MAIN COMPANIES
CONSUMER ELECTRONICS AND WHITE GOODS 	<ul style="list-style-type: none"> • Televisions, • White goods, • Manufacturing and sale of digital and mobile products 	Vestel Elektronik Vestel Beyaz Eşya 2016 Turnover: TL 9.5 billion Asset Size: TL 8.3 billion
ENERGY 	<ul style="list-style-type: none"> • Generation and sale of electricity and steam, • Electricity trade, • Distribution and trade of natural gas, • Power plant construction, • Operation, maintenance and repair, services for power plants 	Zorlu Enerji Zorlu Electricity Trakya Natural Gas & Gaziantep Natural Gas Zorlu Industrial Zorlu O&M Zorlu Natural Gas Zorlu Natural Gas Procurement 2016 Turnover: TL 2.9 billion Asset Size: TL 7.6 billion
TEXTILES 	<ul style="list-style-type: none"> • Production and sale of polyester yarn and household textiles 	Korteks Zorluteks 2016 Turnover: TL 1.7 billion Asset Size: TL 3.8 billion
REAL ESTATE 	<ul style="list-style-type: none"> • Development, sale, lease and/or operation of high-quality real estate projects 	Zorlu Real Estate Development Zorlu Building Investment 2016 Turnover: TL 811 million Asset Size: TL 7.4 billion
MINING – METALLURGY 	<ul style="list-style-type: none"> • Development, operation and sales of Nickel-Cobalt resources in Turkey and abroad 	Meta Nikel-Kobalt Mining Asset Size: TL 1.5 billion
OTHER SECTORS 	<ul style="list-style-type: none"> • Factoring • Tourism • Aviation 	Zorlu Factoring Jules Verne Zorlu Grand Hotel Zorlu Air

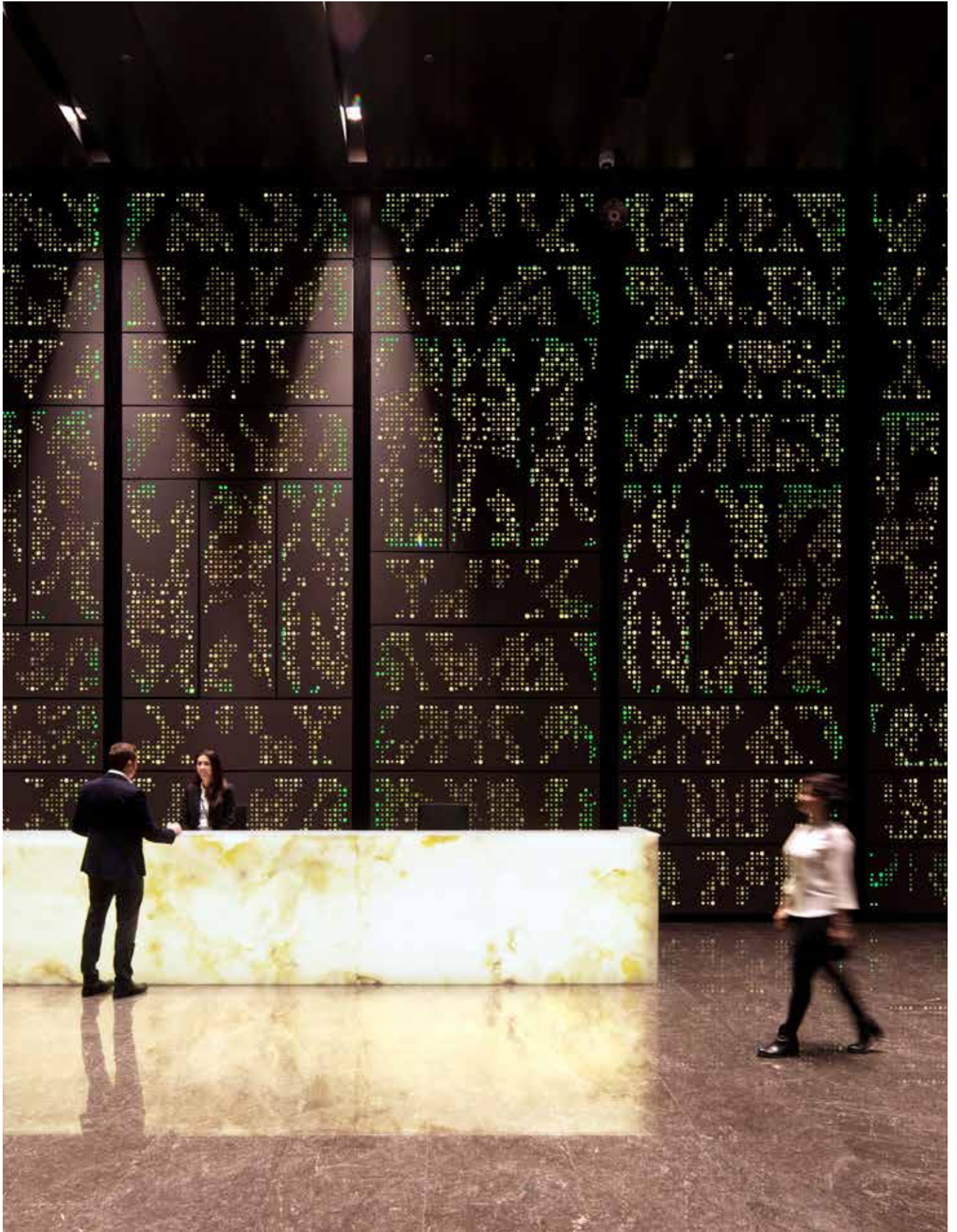
SECTOR POSITION

COMPETITIVE ADVANTAGES

- | | |
|--|--|
| <ul style="list-style-type: none"> • Ranks among the top two in TVs and top five in white goods in Europe • Market leader in TVs and one of the top three players in white goods in Turkey • Export champion of Turkish Electrical, Electronics and Services sector for 19 consecutive years • Turkey's sixth largest exporter | <ul style="list-style-type: none"> • One of Europe's largest single-site industrial manufacturing complexes (Vestel City) • Advantages in efficiency, productivity and costs brought about by production in a single-site Ability to differentiate mass production on an order basis through flexible production capability • Seamless ODM (Original Design Manufacturer) services for export markets from original design and production to point delivery • Leading ODM in the region • Long-term brand licensing deals with global brands and growing branded product sales to the European market • Exports to over 150 countries • Boasting one of Turkey most extensive sales and after-sales service network • Listed amongst the top 10 most well-known brandnames in Turkey |
| <ul style="list-style-type: none"> • 1.5% share among total installed capacity of private independent producers • One of Turkey's leading and fastest growing players in geothermal energy • Among the top three players in electricity trade • 4.9% share in Turkey's total natural gas consumption | <ul style="list-style-type: none"> • Balanced and diverse generation portfolio in terms of geography and resources • Investments in countries offering high growth potential • Focus on renewables (67% of installed capacity in Turkey, 41% of total installed capacity) • Renewable energy power plants that benefit from the USD-based feed-in tariffs under the Renewable Energy Resources Support Mechanism in Turkey; overseas investments with long-term power purchase guarantees Strong license and project portfolio to support future domestic and overseas growth • Integrated service capability • Over 10 years of experience in natural gas distribution • Widespread electricity trade dealer network in various provinces of Turkey |
| <ul style="list-style-type: none"> • Turkey's largest integrated polyester yarn manufacturer and exporter • Europe's leading brand in household textiles | <ul style="list-style-type: none"> • Europe's largest integrated and innovative polyester yarn producer • Household linen manufacturing facility with cutting edge manufacturing technologies • Exports to nearly 60 countries • Widespread domestic and international sales and distribution network • Leading companies in Turkish household linens sector • Wide product range |
| <ul style="list-style-type: none"> • Turkey's first five-function mixed-use project: The Zorlu Center • One of Europe's largest and well-equipped performing arts centers: the Zorlu Performing Arts Center (PSM) • Eco-friendly A+ office project with accolades in office architecture: Levent 199 | <ul style="list-style-type: none"> • Smart, eco-friendly and sustainability-oriented real estate projects that stand apart in their respective segments with their architectural qualities and advanced technologies • Proven track record in Istanbul's premium locations: The Zorlu Center and Levent 199 • Zorlu Center, a shopping center that hosts leading global brands • Raffles Istanbul Zorlu Center: one of the world's top luxury hotel brands • Zorlu PSM, home to a variety of high-publicity cultural and artistic events, including Broadway musicals, concerts, operas, plays, and ballet performances, and festivals. • Portfolio of high-potential plots of land in leading tourism destinations of Turkey |
| <ul style="list-style-type: none"> • Turkey's first and only nickel-cobalt processing plant | <ul style="list-style-type: none"> • 300 thousand tons of deposits in one-third of the total surveyed license area, • Additional reserve potential in sites where surveys are underway • Ten nickel processing and four surveying licenses |
| | <ul style="list-style-type: none"> • Strong brand values • Growth-oriented investments |

Growth Strategies of Group Companies

CONSUMER ELECTRONICS & WHITE GOODS 	ENERGY 	TEXTILES 	REAL ESTATE 	MINING - METALLURGY 
<ul style="list-style-type: none"> • Expanding product range to grow sales in existing businesses • Improving domestic brand image, distribution network and after-sales services to increase market share, particularly in white goods • Evaluating potential acquisition/partnership opportunities in white goods to expand to growing markets • Seeking new brand licensing deals in consumer electronics segment • Expanding into related product areas such as medical products or automotive electronics 	<ul style="list-style-type: none"> • Building upon the existing renewables portfolio with a particular focus on geothermal and solar energy through new power plant investments inside and outside of Turkey • Expanding into power distribution to play an active role in all stages of the electricity value chain and to reach a balanced portfolio in terms of generation and sales • Securing a 5% market share in Turkey in the short term, and 10% in the mid-to long term through a sustainable and diversified portfolio • Investing in emerging technologies such as smart systems and smart grids to become an energy company of the future 	<ul style="list-style-type: none"> • Expanding retail operations • Focusing on high-value-added areas such as technical textiles and seeking acquisition opportunities 	<ul style="list-style-type: none"> • Prioritizing initiatives that will maximize the value of current assets, particularly the Zorlu Center • Developing the existing land portfolio: Initiating zoning changes that will drive up the value of the existing lands, and developing boutique or branded real estate projects on existing plots 	<ul style="list-style-type: none"> • Developing projects to enhance production and yield of the nickel plant • Utilizing advanced technologies to shift production from ores into metals, and in time, into end products with higher value-added



Message from the Board of Directors

Dear Stakeholders,

As the search for solutions against global issues continues...

Economic growth and trade volume lagging behind expected levels after the global financial crisis, cracks in the EU and comparatively weak performance in the Eurozone, coupled with chronic structural reforms in developing markets, the US Federal Reserve's steps towards an interest rate hike and the new US government's protectionist trade policies have been the key factors that have shaped global economy in recent times.

From a political standpoint, the most pressing issues are the ongoing conflict in Middle East, the US and Russia's stance in the efforts to end the war in Syria, and the impact of these developments on Turkey.

... Turkish economy has managed to overcome the challenges in the national and international arena.

Having defeated the ill-fated coup d'état attempt of 2016 thanks to the sound judgement of its people and their unwavering commitment to democracy, Turkey continues its fight against domestic and international terrorism, while at the same time sustaining its strong economy and its growth efforts in a challenging time.

In the turbulent and trying year of 2016, Turkish economy recorded a growth rate of 3.2%. Rapid increase in foreign exchange rate in the last quarter and the subsequent higher inflation and unemployment were the major legacies of the year that affected 2017. In the end, this growth is acceptable considering the current global conditions and the challenging times our country is going through, but still remains under Turkey's projected growth potential of 4.5%.

We forecast a mild recovery in 2017.

We expect global economy to recover in a slow but steady manner in 2017. Fed is set to maintain its decisive role in global economy while central banks will continue to support real economies. Growth performance of emerging markets will vary based on their policy measures and structural reforms, sensitivity to commodity prices, and financial vulnerabilities.

Based on the OECD and IMF projections, the expected growth rates in 2017 are around 2.4% for the US, 1.6% for the Eurozone, and 4.5% for developing countries. Accordingly, it is possible for the global economy to achieve a growth rate of around 3.3 to 3.5%.

On the other hand, we anticipate Turkey to record significant growth in 2017 and outperform most developed countries.

With our constantly enhanced competitive edge...

As a global player, Zorlu Holding is focused on maintaining its competitive edge by leveraging its strong foresight and deep-rooted experience. Building up on this focus, in 2016 we continued to review our strategies in line with market conditions, adjust our investment plans to the rapid changes affecting the market, and take a proactive approach to find new balance positions.

In addition to our corporate competences, our reflexive agility also served as a key enabler for us to reach our goals in all fields of business in 2016. In this process, the Group did not only stay on its course of profitable and sustainable growth, but also raised the bar on its mid- and long-term targets in every area

“

Our strategy to apply our extensive experience in consumer electronics, digital products and information technologies to new areas of rapid growth has led us to greater achievements.

”

We are poised for greater success driven by our deep-rooted corporate competences and experience, vision, sustainability-oriented efforts, well-developed human resources and our faith in the future of our Group and our country.

...we continue to create lasting value in our fields of business.

With its innovative products, our Textile Group –our original passion– serves as Turkey’s forward-looking gateway to the world. Today, Zorlu Textiles Group is among the top as a global yarn supplier that is the preferred business partner of major fashion houses as well as businesses of all scales from all across the world. It combines this reputation with its competence in R&D and design, cementing its status as the innovative partner of global giants.

While consolidating its domestic presence with each passing day, Vestel also boasts an export market of over 150 countries, which has enabled the company to become the electronics exports champ of Turkey for the 19th year in a row and become Turkey’s sixth largest exporter according to the Turkish Exporters’ Assembly’s 2016 rankings.

Today, Vestel is the second largest TV manufacturer in Europe, and it is well on its way towards becoming one of the leading players in the global arena. Catering to a wide customer base in the world, Vestel is also increasing its market share steadily in the domestic market through effective communications and initiatives in retail sales.

Our strategy to apply our extensive experience in consumer electronics, white goods, digital products and information technologies to new areas of rapid growth has led us to greater achievements. As of the end of 2016, Turkey’s first domestically manufactured smartphone Venus was among the top three best-selling in the country.

Meanwhile, we have sustained our market leadership in LED lighting. With new Smart Lifestyle products that we are introducing to global markets, we have proved ourselves to be the strongest trend setter in Turkey in terms of the Internet of Things. At the same time, we are set to write a success story on a global scale by completing our digital transformation and become the first manufacturing facility to adopt the Industry 4.0 in Turkey.

A pioneering player in renewable energy, Zorlu Energy Group develops projects in geothermal and wind energy, while also taking necessary steps for future projects in solar power, an area of significant potential for growth. Zorlu Energy has also developed three natural gas power plants in Israel in collaboration with local partners, becoming a key player in meeting the country’s energy demand.

Looking ahead, Zorlu Energy Group will commence investments in solar power while also expanding into electricity distribution with the acquisition of Osmangazi Electricity Distribution Region as part of its goal to build upon and grow its investments in productive, profitable and sustainable areas.

On the real estate business side, Zorlu Real Estate continues to do us proud with the accomplishments of Zorlu Center, Turkey’s first five-function mixed-use project. On the other hand, taking our commitment to culture and arts to the next level, the Zorlu PSM has, since its inception, continuously proven its merit in fulfilling a significant demand in this area.

In late 2014, our Mining and Metallurgy Group completed the construction of Turkey’s first nickel-cobalt processing plant in Gordes, Manisa, and subsequently began works to take the plant to operational status. The facility exported its first batch of products in May 2015. As part of the second phase of the project, investments will be made towards metal production and a sulfuric acid plant, as well as for doubling the facility’s capacity. In the coming period, we will focus on advanced technologies to shift production from ores into metals, and in time, into end products with higher value-added.

We are committed to creating lasting value for a sustainable future.

We are poised for greater success driven by our deep-rooted corporate competences and experience, vision, sustainability-oriented efforts, well-developed human resources and our faith in the future of our Group and our country.

We will continue to do our part as we strive towards our dreams, and for a better tomorrow for the world and humankind. We would extend our gratitude and our best wishes to all of our stakeholders who support us and share our goals and vision.

Ahmet Nazif ZORLU
Chairman

Zeki ZORLU
Co-Chairman



“

With a strong foresight and long-term experience, Zorlu Holding focuses on maintaining competitive edge as a global player.

With that objective in mind, in 2016, we successfully maintained regular review of our strategies under prevailing market conditions, renewed our growth and investment plans under rapidly changing circumstances and took new positions of balance with a proactive approach.

”

Ahmet Nazif ZORLU
Chairman of the Board

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In addition to our corporate competences, our ability to take swift action played a key role in reaching our targets all of our businesses in 2016.

During the said period, our group not only maintained a profitable and sustainable growth trend; but raised the medium and long-term goal bar even higher.

”



Zeki ZORLU
Co-Chairman of the Board

Board of Directors



Ahmet Nazif ZORLU
Chairman of the Board

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family-owned textile business in Babadağ, Denizli. He opened his first textile store in Trabzon. In 1970, Mr. Zorlu moved the company's headquarters to Istanbul and laid the foundations of Zorlu Holding together with his brother, Zeki Zorlu. Ahmet Zorlu set up his first production company Korteks in 1976, bringing all of his companies under the roof of Zorlu Holding in 1990. Acquiring Vestel in 1994, Ahmet Zorlu paved the way for new business lines for Zorlu Holding. In addition to his duty as Chairman of the Board of Zorlu Holding, Ahmet Zorlu serves as the Chairman or Deputy Chairman of the Board in numerous Zorlu Group companies operating in different industries.

With a keen interest in non-governmental organizations, Ahmet Zorlu sits on the Board of Directors of DEİK (Foreign Economic Relations Board), TÜSİAD (Turkish Industry and Business Association), DENSİR (Education and Culture Foundation of People of Denizli), BASİAD (Babadag Industry and Business Association) and TETSİAD (Turkish Home Textile Industrialists' Association).



Zeki ZORLU
Co-Chairman of the Board

(1939 - Denizli) Zeki Zorlu launched his career in the family-owned textile company in Babadağ, Denizli. Having opened his first textile store in Trabzon, Zeki Zorlu laid the foundations of Korteks in Bursa in 1976. Mr. Zorlu founded Zorlu Holding along with his brother Ahmet Nazif Zorlu and incorporated Vestel into the holding in 1994. He played a critical role in the foundation and acquisition of numerous companies in energy, tourism and real estate industries. In addition to his co-chairmanship duty on the board of Zorlu Holding, Zeki Zorlu also chairs the Board of Directors of Zorlu Group companies operating in energy, textile and real estate industries.

Mr. Zorlu plays active roles in NGOs as well. He is the Vice President of Textile Industry Assembly of TOBB (The Union of Chambers and Commodity Exchanges of Turkey). Having served as member of the Board of BUSİAD (Industrialists and Businessmen Association of Bursa) for two years, Zeki Zorlu currently sits on International Patent Cooperation Union, BUFAD (Bursa Disaster Association), the Foundation for the Empowerment of Uludağ University, KALDER (Turkish Society for Quality), SUSEB (Association of Artificial Synthetic Fiber Manufacturers), the Bursa Research Foundation, and the Association for International Competition and Technology.



Olgun ZORLU
Board Member

(1965 - Trabzon) Upon completing his higher education in textile and business administration in the UK, Mr. Olgun Zorlu began his professional career in 1986. He started to serve in managerial positions at various Zorlu Group companies in 1988 and managed their foreign market research and business development operations.

In addition to his board membership at Vestel Elektronik Sanayi ve Ticaret AŞ, Mr. Zorlu has also been serving as a Board Member at Zorlu Holding and various other Zorlu Group companies.



Mehmet Emre ZORLU
Board Member

(1984 - Istanbul) Mehmet Emre Zorlu graduated from the Department of Electrical and Electronics Engineering at Koç University in 2006. He obtained a master's degree in Innovation and Technology Management from the University of Essex in the United Kingdom in 2008. Mr. Zorlu began working for the Vestel Group in 2009.

In addition to serving as a Board Member at Zorlu Holding, Mehmet Emre Zorlu also sits on the Boards of other companies within Zorlu Holding. Mr. Zorlu is a member of Young Businessmen Association of Turkey (YBAT) and Endeavour Turkey.



Selen ZORLU MELİK
Board Member

(1975 - Trabzon) Selen Zorlu Melik graduated from the Department of Business Administration of the Faculty of Economics and Administrative Sciences at Uludağ University. She began her professional career at Denizbank in 1998. Following her internship at the Bursa Branch of Denizbank, she joined Denizbank's Management Trainee Program in 1999. After working in a number of positions at the Denizbank's head office, Mrs. Zorlu Melik attended a Marketing Certificate Program at the University of California, Berkeley, USA in 2001.

She began working at the Korteks Yarn Factory in 2002 and became a Board Member of the same company in 2004. In addition to her membership at Zorlu Holding Board, Mrs. Zorlu Melik also sits on the Boards of various companies under Zorlu Group.

CEO's Assessment

In 2016, Zorlu Group proceeded with investments and leaps forward, always taking the right steps at the right time according to strategic plans and reaffirmed managerial competence with a strong performance.

Esteemed Stakeholders,

Despite global economic and political challenges as well as pressures from geopolitical risks and domestic political developments, Turkish economy maintained its course of growth in 2016.

Heading for the future with firm steps, Zorlu Group...

Alongside fluctuations in domestic consumption and exports, rising FX rates in Q4 had a negative impact on the balance sheets and profitability of companies in 2016. Zorlu Group, meanwhile, stood clear from frustration or indolence and continued investments, taking the right steps at the right time according to its strategic plans and reaffirmed managerial competence with a strong performance.

...attained successful financial and operational results in 2015-2016.

Zorlu Holding¹ concluded 2016 with figures in line with the set targets in all of its businesses, with a consolidated turnover of TL 14.2 billion representing a 7% growth compared to 2015. Export revenues, which amount to 52% of total turnover reached TL 7.4 billion (USD 2.4 bn), with a 6% growth yoy m, a reflection of our export-oriented production strategy.

Zorlu Holding maintained profitable growth in 2016 and achieved a TL 2 billion EBITDA with a 16% yoy growth. Strong operational performance in textiles and energy businesses was the main drivers behind the EBITDA growth. In the same period, EBITDA margin also rose from 13% to 14%. Total assets of Zorlu Holding grew by 17%, amounting to TL 30 billion by the end of 2016.

Evaluation of developments in various business lines

Vestel, a group company, demonstrated a robust performance in 2016, achieving the highest profitability of the last five years. Reinforcing its leadership in the domestic TV market, Vestel also increased its market share in white goods. Export sales constituted 65% of Vestel's revenues, which is the undisputed export champion of Turkey in the electronics sector. The company retained its leader position in the electronics sector with an export volume of USD 2.2 billion.

Similar to the brand licensing agreement we signed with Sharp Corporation in white goods, we concluded a brand licensing agreement with Toshiba Visual Solutions Corporation ("Toshiba") in 2016 for the television business. Accordingly, we took over the production, sales, marketing and distribution rights of Toshiba TVs in Europe. We are determined to maintain these significant advancements towards becoming a global player.

In late 2016, we acquired the land and launched the investment for the new Washing Machine & Dryer Plant, which we believe will contribute greatly to our export revenues. Meanwhile, with an ambition to become the first manufacturing facility to have completed the Industry 4.0 transformation in Turkey, we carry on with our journey with strong momentum towards a "dark factory" at Vestel City, overseeing the entire production cycle from supply chain to quality control.

Besides digital transformation that will shape our future, Vestel also lays strong emphasis on bringing "Smart House" and "Smart City" concepts to life. Built on our advancements in the field, our smart products controlled by mobile devices and communicating with each other promise brand-new experiences for consumers. In the field of telephones, the remote control of smart houses, Venus became the first and the only smartphone produced in Turkey. A proof of our technological and design superiority, Venus achieved a major sales success in a short amount of time.

¹ Consolidated financial statements of Zorlu Holding include the energy, textile, consumer electronics and white goods businesses of the Group. Mining and Real Estate business lines are not a part of the Holding and are therefore excluded from the Holding's consolidated financial statements.

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Ömer YÜNGÜL
CEO

CEO's Assessment

Vestel Beyaz Eşya won the European Industrial Excellence Award in 2016, asserting our level of production technologies and industrial excellence. For the fourth time in a row, Vestel won first place in electronics industry at R&D Awards handed out at the "Private Sector R&D Centers Summit" organized by the Ministry of Science, Industry and Technology. The award reaffirmed our ambition in design, innovation and R&D.

Following 12-year activities on unmanned aerial vehicles (UAV) by Vestel Defence, a Vestel Group company, we have also produced armed versions of our unmanned aerial vehicles in compliance with NATO standards. Considering its massive worldwide popularity, I believe that our UAV will accomplish great success in terms of joint production, marketing and exports in the near future.

As a result of investments in the energy industry, especially in renewable energy, 67% of our total installed capacity in Turkey is now based on renewable energy sources as of the end of 2016. Zorlu Enerji is one of the biggest investors in geothermal energy in Turkey. In early 2016, our total installed capacity in geothermal energy rose to 140 MW with the commissioning of the second and last phase of the 45 MW Alaşehir I Geothermal Power Plant. Sarıtepe and Demirciler Wind Power Plants (total installed capacity: 80.3 MW) started to operate at full capacity in 2016. We continue our investments for Kızıldere III (165 MW) and Alaşehir II (25 MW) Geothermal Power Plants.

As regards to overseas investments, Zorlu Energy Group is one of the leading private sector investors in the Israeli energy sector, meeting almost 7% of the energy needs of the country, with three natural gas power plants brought on line together with its local partners. In 2016, we obtained a pre-license for a solar power plant project with a 100 MW installed capacity in Pakistan, another level of progress we made in the country after our wind power plant investment. I believe that our investments in solar power will continue to grow and take our Group to a foremost position in this field in Turkey.

Zorlu Energy Group maintains growth in electricity trade too. Building on the continued reduction in eligibility limit, we are rapidly expanding our customer base to which we sell electricity under bilateral agreements. Meanwhile, with the completion of the acquisition process that had begun in 2016, we are planning to start electricity distribution and retail sales activities in Osmangazi Electricity Distribution Region in 2017. We will also continue to expand our natural gas distribution services in Gaziantep and Trakya regions with GAZDAŞ.

Two new R&D centers were among the major achievements of our Textile Group in 2016. With the support of the rising R&D and technological power, Zorluteks offers numerous innovative and smart products, which clearly demonstrates Zorluteks being one of the most important and valuable textile brands in Turkey and across the region. While championing Turkey's home textiles market with TAÇ, Linens and Valeron brands; we will continue to make a difference in the neighboring countries boasting a total population of 700 million in the coming period with our retail approach which reflects the latest technological developments and digital applications.

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As a result of our investments in energy industry, especially in renewable energy, 67% of our total installed capacity in Turkey is now based on renewable energy sources as of the end of 2016.

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As a major industrial group with a growth pattern matching that of Turkey, I would like to hereby express my confidence that we will be launching far greater projects in the upcoming period, drawing strength from our long-established corporate and managerial experience and our powerful vision that shapes our future.

Zorlu Center shopping mall, the source of pride for our Real Estate Group, is the first and the best 5-function project in Turkey. In 2016, Zorlu Center was honored with yet another accolade, winning the "ICSC European Shopping Centre Award." In the following years, the center will continue to appeal to visitors both within and from neighboring countries of Turkey.

In a brief amount of time, Zorlu PSM (Performing Arts Center) has become an essential culture and art venue in Istanbul. Zorlu PSM continues to draw large crowds with world-famous musicals, performance arts as well as festivals.

Meta Nickel Metallurgy facility started commercial production and made its first nickel exports in 2016. Our goal is to make use of advanced technologies in the coming period for transitioning into metal forms and manufacture high added value products.

We focus on working and producing more for our Group and our country.

Motivated with a production philosophy that takes technology and innovation at its center, we follow a strategy to go for high-technology products with higher added value in all of our businesses, raise the bar for our R&D and innovation ambition even higher, while cementing our position in global competition. This strategy is also one of the most important factors that help us achieve our profitable growth targets.

I would like to hereby express my confidence that we will be launching far greater projects in the coming term, as a major industrial group with a growth pattern matching that of Turkey, drawing strength from our long-established corporate and managerial experience and our powerful vision that shapes our future.

Together with our hardworking, valuable team mates who love their job and their country, fulfill every task with success and great dedication; with our corporate sustainability vision and a strong synergy within our Group, we will attain even bigger achievements, raise our brand value even higher and carry the Zorlu name into the future. I would like to extend my heartfelt gratitude to all of our stakeholders.

Ömer YÜNGÜL
CEO

Message from the Chairman of the Sustainability Committee

We believe that sustainability is the most important course of action that will strengthen institutionalization within Zorlu Group and take it to the next level.

Esteemed stakeholders,

Global changes shape the future.

While economic patterns which directly affect welfare levels of countries are reformulated rapidly, transition from linear economy to cyclical economy is happening incredibly faster than our rate of perception.

As changes gain momentum by the day, we, actors of the economy, have to work harder than ever to correctly grasp and embrace current state of affairs and take due steps in the right direction.

Zorlu Holding confidently proceeds into the future with a strong foresight and corporate competences.

Drawing from 65 years of experience, strong foresight and rapidly-developed corporate competences, Zorlu Holding manages changes in global and local trends; while updating and carrying out short, medium and long-term strategies with that view in mind.

The fundamental goals of our journey include creating lasting value in Turkish economy, acting as a role model for national industries, maintaining our position as a global player, keeping customer satisfaction at maximum level, constantly increasing shareholder value and heading towards the future with an efficiency-oriented vision in all aspects.

Sustainability is placed at the very center of our vision and strategies towards achieving our goals.

We act with a simple motivation in light of the fact that our planet and its scarce sources are put in our care. We manage our operations with an awareness of our long-lived corporate responsibility.

The goal of Zorlu Holding is to extend a vision of sustainability across the Holding and Group companies and to complete institutionalization in the medium to long term.

We believe that sustainability is the most important course of action that will strengthen institutionalization within Zorlu Group and take it to the next level. In our opinion, a sustainability-based approach will guide us on our way to establish corporate culture, achieve the vision to become a global company and manage inter-generational transition.

We also believe that sustainability-based good practices at Zorlu Holding and Group companies will create a synergy within the Group and serve our goal to institute a more productive and effective structure.

Our objective is to make sure all of our employees internalize a sustainability perspective so that it is not only a part of our functions but the most basic component. We aim to put sustainability at the center of activities and act in line with this vision and strategy.

We have come up with overarching goals for a sustainability road map and strategy.

We restructured our organization in 2016 with a view to manage our sustainability activities more successfully and effectively. We launched the Sustainability Committee to prepare a sustainability policy and strategy to be adopted across the Holding, to carry out more proactive work and monitor goals and performance. We also formulated our principal goals for our Sustainability Strategy for the year 2022.

In an effort to make progress on the road map put forth with our principal goals, we have set up working groups and task forces within the Committee. We accelerated our activities, drawing support from all the Group companies and from the experiences of our internal and external stakeholders.

We thereby determined our sustainability priorities in our fields of operation and developed a strategy that reflects the innovative structure of Zorlu Holding.

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Bekir Cem KÖKSAL

Chairman of the Sustainability Committee



Message from the Chairman of the Sustainability Committee

After formulating our main sustainability goals and receiving approval from the Board of Directors, we determined our medium and long term goals at industry and company levels. Our objectives for 2017 include creating new structures in the Holding and Group companies that will carry out the said goals and transforming current ones into more dynamic models.

We published the 2016 Progress Report as part of the United Nations Global Compact, to which we are a signatory since 2007. The report covers the activities we carried out as part of our Sustainability Strategy for Zorlu Holding and Group Companies. It also includes global sustainability principles of the Holding, its contributions to 2030 Sustainable Development Goals and developments on its targets and practices in these fields.

Zorlu Holding acts with a 360-degree corporate sustainability vision and engages in sustainability practices with a holistic view of economy, society and environment. To serve that purpose, we carry out all of our activities and business processes with future generations in mind, working on more efficient use of resources and achieving maximum amount of savings.

Future outlook...

As part of its sustainability approach as Zorlu Holding we are determined to serve as a role model with the values we create in R&D, innovation and technology; boost our financial performance with business models and generate increasing value for the society, environment and national economy with all of the projects we launch.

We envision taking Zorlu Holding to the public in the medium to long term. As part of that objective, we rapidly continue our efforts to integrate and consolidate our strategic and sustainability goals.

As Zorlu Holding we believe that we will attain numerous accomplishments with a focus on sustainability, driven by our entrepreneurial, modern and innovative structure as well as with the support of all of our stakeholders and our employees in particular. I would like to hereby extend my gratitude to all of our stakeholders.

Bekir Cem KÖKSAL

Chairman of the Sustainability Committee

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Zorlu Holding acts with a 360-degree corporate sustainability vision and engages in sustainability practices with a holistic view of the economy, society and environment. To serve that purpose, we carry out all of our activities and business processes with future generations in mind, working on more efficient use of resources and achieving maximum amount of saving.

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Senior Management



Ömer YÜNGÜL
CEO

(1955 - İzmir) Ömer Yüngül obtained his bachelor's degree in mechanical engineering at Boğaziçi University in 1978. Mr. Yüngül began his career at the construction company Tekfen İnşaat, and went onto holding various managerial positions at Metaş, Faz Elektrik and Merloni Elettrodomestici. In 1997, he was named the General Manager of Vestel Beyaz Eşya (White Goods), and became Chairman of the Executive Board of Vestel Group of Companies in 2000. Having served as an executive at Vestel for fifteen years, he was named the CEO of Zorlu Holding in 2013.



Bekir Cem KÖKSAL
CFO

(1967 - Ankara) Bekir Cem Köksal graduated from the Department of Mechanical Engineering at Boğaziçi University in 1988, and completed a master's degree at Bilkent University in 1990. Cem Köksal, who worked in the banking industry between 1990 and 2001, was appointed as the Assistant General Manager at Denizbank in 1997. Mr. Köksal joined Vestel as the Chief Financial Officer in 2002. Mr. Köksal currently serves as an Executive Board Member in charge of Finance at Vestel Group of Companies.



Enis Turan ERDOĞAN
CEO, Vestel Group

(1955 - Mersin) Enis Turan Erdoğan obtained his bachelor's degree in mechanical engineering from Istanbul Technical University in 1976 and his MBA degree from Brunel University, UK. Following his return to Turkey, he served in managerial positions in various companies and joined Vestel in 1988. Having held several managerial positions at Vestel since 1988, Mr. Erdoğan served as the Chairman of Vestel Foreign Trade and Executive Committee Member of Vestel Group of Companies until 2013. Since January 1, 2013, Turan has been serving as the CEO of Vestel Group of Companies. Mr. Erdoğan served as the President of TURKTRADE (Turkish Foreign Trade Association) for two periods between 2002 and 2006. He served as a Board Member of Europe's largest ICT Confederation, DIGITALEUROPE, between 2010 and 2014 as the first Turkish citizen to be appointed.



Vedat AYDIN
CEO, Zorlu Textiles Group

(1951 - Konya) Vedat Aydın graduated from Business Administration Department at Boğaziçi University in 1973 and obtained a master's degree in marketing at Shirley Institute. Mr. Aydın began his career at Akfil Mensucat and moved to Mensucat Santral in 1976. Following his managerial posts at Spectrum Büro Sistemleri and Kaynar Export companies, he was appointed as the CEO of Zorlu Holding Textiles Group in 1997.

Vedat Aydın also sits on the boards of TURKTRADE, Dosteli Foundation and CEVA Trade.



İbrahim Sinan AK
CEO, Zorlu Energy Group

(1971 - Ankara) İbrahim Sinan Ak obtained his undergraduate degree in business engineering at Istanbul Technical University. He started his career at Evgin Yatırım Menkul Değerler where he served as an investment specialist. He later received his MBA degree at Old Dominion University, USA. Between 2000 and 2002, he was responsible for financial affairs at Vestel Communications and worked as a Finance Manager at Vestel Beyaz Eşya between 2002 and 2006. Mr. Ak joined Zorlu Energy Group in 2006. Until 2012, he served as the Deputy General Manager in charge of Financial Affairs at Zorlu Enerji Elektrik Üretim AŞ. In January 2012, he was named the General Manager of Zorlu Enerji Elektrik Üretim AŞ. He has been serving as the CEO of Zorlu Energy Group since December 1, 2016.

Senior Management



Mesut PEKTAŞ
CEO, Zorlu Real Estate Group

(1953 - Malatya) Mesut Pektaş, Orta Doğu Teknik Üniversitesi Ekonomi ve İstatistik Bölümü'nden mezun olduktan sonra, Boston Northeastern Üniversitesi'nde Para, Bankacılık ve Finans konusunda yüksek lisans yapmıştır. 1979'da başladığı kamu görevini Maliye Bakanlığı Teftiş Kurulu'nda Maliye Müfettiş Yardımcısı, Maliye Müfettişi ve Maliye Başmüfettişi olarak sürdüren Mesut Pektaş, 1990 yılında özel sektöre transfer olmuş ve sırasıyla Petrol Ofisi, Med Union Containers ve Al Baraka Türk'te üst düzey yöneticilik yapmıştır.

1996 yılında İstanbul Büyükşehir Belediyesi'ne Genel Sekreter Yardımcısı olarak atanan Mesut Pektaş, AKOM Başkanı, İstanbul Dünya Ticaret Merkezi Yönetim Kurulu Üyesi, İDO, İGDAŞ ve Halk Ekmek Yönetim Kurulu Başkanı olarak görev almıştır. 2005-2009 yılları arasında İstanbul Büyükşehir Belediyesi Genel Sekreteri olarak görev yapan Mesut Pektaş, Temmuz 2009'da Zorlu Gayrimenkul Grup Başkanı olmuştur.



Orhan YILMAZ
CEO, Zorlu Mining Group

(1960 - Kayseri) In 1984, Orhan Yılmaz obtained his bachelor's degree in chemical engineering at Gazi University. Mr. Yılmaz also holds master's and PhD degrees from the same university. In 1986, he began his career as an engineer in boron and acid factories of Etibank. He served as chief engineer, principal engineer and manager, respectively in the same company and was named the Deputy General Manager in 2003. In 2004, he was named the General Manager and Chairman of the Board at Eti Mine Works, which he held until 2015. Between 2015 and 2017, he served as an advisor at the Ministry of Energy and Natural Resources. Mr. Yılmaz was appointed as the CEO of Zorlu Mining Group in January 2017.



Necmi KAVUŞTURAN
CEO, Zorlu Holding Human Resources Group

(1956 - Gaziantep) Necmi Kavuşturan graduated from the Faculty of Political Science at Ankara University in 1979. The same year, he started his banking career at İş Bankası and served in various managerial positions at İnterbank from 1985 to 1997. In 1997, he joined Zorlu Holding as the Deputy General Manager of Denizbank.

Mr. Kavuşturan was named Zorlu Holding Chief Human Resources Officer in 2003. Since 2005, he has also been serving as the Executive Committee Member for Human Resources at Vestel Group of Companies.



Burak İsmail OKAY
CLO, Zorlu Holding

(1967 - Ankara) In 1990, Burak İsmail Okay obtained his bachelor's degree in Law at Ankara University. He later followed an International Law Certificate Program in New York. Mr. Okay served as a lawyer in the legal consultancy department of Türkiye İş Bankası. He later served as Deputy Legal Advisor at Garanti Bankası, Legal Advisor at MNG Bank, Director of Legal Affairs at Nortel Networks Netaş and Partner at Bener Law Office, respectively.

In 2006, Mr. Okay joined Zorlu Group and structured the Legal Department that serves all the companies within the Group. Aside from his duties as the Chief Legal Officer, he has been sitting on the Board of Zorlu Enerji since 2007.



Murat ZEREN
CIO, Zorlu Holding

(1970 - İzmir) Murat Zeren obtained his bachelor's and master's degrees in electrical-electronics engineering at Bilkent University and his PhD degree at Ohio State University, USA. Upon his return to Turkey, Mr. Zeren managed R&D and software teams at Alcatel Teletaş, Telsim and Oksijen Teknoloji. He started his academic career as an associate professor of computer engineering at Boğaziçi University, where he held tenure from 2002 to 2004. During his academic career, he arbitrated and advised projects by TÜBİTAK (Scientific and Technological Research Council of Turkey). Mr. Zeren served in several managerial positions at Ülker Group, Argela Technologies and Türk Telekom before his appointment as the Chief Information Officer at Doğan Online. He joined Zorlu Holding in 2014.



Billur Demet ATAN
CAE, Zorlu Holding

(1964 - İstanbul) In 1986, Billur Demet Atan obtained her bachelor's degree in business administration and her master's degree in international administration in 1988, both from İstanbul University. She started serving as independent auditor at Ernst & Young. Between 1995 and 1996, she worked in the Chicago office of E&Y and was named audit partner in 1998. Between 2000 and 2012, she served as the Independent Audit Leader of Turkey at E&Y.

Billur Atan joined Zorlu Holding in 2013 where she carries out internal audit, tax audit and financial audit activities. Ms. Atan is also a member of Expert Accountants' Association of Turkey, İstanbul Chamber of Independent Accountants and Financial Advisors and the Institute of Internal Auditing of Turkey.



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Second biggest producer in TVs and one of the top five manufacturers in white goods in Europe; leader of the TV market and one of the top three producers of white goods in Turkey...

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Consumer Electronics and White Goods

Vestel Group distinguishes itself with its domestic and international investments, strategic business partnerships and a technology-centric approach, consistently advancing into the future.



Enis Turan Erdoğan
CEO, Vestel Group

“Today, Vestel Group closely follows the current technological developments around the globe, producing a wide range of smart products including smart refrigerators, mobile phones, ovens and video walls. In addition to manufacturing, the Group carries out digital transformation in production facilities from end to end.

Vestel Group continues investments to improve efficiency and quality as part of the Industry 4.0 transformation, which we pioneer in Turkey and which will provide us with a competitive edge. Meanwhile, we are planning to reach our future goals with greater strength and ambition thanks to a production power that takes innovation and R&D at its center.

As part of our global growth and expansion strategy, we plan to pursue both organic and inorganic growth in Europe, our main market, as well as in emerging markets such as the Middle East, Africa and Asia in the coming period.”

Developments in consumer electronics and white goods industries in 2016

According to the television industry report published by Gfk, a market research firm, based on retail sales in Turkey, domestic television sales contracted by 7% in 2016 compared to the previous year.

According to data provided by the Electronic Devices Manufacturers' Association, TV exports dropped by a marginal 1%, with 2016 figures almost equal to those in the previous year.

According to data provided by the Turkish Association of White Goods Industrialists based on the six major domestic appliances, white goods sales in Turkey rose by 5.4% in 2016, reaching 7.5 million units.

Exports in the industry rose by 8% in 2016, amounting to 19.5 million units. Consequently, in 2016, Turkish white goods industry achieved the highest manufacturing, sales and exports volumes in its history.

Vestel Group

Vestel Group is a global group of 25 companies, 17 of which are outside of Turkey, which is made up of Vestel Elektronik Sanayi ve Ticaret AŞ and its subsidiaries and affiliates (“Vestel Elektronik” or “Vestel”) operating in the fields of

- electronics,
- white goods,
- digital and mobile products.

Consumer electronics, digital and mobile products of the group are produced by Vestel Electronics, while white goods are manufactured by Vestel Beyaz Eşya Sanayi ve Ticaret AŞ (“Vestel Beyaz Eşya”), in which Vestel Elektronik holds a 94.62% share. All manufacturing facilities of Vestel are located in Vestel City in Manisa sprawling over an area of 1.1 million square meters. Vestel City is among the biggest industrial complexes in Europe that carries out its production activities in a single location.

Vestel Ticaret AŞ (“Vestel Trade”), fully-owned subsidiary of Vestel Elektronik, carries out domestic and international sales and marketing of products manufactured by Vestel Group of companies. Vestel Trade carries out marketing and sales activities in the European market through the local sales and distribution organization of its 10 foreign trade companies. Meanwhile, Vestel Trade directly markets and sells products in other foreign markets. Vestel Trade has access to a wide customer base through its wide sales outlet consisting of 1.100 domestic exclusive stores, 11 Vs Outlet stores, e-store, vsoutlet.com.tr and regal-tr.com as well as through the technology retailers, hypermarkets, household stores and other e-commerce sites

Operational and financial results of Vestel in 2016

Despite all the fluctuations in domestic and foreign markets, 2016 proved to be a successful year for Vestel Elektronik, with the company attaining its operational and financial targets.

Consumer Electronics and Household Appliances

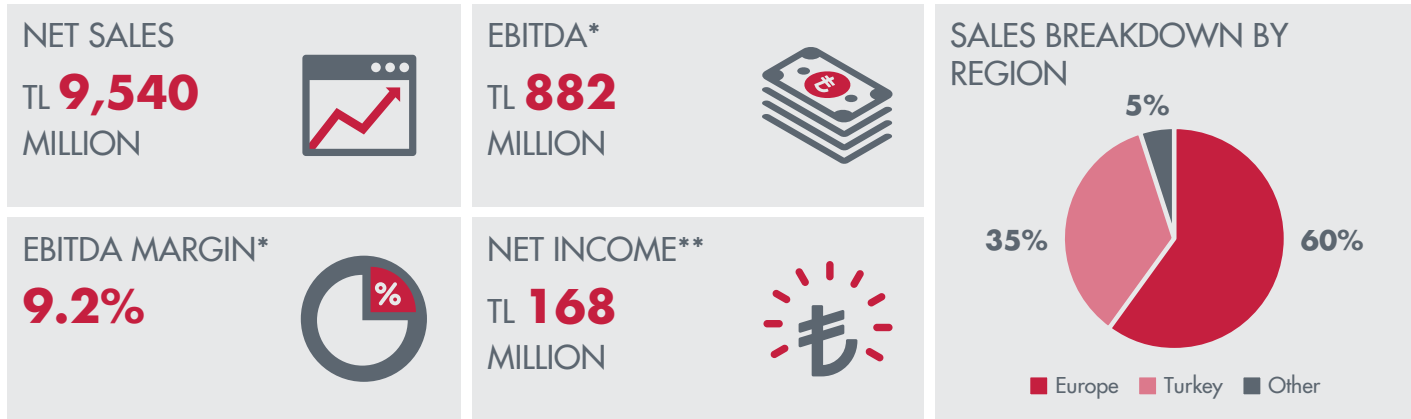
Vestel's consolidated revenues grew by 3% to TL 9,540 million in 2016 while international sales constituted 65% of total revenues. Vestel exported to 154 countries in 2016, realizing approximately 90% of Turkey's total TV exports and 30% of Turkey's white goods exports. Vestel, which has been the leader in the Turkish TV market since 2014, also increased its domestic market share in white goods in parallel with its targets in 2016.

In 2016, the Company's gross profit margin increased from 21.2% to 22.2% thanks to the raw material hedges especially in the household appliances segment, which were entered into when prices had bottomed out, an improving product mix, the positive impact of the depreciating TL on export margins and the ongoing cost-cutting and efficiency efforts.

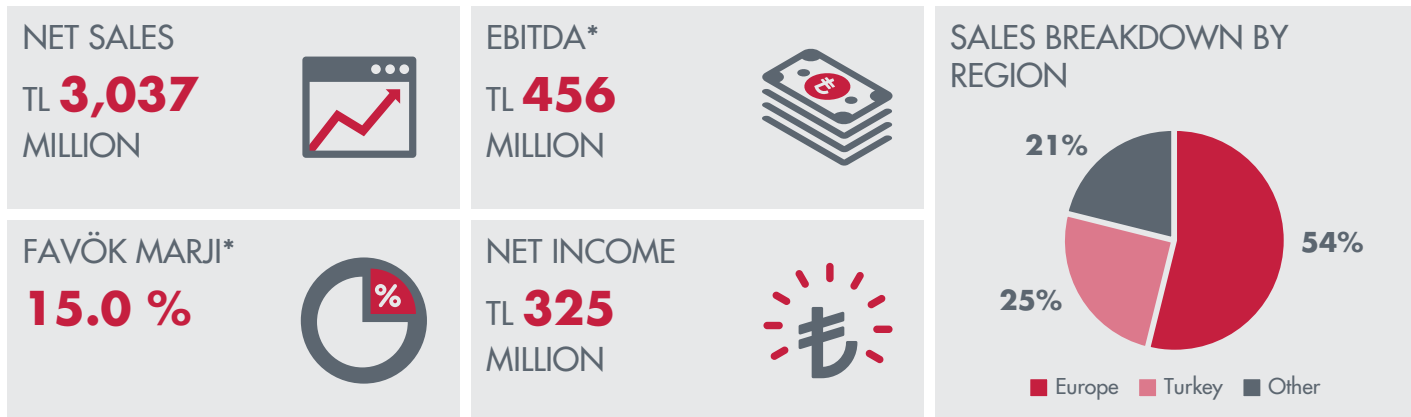
Vestel recorded an EBITDA and EBITDA margin of TL 882 million and 9.2% respectively, both remaining at similar levels with 2015.

At the bottom line, the Company nearly tripled its net income to TL 168 million notwithstanding the sharp depreciation of TL in the last quarter of the year and its negative effects on its balance sheet.

VESTEL ELECTRONICS - 2016 FINANCIAL RESULTS



VESTEL HOUSEHOLD APPLIANCES - 2016 FINANCIAL RESULTS



* Excluding other operating income and expenses.

** Net income indicates the income for the period attributable to the equity holders of the parent company.

Vestel's position in Turkey and international markets

Operating in the segments of consumer electronics, household appliances, digital and mobile products, Vestel carries out its manufacturing activities at Vestel City, which is established on an area of 1.1 million m² in Manisa. Vestel City is one of Europe's largest industrial manufacturing complexes in a single location.

Vestel manufactures its household appliances at Vestel Beyaz Eşya's manufacturing plants having a total enclosed area of 346,000 m² at Vestel City. The annual production capacity of Vestel Beyaz Eşya is 9.4 million units.

Vestel, one of the world's leading ODMs (Original Design Manufacturer) in consumer electronics and household appliances, is one of the two largest TV

manufacturers and among the top five white goods manufacturers in Europe.

A strong and well-known brand domestically, Vestel is also the leader in the Turkish TV market and one of the top three players in the Turkish white goods industry. Furthermore, Vestel is among the ten most recognized brand names in Turkey.

154

EXPORT MARKETS



~30%

SHARE IN TURKEY'S
WHITE GOODS
EXPORTS



~90%

SHARE IN TURKEY'S
TV EXPORTS

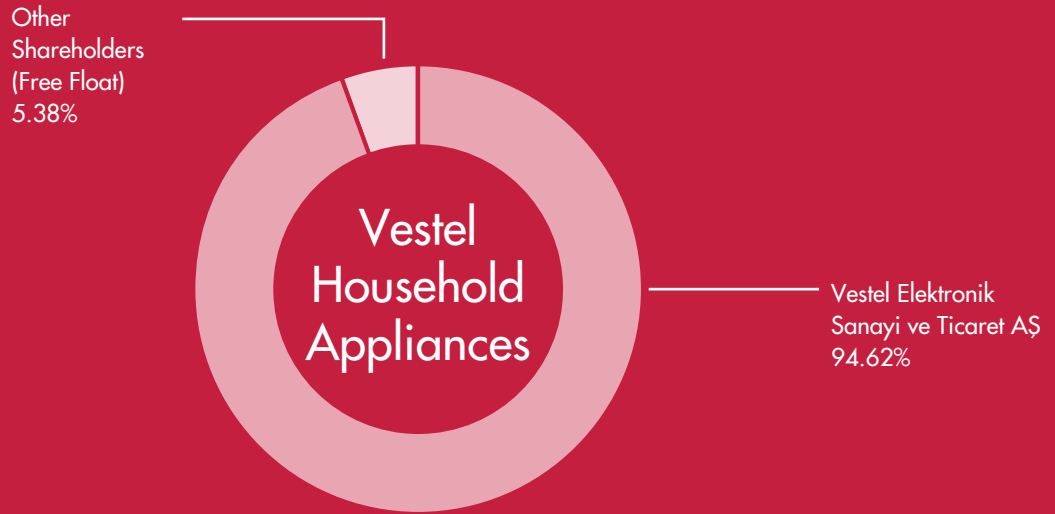
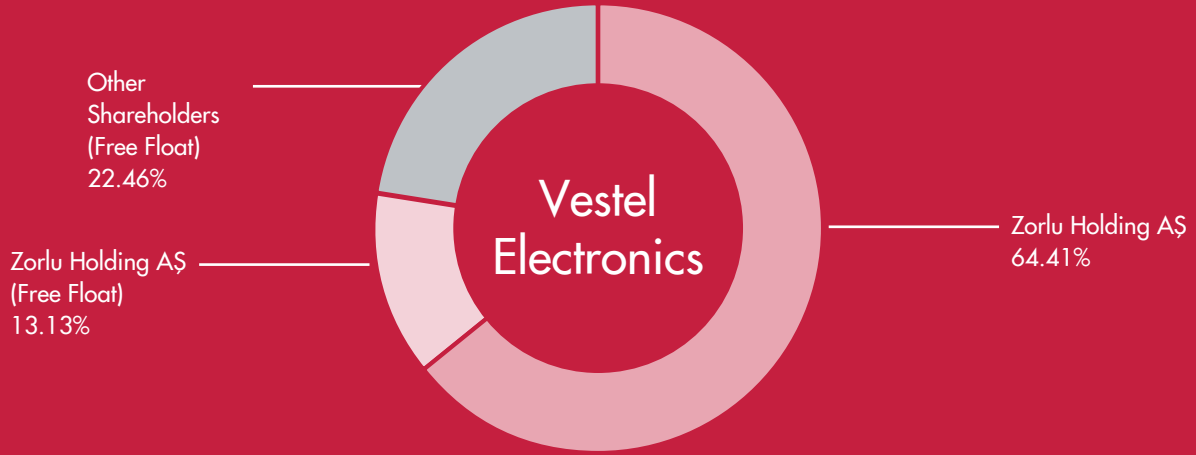


EXPORT LEADER
IN TURKEY'S
ELECTRONICS
SECTOR FOR THE
PAST

19 YEARS



Shareholding Structure



Vestel Electronics shares have been traded on Borsa Istanbul ("BIST") under the VESTL ticker since 1990.

The shares of Vestel Household Appliances, a subsidiary of Vestel Electronics, have also been traded on Borsa Istanbul under the VESBE ticker since 2006.

Consumer Electronics and Household Appliances

With a staff of 1,600 people, Vestel's R&D units have established a strong collaboration with many national and international institutions and organizations, particularly with the universities.

Investments

Making additional investments in order to meet the increasing customer demand in domestic and foreign markets, Vestel Beyaz Eşya decided to build a new washing machine and dryer plant on the 81,200 m² plot which it purchased at Manisa Organized Industrial Zone.

This new plant investment having a planned manufacturing capacity of 750,000 units/year for washing machines and 750,000 units/year for dryers will increase the Company's manufacturing capacity in washing machines and add dryers to its product line. The aim with this new investment, planned to be finalized in June 2018, is to meet the demand in dryers in the export markets, especially from the Northern European countries.

New cooperation opportunities

In line with its objective of further reinforcing its position in international markets and strengthening its strategic alliances with global brands, Vestel signed a brand licensing agreement in the TV segment with Toshiba Visual Solutions Corporation in 2016, following the brand licensing agreement signed with the Sharp Corporation two years ago in the white goods segment.

Under the agreement, Vestel acquired the rights for the manufacturing, sales, marketing and distribution of Toshiba-branded TVs throughout Europe for an initial term of 5 years. After completing all the regulatory permits in the relevant countries by the end of 2016, the brand licensing agreement entered into force as of the beginning of 2017.

Vestel and R&D

Vestel has 4 R&D Centers at Vestel City, its manufacturing base in Manisa, consisting of 3 Electronics and 1 Household Appliances R&D Centers. Aside from Vestel City, the Company has R&D centers at İTÜ Teknopark in Turkey, and in the UK and China abroad.

Vestel R&D units have a team of 1,600 people. Strong collaboration efforts are delivered in cooperation with many national and international institutions and organizations, particularly with universities, within the scope of R&D activities.

Vestel allocates approximately 2% of its sales revenues to R&D investments every year, and it is one of the three Turkish companies to rank among the world's top 1,000 companies in terms of R&D expenditures.

With its strong vision, Vestel aims to be a leader in the field of "4C convergence" which has emerged through the integrated use of communication, consumer electronics, computing and content technologies in Turkey and Europe. To this end, Vestel's R&D mission is based on the development of technologies which will provide Vestel with advantages over its competitors in a fiercely competitive environment, while also being a pioneer of technology in the fields which will enable the sustainability of its competitive position and carry the Company into the future.

Vestel actively continues its R&D efforts in new display technologies, smart solutions, photovoltaic cells, energy transformation and storage systems, 5G, automotive electronics, wearable technologies and communication fields in the consumer electronics segment.

Vestel's R&D focus in household appliances segment is to develop technologies and products that efficiently use resources by maximizing energy and water conservation with functional and aesthetic designs, prolong the life and protect the freshness of food, provide extra hygiene, are eco-friendly, deliver maximum performance thanks to smart sensors and can be remotely controlled via the Internet access.

Vestel allocates half of its R&D budget to the development of environmentally friendly products. Thanks to the R&D studies the Company has carried out, its full product range now consists of products with energy ratings of A, A+, A++ and above, which are considered as the highest energy efficiency categories.

As a result of the Company's R&D efforts Company in consumer electronics,

- The first domestically-produced OLED TV and 8K TV products were developed and exhibited at the IFA Fair for the first time in 2016.

In the area of household appliances;

- A record-holder washing machine which generates only 39 dBA (decibels) of noise, which is even lower than the ambient noise inside a library,
- A full automatic washing machine that selects the washing program in addition to adjusting the amount of detergent,
- A combi fridge having the highest energy efficiency level that consumes 30% less energy compared to A+++ products,
- A dishwasher product family with the lowest water consumption in its class which can wash the dishes by consuming only 5.4 liters of water.

Consumer Electronics and Household Appliances

After the completion of Industry 4.0 transformation, Vestel aims to own smart plants where all processes are operated in full automation and to attain the highest levels both in efficiency and in quality once all processes have an end-to-end interconnection.

- Vestel developed products that ensure easy removal with steam-assisted washing programs by softening dry and stubborn stains and consuming less energy and water, and
- Products that target different fields such as the vaccine storage cabinets, developed for the first time for the healthcare industry.

Moreover, within the scope of innovative software solutions developed by the Company, the Netflix application, in addition to applications such as Android TV and Video on Demand, entered the Turkish market exclusively with Vestel in 2016 as part of the cooperation which Vestel has established with the content providers.

Vestel developed smart home and smart city technologies that enable all devices from electronics to home appliances to communicate with each other, thus getting smart technologies which rank the top among future trends ready to enter the homes of people.

Vestel's R&D power and innovative approach are demonstrated through its ambitions regarding intellectual property and patents. In 2016, Vestel Elektronik applied to the European Patent Office for 42 patents that meet the criteria. The total number of registered and patented inventions of the Company reached 94 by the end of 2016. In household appliances segment, the total number of registered and patented inventions exceeded 200 as of the end of 2016.

Industry 4.0 transformation

Industry 4.0 transformation
Vestel has shown great effort for over two years in terms of the Industry 4.0 transformation, which is considered to be a fundamental element for all the manufacturing companies to remain competitive.

As one of the first companies in Turkey to commence the Industry 4.0 transformation, Vestel has been continuing its activities for the past two years with the aim of becoming Turkey's first company to own smart factories. After the completion of Industry 4.0 transformation, Vestel aims to own smart plants where all processes from order to dispatch are operated with

full automation and to attain the highest levels both in efficiency and in quality once processes have an end-to-end interconnection.

Industry 4.0 transformation will allow Vestel to enhance its competencies and competitive advantages from a multi-dimensional point of view with gains such as customized products that can respond more extensively and rapidly to consumer preferences and needs, greater flexibility and lower defect rates in manufacturing, higher product quality, less use of resources and higher efficiency. The completion of the Industry 4.0 transformation will ensure an end-to-end digitization and an ecosystem complete with all the value chain stakeholders.



Vestel's sustainability approach

Vestel's sustainability approach has been shaped by its goal that envisions a better future on the basis of economic, human, environmental and social contribution.

Vestel's vision within the scope of its sustainability strategy is to "respect the environment and natural resources". In that respect, the Company allocates a considerable amount of funds to R&D activities to both reduce the energy consumed by its products and to develop new environmentally friendly and recyclable materials which will be used in its products. To this end, subjects such as less power consumption, reliability for a long product life, elimination of hazardous chemicals, use of recyclable materials, reducing the variety in the use of materials, and less use of raw materials are considered to be the Company's main design factors.

Vestel's sustainability approach has been shaped by its goal that envisions a better future on the basis of economic, human, environmental and social contribution in addition to stakeholder engagement. Vestel considers its development to be equal to the development of the society. Acting on this awareness, in addition to the contribution it makes to economic and environmental sustainability, Vestel is committed to support social responsibility projects with voluminous resources, initiate new projects and increase its efforts and contribution for a better future.

Vestel Elektronik, a company that applies sustainability to all of its business models from the use of its technology to management strategy, was listed in the BIST Sustainability Index, which includes the shares of publicly traded companies with a high corporate sustainability performance, for the first time on November 2, 2015.

As a result of the evaluations made by Borsa Istanbul in 2016, the Company was deemed eligible to be listed in the BIST Sustainability Index during the November 2016-October 2017 period. Vestel Beyaz Eşya, a subsidiary of Vestel Elektronik, voluntarily applied for inclusion in the BIST Sustainability Index in 2016 and the Company qualified for inclusion in the Index for the November 2016-October 2017 period by meeting the Borsa Istanbul Sustainability Index criteria, and has been included in the Index starting from November 1, 2016.



Consumer Electronics and Household Appliances

Awards Won in 2016

Digital and Electronic Devices Design Award

During the A' Design Award & Competition Industrial Design Competition 2016, 5 products by Vestel were awarded in the "Digital and Electronic Devices Design Award" category, thus making Vestel the winner of more awards than any other Turkish company in this category.

Best Design Brand Award

The Company won the "Best Design Brand" Award, which is granted to companies that win the most awards thanks to their design criteria, in the "Home Entertainment Video" category at Plus X Awards. In addition, Vestel Venus Z10 Smartphone manufactured by the Company received the High Quality, Design, and Ease of Use Awards.

Effie Awards

At Effie Awards, Vestel Elektronik won 2 Bronze Awards, one with Vestel Curved 4K TV in the Electronic Products Category and another with its Father's Day (Venus) project in the Internet/ Telecom - 13 category.

Industrial Excellence Award

Vestel Beyaz Eşya won the Industrial Excellence Award 2016 both in Turkey and in Europe, and was crowned as the first champion in its sector in addition to being the first Turkish company to have won this award.

Red Dot Awards

Vestel Beyaz Eşya was awarded the two most prestigious design awards at Red Dot Awards 2016. Vestel Beyaz Eşya outdid 5,000 products participating in the competition and received awards in the "Kitchen and Home Appliances" category with its NF480 EX A+++ Refrigerator and Smart TFT Washing Machine.

iF Design Awards

Vestel was also awarded in the "Kitchenware" category at the iF Design Awards for its NF480 EX A+++ refrigerator.

Crystal Apple Creativity Awards

Vestel won a total of 11 awards in 8 categories in the digital and media field and became the brand to win the highest number of awards in its sector at the 28th Crystal Apple Creativity Awards.

European Business Awards for the Environment

Vestel won the Second Prize in the Process Category in the European Commission's European Business Awards for the Environment 2016-2017 Program Award Ceremony.

Technology Awards

Vestel won First Prize in the "Technology Awards", which is held by the Turkish Industry and Business Association (TÜSİAD), Scientific and Technological Research Council of Turkey (TÜBİTAK) and the Technology Development Foundation of Turkey (TTGV) to help provide industrialists with a better understanding of innovative product and technology development processes with the aim of improving public awareness.





Vestel's 2016 Highlights

Sponsorship agreement with Turkish Volleyball Federation

Vestel became the name sponsor for the Sultans League, the top tier league of women's volleyball in Turkey, for the 2016-2017 and 2017-2018 seasons within the scope of the agreement entered into with the Turkish Volleyball Federation ("TVF"). Moreover, Vestel became the sponsor for TVF Volleyball Schools called "Fabrika Voleybol".

"Accessibility Project"

Vestel's "Accessibility Project" is designed to make it possible for the disabled to access the world of Vestel with ease throughout all processes from the factory to the end user, and from the website to customer services.

This project made it possible to control Vestel TVs and household appliances through smartphones and tablets by voice, to use the control panel of household appliances in Braille alphabet, to facilitate the use of the Venus smartphones by disabled users with the "accessibility mode", and to control small appliances by voice.

The Company provides R&D and manufacturing support for the smart walking stick called WeWalk, which emerged from the competition "Hackathon with No Obstacles" that was organized together with the Young Guru Academy in order to provide concrete solutions to the daily needs of the visually impaired.

"Equal Opportunities Project" for the employment of disabled individuals

The "Equal Opportunities" project was initiated at the electronics factory with the aim of enabling hearing- and speech-impaired individuals to be employed after they receive training. To this end, production lines in various areas were customized for the disabled employees.



New Projects from Vestel Technology Solutions and Vestel Ventures

In addition to increasing product sales to the food industry, significant deals were signed by Vestel Technology Solutions in 2016. Under these deals, the use of digital displays in the stores of a technology retail chain started for campaign and advertisement purposes. Moreover, approximately 200 digital display products will be installed on railway platforms of the Marmaray tube tunnel project, to be used for advertising and promotional purposes. Established at the end of 2014 to provide support to entrepreneurs, Vestel Ventures Ar-Ge AŞ ("Vestel Ventures") provides financial, R&D, design, manufacturing, marketing and business support to

entrepreneurs in the areas of the Internet of things, mobile technologies and innovative devices. Within this framework, Vestel Ventures made its first investments in 2016 in energy and health technology fields.

Regal rebranded with a new and dynamic identity

Initiated in 2015, the restructuring process for Regal, Vestel's TV and household appliances brand introduced in late 2000 with the aim of offering consumers technology and innovation at an affordable price, was successfully completed in 2016. In this process, Regal changed its business model from one of distributor-based sales to direct sales to retailers and the opening of stores under its own brand. This new business model enabled Regal to

reach, within one year, a network of 816 outlets throughout Turkey including 150 showrooms, household stores and mixed sales points in addition to exclusive dealers.

Kafe Vesto: A new store concept

With an innovative vision, Vestel brought cafe and store together at "Kafe Vesto", another groundbreaking initiative in Turkey, to take its place among the limited number of brands implementing this concept in the world.

Vestel aims to extend Kafe Vesto across Turkey in 2017. Through its new store concept, Vestel's goal is to increase store traffic and ensure that the current and potential customers visit Vestel stores more often and try new technologies on the spot.



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Vestel Defence demonstrated its technological edge by developing Turkey's first domestic tactical Unmanned Aerial Vehicle (UAV) called Karayel.

”

Vestel Defence

Thanks to its staff experienced in Defence and Aviation industry coupled with its experience and technological innovations, Vestel Defence realizes significant projects.



Superior Technological Competence in Defence and Aviation Industry

With a further advancement in its R&D competence, Vestel produced Turkey's first domestic tactical Unmanned Aerial Vehicle (UAV), Karayel, which was developed and produced in accordance with Stanag 4671, NATO's airworthiness standard.

Karayel UAV system is produced for the Turkish Armed Forces (TSK) and consists of six aircrafts, three ground control stations and ancillary subsystems.

In addition to Karayel, Vestel Savunma AŞ developed Bora training aircraft for use in avionics tests and pilot training.

2016 Activities

- Karayel UAVs completed 3,000 hours of flight under TSK's command and control.
- The observation coverage area of Karayel UAV system is expanded to an approximate area of 150,000 km².
- Karayel's armament integration is complete. Karayel UAV successfully executed the tasks assigned to it during EFES Military Exercise, one of TSK's most important exercises. Armed Karayel was showcased for the first time in the exhibition area

- Armed Karayel UAV flawlessly executed its first armed test flight on Konya Karapınar firing runway on June 15, 2016.
- Efforts were accelerated to increase Karayel's endurance to over 20 hours and further refine the platform.



“

Zorlu Textiles Group is a leading polyester yarn and home textiles manufacturer with around 7,000 employees and manufacturing facilities spanning across 800,000 m².

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Textiles

With innovation and R&D lying at the heart of its business models, Zorlu Textiles Group reinforces its value driver brand position in global competition by utilizing technology to the fullest.



Vedat Aydın
CEO, Zorlu Textiles Group

"We are witnessing a megatrend where global change profoundly impacts all industries and traditional business models are re-designed. This change also concerns textiles, our line of business. Industry players that invest in R&D and technology development are getting ahead in the competition and re-defining the rules of the game.

Proactively identifying consumer expectations, continuing to invest in retail uninterruptedly and improving its global collaboration initiatives, Zorlu Textiles Group is ready to take its place in the future's smart world with its broad range of products that are innovative and make life both smarter and more fun, such as self-cleaning roller blinds and draperies, recyclable yarn, curtains and LED-illuminated quilt cover sets and cooling coverlets.

At Zorlu Textiles Group, we are certain that we should not avoid change but, to the contrary, lead it. Because beyond owning brands that this country takes pride in such as TAÇ, Linens and

Valeron, Zorlu Textiles Group, also reaches millions of consumers and manufacturers around the globe with Turkish textile products and yarns.

Zorlu Textiles Group is determined to take its global leadership to a whole new level and continue to produce value for Turkey."

Zorlu Textiles Group

The main field of activity of Zorlu Textiles Group, led by Zorluteks Tekstil Ticaret ve Sanayi AŞ ("Zorluteks") and Korteks Mensucat Sanayi ve Ticaret AŞ ("Korteks"), is to manufacture and market yarn, drapery and home textiles. The Group is comprised of 12 marketing and manufacturing companies.

Zorlu Group's activities in the field of home textiles rapidly grew and spread to four continents outside the borders of Turkey. According to 2016 year-end data, Zorlu Textiles Group's export reached USD 210 million. With around 7,000 employees and manufacturing facilities with a total indoor production area 800,000 m², Zorlu Textiles Group is among the leading polyester yarn and home textiles manufacturers around the globe.

As of year-end 2016 year-end with its consolidated assets standing at TL 3.8 mn Zorlu Textiles Group makes up 13% of the total asset size of Zorlu Holding.

Megatrends affecting the textile industry

The fourth industrial revolution is currently ongoing, and it transforms not only the business world but also the entire society and opens up the gates of a new era.

In this process, digitization and rapidly changing technology are fundamentally altering traditional business models. Economic actors focus their efforts on building a sustainable future under these challenging competitive conditions. These developments also profoundly affect the textile industry. Known as an industry with a traditional structure until recently, textile stands out in the center of change and transformation as the most visible face of megatrends.

Innovation to make life easier

Innovation is at the center of this huge transformation and change. Operators in the textile industry which aim to be a part of the future should not only limit themselves to manufacturing products such as bedsheets, curtains or yarns, but also create innovation in order to proactively approach to the changing expectations of consumers, change their lives and increase their quality of life.

The innovation approach adopted by the Group makes up the foundation of innovative products such as self-cleaning roller blinds and draperies, cooling coverlets, LED-illuminated curtains and quilt cover sets with QR codes that produce content and all these products proof of the success of Zorlu Textile Group that has a competitive and leading position in technical textiles.

R&D increases competitive power

Another megatrend affecting the textile industry is R&D. Until recently, R&D was a term identified with technology companies. Today, we can see economic actors with high competitive power include R&D at the center of their business model regardless of their industry.

Textiles

Zorlu Textiles Group continuously invests in technology and uses the best digital printing machines available during its manufacturing process.

R&D is among priority matters in the textiles industry which houses intensive competition on a global scale.

Powered by its two R&D Centers, Zorlu Textiles Group carries its position as the innovative and competitive business partner of the world's giants into the future.

Technology-intensive business model

Digitization and technology-intensive business models also have impact on the textile industry. Contrary to popular belief, textiles industry is a technology-intensive line of business. It is not possible for a textile company that does not utilize advanced technology and invest in technology to exist and survive in global markets in the medium and long run. Fully aware of this simple fact, Zorlu Textiles Group continuously invests in technology and uses the best digital printing machines available during its manufacturing process.

Human-oriented design

Design is another megatrend that has an impact on the textiles industry. More functional, more innovative, more human-oriented, more customized and more striking designs set the conditions for competition.

Today, it is not possible for textile companies that neglect the importance of design or cannot properly manage the needs and expectations of customers to survive.

Zorlu Textiles Group accurately predicts consumer trends in global markets, particularly in Europe, and can surpass the expectations with a human-oriented design approach.

360-degree sustainability

Sustainability is an essential element that particularly interests all economic operators in today's world. Sustainability is not just limited to the environment, but it is handled with a holistic and 360-degree approach to cover the entire business cycle. The leading retailers in today's world are highly sensitive about whether the suppliers they collaborate with meet the quality and standards of sustainability.

Zorlu Textiles Group is a business and solution partner preferred by global companies thanks to its sustainability vision, quality, standards and applications.

Smart production with Industry 4.0

Smart production with Industry 4.0 closely concerns the textiles industry. In addition to the communication between the devices, Industry 4.0 also necessitates interaction of people and devices, and foresees the establishment of a harmonious ecosystem. One of the keys to a presence in fast and competitive business world, Industry 4.0 points out to a big and new universe where factories, facilities, suppliers and business partners will take place.

Zorlu Textiles Group, currently in the process of realizing Industry 4.0 practices, immediately meets the demands of its customers all around the globe and increasingly reaps the fruits of the investments it made in smart business management processes.

A brand that creates value

In today's world where consumer is at the center of everything, one of the main goals is to be unique and maximize the value offered to consumers. Consumers opt for brands which offer high-added value products that are unique, make the customers feel special and nice, i.e. go beyond being just products. Textiles industry is one of the industries where this is most visible. Textile companies that wish to compete in the same league with the global companies in today's competitive markets should both improve their flexibility in manufacturing skills and focus on creating value for their customers.

This is the approach that enabled Zorlu Textiles Group to put its "Made by Zorlu" brand across throughout the world.

Zorlu Textiles Group reaches out to customers in domestic and international markets through its leading brands.

Thanks to the TAÇ branded drapery and quilt cover products, the Group leads the Turkish home textiles industry.

Another most important brand of the Group is Linens. Zorlu Textiles Group introduced an innovative and pioneering retail perception of home textiles with Linens, Turkey's only international home textiles chain store.

Developed by the group, the brand Valeron has first been launched in the European market, followed by the domestic market.

ZORLU TEXTILES GROUP'S GLOBAL NETWORK

Zorlu Textiles Group reaches its customers through its thousands of sales points in Turkey and abroad and offers a wide range of products.

TAC

ABROAD

18 COUNTRIES

118 STORES

671 OUTLETS



TURKEY

1.815 OUTLETS

420 CONCEPT STORES

30 FACTORY OUTLETS



LINENS

ABROAD

5 COUNTRIES

14 STORES



TURKEY

27 PROVINCES

84 STORES



VALERON

ABROAD

40 COUNTRIES

APPROXIMATELY **200** OUTLETS

A TOTAL OF **742** OUTLETS IN THE US



TURKEY

2 STORES



60% of Zorlu Textiles Group's production is exported and reaches global customers

KORTEKS

52 COUNTRIES

EXPORT TO **211** CLIENTS



ZORLUTEKS

EXPORT TO **60** COUNTRIES



PRIMARY BRANDS

TAC, LINENS, VALERON, BIANCA LUNA, KRISTAL, CASABEL, BRIELLE



VALERON

Bianca Luna



CASABEL



Textiles



Zorlu Textiles Group has an extensive retail network in Turkey and abroad. In addition to this wide physical structure, the Group also uses e-commerce, alternative channels and wholesale channel (accessing approximately 3,000 points around Turkey).

Another important competitive advantage of the Group, which has a big design team, in home textile area is that it can design special collections according to its customers' needs and quickly manufacture at flexible quantities.

Zorluteks is a global and leading company in home textile area.

Thanks to its drapery and home textile manufacturing facilities, marketing company and globally known brands, Zorluteks is among the global and leading companies in home textile area.

Zorluteks ranks among the most modern and largest integrated textile facilities with its giant manufacturing facilities in Lüleburgaz, Kırklareli, over 4,000

employees, exceptional quality of products, the importance placed on the environment, occupational health and working conditions.

Zorluteks exports 62% of its products to a variety of regions across the world, primarily the US, Europe, Japan and Russia, and also manufactures products for pioneer home textile brands in Turkey such as TAÇ and Linens.

It is the biggest integrated manufacturer in Europe in terms of cotton home textiles.

Zorluteks performs its curtain manufacturing activities with its modern machinery park within an indoor area of 60.000 m² that consists of embroidery and finishing operations. The Company's curtain production capacity is 20 million meters per year and 6 million ready-made curtains. On the other hand, Zorluteks also manufactures different home textile products within an indoor area of 108,000 m² such as 96 million meters of quilt covers, coverlets, pillowcases, quilts,

bedsheets, tablecloths, bed spreads, cotton drapery fabrics, jersey fitted sheets and towels.

The Company has a machinery park that consists of 273 machines in its facilities with an indoor area of 60,000 m² for weaving, knitting and warping.

In addition to Turkey, Zorluteks has a manufacturing facility in China, a marketing office in New York and a supply office operating in Shanghai.

Zorluteks has the world's biggest digital printing machine

In order to meet the needs of its international clients as soon as possible, Zorluteks made significant investments in terms of digital printing machinery.

The first digital printing machine (reactive printing) that started its operations in August 2011 under Zorluteks became the first machine in Turkey that was able to print on 3.2 m-wide fabric. Zorluteks started operating its second digital printing



machine (disperse printing) in May 2013 and its third machine (reactive printing) in June 2014. The fourth machine (pigment printing) that started its operations in July 2014 can print on 1.8 m-wide fabric. Zorluteks demonstrated the importance it attaches to technology by purchasing and including in its machinery park the biggest printing machine in the world, which is owned by only several companies around the world.

New generation machinery park offers many opportunities such as low and sustainable energy costs, environmentalist production, flexibility in production, quick response and ability to manufacture at the quantities requested by its clients. To this end, the machinery park provides Zorluteks a competitive edge and contributes to the Company being one of the most popular textile companies in international markets, especially in Europe.

Zorluteks has invested USD 4 million in two new digital printing machines (single pass and multi pass) and will continue to internalize new printing techniques in the coming years.

An export-oriented performance

Zorluteks maintained its export-oriented performance also during 2015-2016 period. The Company, which exported 65% of its home textile products and 34% of its curtain products, sustained its performance under the tough market conditions in 2015-2016 period and managed to increase its sales volumes.

Meanwhile Zorluteks offered its products to customers in 60 countries in 5 continents and continued to sell under TAÇ brand to approximately 20 countries, especially Russia, Ukraine, the Middle East, Balkans and Georgia. Aim of the company is to improve its presence in European market, where it has a strong position, and to penetrate into new markets, particularly the Middle East region and especially Iran.

Working together with big retailers in Europe, Zorluteks is devoted to establishing long-term and robust relations and ensuring the continuity of business operations.








Zorluteks keeps track of the stores' stocks, whose online tracking infrastructure is ready, online and rapidly conducts manufacturing and exports activities on the basis of the stock data.

Sustainability is an indispensable priority and competitive edge for Zorluteks.

Zorluteks deems sustainability as an essential priority in terms of presence in the future and a competitive edge. The Company is the first manufacturer in Turkey to manufacture 100% organic home textile products with Global Organic Textile Standard (GOTS) Certificate.

Having finalized the first integrated manufacturing facility investment in its sector at a global scale, Zorluteks contributes to and supports a sustainable economy with its manufacturing processes in all respects. Zorluteks' facilities are also Turkey's first ecological manufacturing facilities.

IN ITS PRODUCTION CYCLE, ZORLUTEKS

<p>PLANTED 120,000 TREES SINCE 2010,</p> 	<p>CONSUMED ONLY 80 LITERS OF WATER WHILE PROCESSING 1 KG OF COTTON INSTEAD OF 120 LITERS, WHICH IS THE GLOBAL AVERAGE,</p> 	<p>RECYCLED 90% OF ITS SOLID WASTE,</p> 	<p>RECOVERED 11 TONS OF BLACK DYE IN AVERAGE PER YEAR FROM DIFFERENT COLORED WASTE DYES,</p> 
<p>WITH PARTICIPATION OF ITS EMPLOYEES, RECYCLED 1,140 LITERS OF VEGETABLE OIL WITHIN THE SCOPE OF WASTE OIL COLLECTION PROGRAM,</p> 	<p>DECREASED THE USE OF NYLON BAGS BY PRODUCING 36,000 ECO-FRIENDLY BAGS TO DATE,</p> 	<p>SAVED 3,700 KWH OF ELECTRICITY ENERGY PER YEAR THANKS TO DIGITAL PRINTING MACHINERY,</p> 	<p>ENGAGED IN ECOLOGICAL MANUFACTURING IN LINE WITH GOTS, ISO 14001 VE OEKO-TEX CERTIFICATES AND HAD SIGNIFICANT ACHIEVEMENTS.</p>

IN ITS CONSUMPTION CYCLE, ZORLUTEKS

<p>MANUFACTURES CERTIFIED PRODUCTS,</p> 	<p>MANUFACTURES ITS QUILT COVER SETS FROM VEGETABLE FIBERS,</p> 	<p>MANUFACTURES STAIN-RESISTANT AND EASY-TO-IRON PRODUCTS THAT SAVE ELECTRICITY ENERGY.</p> 
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Korteks is the biggest integrated and innovative polyester yarn manufacturing center in Europe.

Korteks was founded in Bursa in 1989 in order to meet quality polyester yarn need of the Turkish textile industry. It currently has a total of 335,000 m² of production area. There are approximately 2,500 types of polyester yarns in the warehouses of Korteks, which stands out in competition thanks to its wide range of products.

Polyester is the most important raw material in the textile industry at global level.

When the global textile raw materials are reviewed, it can be seen that polyester-based products make up more than two thirds of the total yarn supply.

As it has several fields of use, is a versatile and flexible product, polyester's place in textile industry becomes stronger every day.

Although the initial aim of polyester yarn production was to meet the textile need of Zorlu Textiles Group, it gradually evolved into a separate and significant line of business within the Group.

As a manufacturer using the most advanced technology, the focus of Korteks is to achieve efficiency and profitable production. Korteks, which has always been among top-ranking polyester yarn manufacturers not only in Turkey but also in the world, has increased its capacity through its systematic investments and supported its technology with innovation.

By completing its texture investment amounting to USD 35 million in 2016, the Company took another step in terms of internalizing the state-of-the art technology.

Korteks' performance in 2015-2016 period was successful despite volatile market conditions.

Korteks conducts approximately 85% of its product sales in the domestic market, where polyester yarns consumption is around 700,000 tons per annum.

The Company is an active participant of Europe export market and it enhances its presence in the market with its technical textile yarns which have high added value, entail special processes and are products of advanced technology especially needed by the automotive industry.

Being one of the leading exporters in Turkey, Korteks exports its products to more than 50 countries such as Germany, Belgium, the United Kingdom, Italy, Spain, France, Poland, Portugal, Iran, Egypt, the United States, Canada, Mexico and South Africa. According to 2016 year-end data, the top three export destinations for Korteks are Germany, Italy and Spain, respectively.

Textiles

Zorlu Textiles Group conducts Industry 4.0 activities in order to increase efficiency in the entirety of the commercial and economic cycle, from manufacturing to marketing.

Line of product presenting global competitive edge

Korteks manufactures super-bright, semi-dull polyester grade chips and super-bright/dull/semi-dull/full-dull ecru and dope-dyed polyester POY, FDY, textured, elastane, air-textured, twisted, bobbin-dyed and flat, mono-filament yarns under TAÇ brand. All of Korteks' production facilities are designed to manufacture high-quality and special filament yarns.

In addition to POY, FDY and texturized yarn, the Company also manufactures specially-pointed, non-torque, fancy twisted and elastane threads specific for different fields of use with over 400 dope-dyed color choices. In its line of product, Korteks also has product brands such as DRY TOUCH®, TAÇ FLAME RETARDANT, TAÇ COTTON-LIKE, TAÇ ANTIMICROBIAL, TAÇ ANTISTATIC and TAÇ UV RESISTANT and products intended for technical textile industry.

R&D investments and technology development

Korteks, which has the ability to perform technology engineering under its roof, gives weight to R&D investments in order to further enhance its position in international markets.

Being the first Turkish company in 1993 to apply POY production technology directly from polymer, Korteks continues to invest in R&D-centered efforts and technology development to improve its product quality. The Company's pilot facility consisting of manufacturing and texturizing machinery and highly-advanced testing and analysis devices allow for research and development efforts in a continuous and rapid fashion.



Zorlu Textiles Group aims for a stronger future with Industry 4.0 practices.

Zorlu Textiles Group conducts Industry 4.0 activities in order to increase efficiency in the entirety of the commercial and economic cycle, from manufacturing to marketing.

As a manufacturer internalizing Industry 4.0, Korteks has a team specialized on this matter. Industry 4.0 is a system very much in line with Korteks' production technology and each and every automation process to this end is specially designed within the Company.

Korteks also cooperates with its business partners in terms of Industry 4.0. A global machinery supplier, with which Korteks has worked for many years, chose Korteks as its implementation partner in Industry 4.0. The aim of this joint project is to collaborate so as to develop a system that can be marketed internationally within a year.

Korteks still uses many robots equipped with various functionalities in different stages of production and its production process is automated.



Awards Won in 2016

Crystal Apple Festival of Creativity

28th Crystal Apple Festival of Creativity - Best Advertisement Music Arrangement Category, Crystal Apple/Youth Trend (Genç Modası) - Tarzını TAÇ'landır commercial

11th Media Cat Felis Awards

- Felis Award/ TAÇ Genç Modası (Youth Fashion) advertisement jingle
- Achievement Award/In Media section New Media Category/ TAÇ Connect product

5th Türk Patent (Turkish Patent and Trademark Office) Awards

Top company to file the highest number of design applications/ Zorluteks

Kocaeli Chamber of Industry Şahabettin Bilgisu Environment Awards

Grand Prize/In Large-Sized Enterprise Category/Zorluteks

Uludag Textile Exporters' Association - Textile Innovation League Award

Korteks (The award was shared by nine companies)





“

Zorlu Energy Group is one of the leading players in Turkish energy sector thanks to its diversified generation portfolio, as well as its industrial experience.

”

Energy

Founded in 1993 with the establishment of Zorlu Enerji Elektrik Üretim AŞ, Zorlu Energy Group is a global group of companies offering services in different areas of energy sector.



İbrahim Sinan Ak
CEO, Zorlu Energy Group

“At Zorlu Energy Group, our mission is to generate energy in the most efficient way for both our Group and our country and to bring Turkish energy sector one step ahead at global level. On this electricity generation journey we initially started 25 years ago with natural gas power plants by aiming to get costs under control, we continue to grow gradually in the field of renewable energy. We strive to utilize our ground and surface resources in the most efficient manner in terms of geothermal, solar and wind power.

Being one of Turkey’s most dynamic energy companies, we will also start our operations in the field of electricity distribution in 2017 in addition to natural gas distribution so as to provide consumers with high-quality and uninterrupted service.

Our main goal in electricity generation, distribution and supply is to achieve a market share of 5% in Turkey by growing in the field of renewable energy, particularly base load geothermal energy and solar energy, and with a reliable, sustainable and balanced portfolio. The medium- and

long-term goal we have set is to reach a market share of 10%.

We will invest in solar energy in Pakistan in order to further enhance and balance our production portfolio that is currently 563 MW, mainly consisting of natural gas power plants in Israel, Pakistan and Russia, within the scope of international operations we conduct in line with our growth strategies.

We aim to enable Zorlu Energy Group, which has increased its consolidated EBITDA from USD 7.8 million to USD 176 million since 2012 with an average annual growth of 118%, to rank among top 50 companies in Turkey in the upcoming years.

Our forward-looking efforts continue with our determination to provide consumers with sustainable and renewable energy under the most appropriate conditions, sense of responsibility towards the society and environment and loyalty to ethical values.

In order to become tomorrow’s energy company, our aim is to invest in new technologies in the coming years, install smart systems and networks to provide permanent solutions for the world’s energy problem and be the center and reference point of technology in our region.”

Turkish Energy Sector in 2016

Turkey’s electricity consumption grew by 4.7%, to 278,346 GWh in 2016. In line with the growth in consumption, electricity generation grew by 4.4% to 273,388 GWh.

The share of coal and lignite power plants in total electricity generation increased from 29.1% in 2015 to 33.7% in 2016. Hydroelectric power plants share in total generation fell by one percentage point to 24.6% while the total share of wind, geothermal and solar power plants increased from 5.8% to 7.8%. Share of gas fired power plants in total electricity generation continued to decrease in 2016 and fell to 32.1% from 37.9% in 2015. With 807 new power plants commissioned in 2016, Turkey’s total installed capacity grew by 7.3% YoY to 78,497 MW by year-end 2016 with a net rise of 5,351 MW (after taking into account the plant closures during the year)

As of the end of 2016, 34% of Turkey’s installed capacity was based on hydroelectric power, 28% on natural gas, 22% on domestic and imported coal, 7.3% on wind, 1% on geothermal energy, 1.1% on solar energy and 6% on other energy resources. EÜAŞ (the state owned Electricity Generation Company) and its subsidiaries commanded 25.6% of the total installed capacity with another 11.7% belonging to power plants, which are operated under the build-operate-transfer (BOT), build-operate-own (BOO) and TOR (transfer of operating rights) schemes. The remaining 62.6% of the total installed capacity belongs to independent power producers and unlicensed power plants.

Zorlu Energy Group

Founded in 1993 with the establishment of Zorlu Enerji Elektrik Üretim AŞ (“Zorlu Enerji”), Zorlu Energy Group is a global group of companies offering services in different fields of energy industry.

Energy

Zorlu Energy Group operates in the following fields:

- electricity and steam generation and sales,
- electricity trading,
- construction of power plants as “turn-key” projects, including project design process,
- long-term operation, maintenance and repair of power plants,
- distribution and trading of natural gas.

Consolidated revenues of Zorlu Energy Group grew by 28% in 2016 and reached approximately TL 2.9 billion.

Electricity Generation, Sales and Electricity Trading

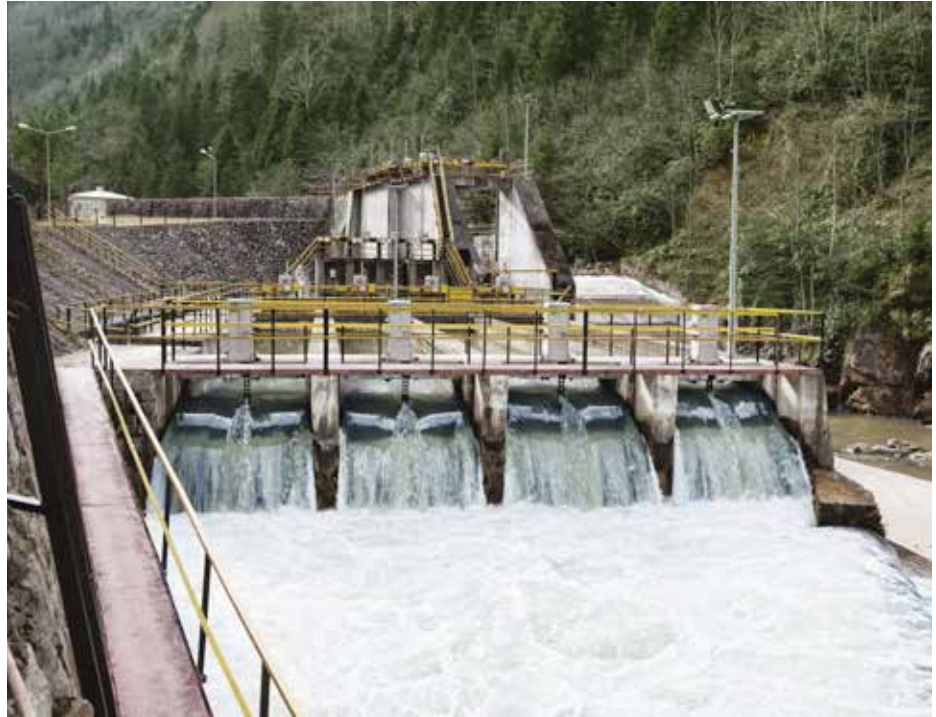
Zorlu Enerji

Zorlu Enerji Elektrik Üretim AŞ, the only publicly-listed company of Zorlu Energy Group, its subsidiaries and affiliates engage in electricity and steam generation and sales as well as electricity trading. Starting its operations in 1993, Zorlu Enerji is one of the leading players and a pioneering independent power producer in Turkish energy sector thanks to its diversified generation portfolio of power plants located in Turkey and abroad, its industrial experience and strong market position.

The total installed capacity of Zorlu Enerji stands at 1,047 MW as of the end of 2016. The share of renewable energy resources in the Company’s total installed capacity is around 50%.

Zorlu Enerji’s generation portfolio consists of

- 7 hydroelectric, 3 wind, 3 geothermal and 3 natural gas power plants in Turkey and
- 1 wind power plant in Pakistan and 3 natural gas power plants in Israel.



The 56.4 MW wind farm developed by Zorlu Enerji Pakistan Limited, a wholly-owned subsidiary of Zorlu Enerji, was the first wind power plant to have been realized with foreign investment in this country.

Zorlu Enerji, one of the few private sector energy companies operating in Israel, has brought online 3 natural gas power plant investments with a total installed capacity of 1,031 MW together with its partners in Israel. The Company’s stake adjusted share in the total installed capacity of these investments is 290 MW.

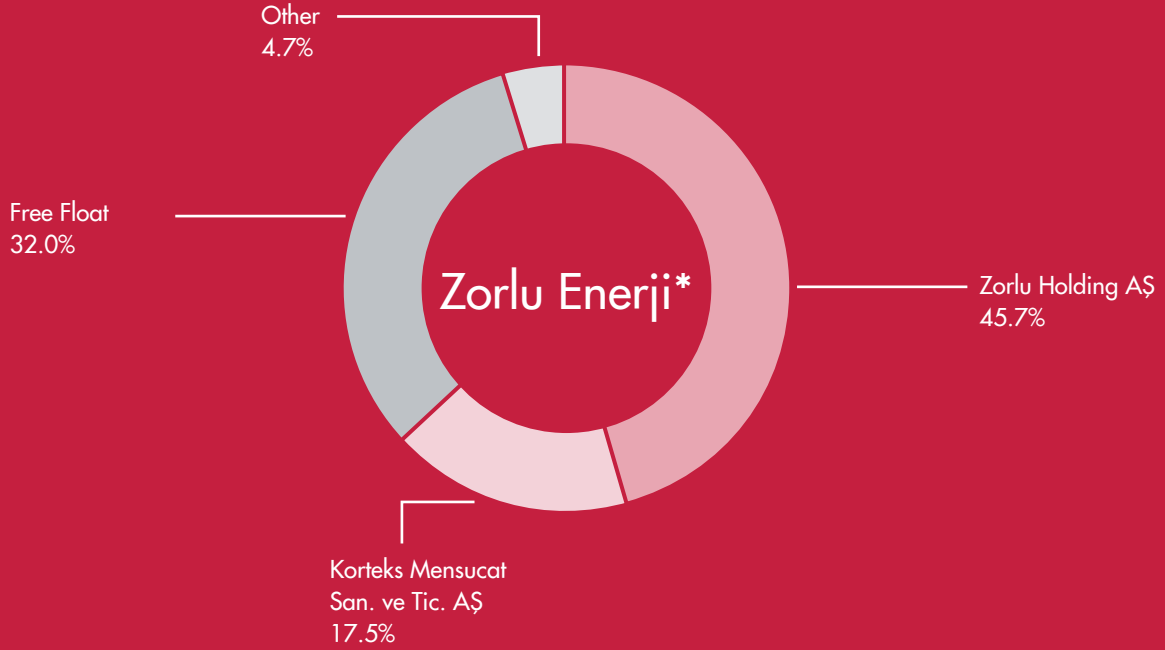
Zorlu Enerji also continues to perform its research activities and investment plans regarding the field of solar energy, in which Turkey has a high potential. To this end, the Company took part in the establishment of two new companies in the area of solar energy. Zorlu Enerji established Zorlu Solar Enerji Tedarik ve Ticaret AŞ as the sole founder of the company and it also joined

Zorlu Solar Pakistan (Private) Limited which was established in Pakistan as a founding partner with a 99.7% share.

In addition to the investments made under Zorlu Enerji, the publicly listed company of Zorlu Energy Group in the field of electricity generation, there is also a natural gas combined cycle power plant (Tereshkovo Power Plant) in Russia, Moscow, which has 217 MW electricity 150 Gcal*/hour heat generation. Tereshkovo Power Plant, which commissioned as simple cycle in November 2011, started its generation as a combined cycle power plant as of March 2012 after it initiated operations regarding regional heating and hot water systems. Annual electricity generation of Tereshkovo Power Plant is around 1.2 billion kWh and it sells the generated electricity to REK company. The power plant’s heat generation per year varies between 110,000 and 150,000 Gcal depending on the region’s heat need and the power plant sells the generated heat to MOEK company.

*Gigacalories

Shareholding Structure



*The shares of Zorlu Enerji, the first publicly listed energy company in Turkey, have been traded on the Borsa Istanbul under the ZOREN ticker since 2000.

ZORLU ENERJİ - 2016 FINANCIAL RESULTS

Consolidated revenues of Zorlu Enerji grew by 68% in 2016 and reached TL 1,195 million thanks to the robust growth in its contracted consumer portfolio, increased sales in Renewable Energy Resources Support Mechanism (YEKDEM) and contribution from newly commissioned power plants.

With the inclusion of Gökçedağ (Rotor) Wind Power Plant and Alaşehir I Geothermal Power Plant in YEKDEM in addition to Kızıldere II Geothermal Power Plant in 2016 the Company's EBITDA* increased by 49% YoY and reached TL 433 million.

NET SALES

1,195
MILLION



Consolidated net sales increased by 68% YoY to TL 1,195 million.

TOTAL ASSETS

TL **6,8**
BILLION



As of the end of 2016, total assets amounted to TL 6.8 billion.

EBITDA*

TL **433**
MILLION



EBITDA grew by 49% YoY to TL 433 million.

*Other operating income and expenses, shares in profit/(losses) of associates accounted for using the equity method and income and expenses from investment activities are included in the EBITDA calculation.

Energy

Sarıtepe and Demirciler Wind Power Plants, Zorlu Energy's second wind power plant project in Turkey, started their operations at full capacity on August 27, 2016.

Zorlu Enerji's Activities in 2016

Generation and sales realized in line with the aims

Zorlu Enerji's gross electricity generation grew by 2% YoY in 2016 and reached 2,559 GWh.

Despite full-year operation of Alaşehir I Geothermal Power Plant ("GPP") for the first time and first time contribution from Sarıtepe and Demirciler Wind Power Plants ("WPP"), which came on-stream gradually from June, increase in electricity generation in 2016 was limited due to the temporary halt of operations at the Rize İkizdere Regulator and Hydroelectric Power Plant ("HEPP") starting from July 2016 due to the rehabilitation investment and the termination of the Kayseri Natural Gas Power Plant's generation license as of October 1, 2015.

Electricity sales from generation increased by 7% YoY and reached 2,364 GWh. Electricity sales from trading activities (i.e. procured from the market), on the other hand, surged by 138% YoY to 2,694 GWh, driven by the strong expansion in Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret AŞ's ("Zorlu Electricity") customer portfolio and contracted electricity sales.

Commissioning of Sarıtepe and Demirciler Wind Power Plants

Following Gökçedağ Wind Farm, Zorlu Energy's second wind power plant project in Turkey, Sarıtepe and Demirciler Wind Farms, were gradually commissioned starting from June and commenced operations at full capacity as of August 27, 2016.

Commissioning of second and final phase of Alaşehir I Geothermal Power Plant

The second and final phase of Alaşehir I Geothermal Power Plant, which has an installed capacity of 45 MW and constructed in Alaşehir, Manisa by Zorlu Jeotermal Enerji Elektrik Üretim, a wholly-owned subsidiary of Zorlu Enerji, was commissioned on January 15, 2016 and the power plant started its operations at full capacity as of that day.

Acquisition of Zorlu Elektrik

With a view to achieving vertical integration through the consolidation of electricity trading activities under Zorlu Enerji and further improving transparency, Zorlu Enerji acquired 100% of the shares in Zorlu Elektrik, a Zorlu Energy Group company, which procures a portion of its electricity supply from Zorlu Enerji and its subsidiaries, from Zorlu Group companies for a total value of TL 1,000,000. The share transfer was completed on March 7, 2016.

Zorlu Elektrik was founded in 2000 with the aim of procuring electricity from the domestic market or from free zones for wholesale or direct sale in the domestic market and for exporting abroad. Zorlu Elektrik sells electricity to eligible consumers under the "Supply License" awarded by EMRA. Zorlu Elektrik is Zorlu Enerji's arm which is in direct contact with the end consumers.

Core operations of Zorlu Elektrik consist of:

- Retail electricity sales to individuals and corporate customers who are qualified to be eligible consumers,
- Electricity trading in Organized Wholesale Electricity Markets, operated by EPIAŞ
- Wholesale electricity trading in Over-the-Counter ("OTC") and Derivatives Market ("VOIP"),
- Export and import of electricity,
- Group management responsible for balance.

Decision to engage in the field of electricity distribution

Zorlu Enerji decided to engage in the field of electricity distribution by acquiring all shares of Osmangazi Elektrik Dağıtım AŞ ("OEDAŞ") and Osmangazi Elektrik Perakende Satış AŞ ("OEPSAŞ"). In order to realise this acquisition, the Company established Zorlu Osmangazi Enerji Sanayi ve Ticaret AŞ ("Zorlu Osmangazi") in November 2016 with 100% ownership. Zorlu Osmangazi acquired 100% shares of OEDAŞ ve OEPSAŞ for a total of USD 360 million on February 2, 2017.

Decision to increase share capital

Zorlu Enerji decided to increase paid-in capital from TL 750 million to TL 2 billion via a 166.67% rights issue. Capital increase was completed on February 16, 2017 through which the Company raised a total TL 1,250,643,421.067 of funds.

The proceeds from the issue were transferred to Zorlu Osmangazi, a wholly-owned subsidiary of the Company, in order to finance the acquisition of OEDAŞ and OEPSAŞ.

YEKDEM applications for the year 2017

The Energy Market Regulatory Authority ("EMRA") approved the applications made in October 2016 for the inclusion of the Gökçedağ, Sarıtepe and Demirciler Wind Farms and the Kızıldere II and Alaşehir I Geothermal Power Plants in the Renewable Energy Resources Support Mechanism ("YEKDEM") in 2017, which was established for power plants generating electricity from renewable energy resources and which provides a fixed USD linked price guarantee. Accordingly, these plants will sell all of the electricity they will produce in 2017 under YEKDEM mechanism.

New establishments to operate in the field of solar power

Zorlu Energy established Zorlu Solar Enerji Tedarik ve Ticaret AŞ ("Zorlu Solar") with 100% ownership in order to

- Generate electricity from solar energy in Turkey and abroad,
- Lease, sell, purchase, export, install on roofs and provide any and all kinds of installation and consultancy services regarding solar photovoltaic (PV) panels,

engage in the wholesale buying and selling of electrical energy and/or capacity in Turkey. Registration of Zorlu Solar was completed as of March 28, 2016.

Zorlu Enerji joined the company titled Zorlu Solar Pakistan (Private) Limited ("Zorlu Solar Pakistan"), founded to establish and operate thermal energy facilities, wind power plants, hydroelectric power plants



and solar power plants without facing any resource limitation, as a founding partner with a 99.7% share in order to generate and supply electricity. Zorlu Solar Pakistan obtained a pre-license from the Punjab Power Development Board in December 2016 for a 100 MW solar power plant to be developed in Punjab Province of Pakistan as its first venture.

Cooperation agreement with Toshiba

Zorlu Energy Group signed a cooperation agreement with Toshiba Corporation so as to support the development of new generation power plant projects in the fields of thermal, geothermal and hydroelectric energy. The agreement gathers the expertise of Zorlu Energy Group in every field from project design of power plants to their construction and operation together with Toshiba Cooperation's global experience in high-technology engineering skills and product supply.

Voluntary inclusion of Zorlu Enerji in BIST Sustainability Index

Zorlu Enerji voluntarily applied in 2015 to be included in BIST Sustainability Index which consists of companies listed in Borsa İstanbul with high rating in corporate sustainability performance. As a result of the evaluations by Borsa İstanbul AŞ in 2016, the Company was deemed qualified to be included in the Index between November 2016 and October 2017.

Awards Received in 2016

Low Carbon Hero Award
Project: "Our Energy is for Children"

Energy Trading and Supply Summit
ISTRADE 2016 Power Supply

Golden Valve Award (ISTRADE 2016)
Awareness on Sustainability and Social Responsibility

Golden Voltage Award (ISTRADE 2016)
Awareness on Sustainability and Social Responsibility

JCI Culture Association of Young Leaders and Entrepreneurs
Give a Shot to Life with the Youth of Buharkent (Buharkent Gençleriyle Hayata Smaç)

JCI Culture Association of Young Leaders and Entrepreneurs
Our Energy is for Children

CSR Marketplace - CSR Environmental Award
Our Energy is for Children





Distribution and Sales of Natural Gas

Zorlu Energy Group distributes and sells natural gas via group companies including Trakya Bölgesi Doğal Gaz Dağıtım AŞ, Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ, Zorlu Doğal Gaz İthalat ve İhracat ve Toptan Ticaret AŞ, and Zorlu Doğal Gaz Tedarik Ticaret AŞ.

Trakya Bölgesi Doğal Gaz Dağıtım AŞ (Trakya Doğal GazDoğal Gaz)

Trakya Bölgesi Doğalgaz Dağıtım AŞ ("Trakya Doğal Gaz"), established in 2005, distributes natural gas for residential and industrial use. In August 2006, Trakya Doğal Gaz was awarded an auction to obtain the 30-year license for distributing natural gas in residential areas of the Thrace region, effective from January 25, 2006.

The license of Trakya Doğal Gaz covers Edirne, Tekirdağ (Central District-Süleymanpaşa) and Kırklareli provinces as well as their districts Lüleburgaz, Çerkezköy, Muratlı, Kavaklı, Büyükkarıştıran, Evrensekiz, Kızılınar, Kapaklı, Karaağaç, Veliköy, Ulaş, Misinli, Velimeşe, and Babaeski.

Trakya Doğal Gaz was entitled to the 30-year distribution rights of natural gas with a winning bid including zero service and depreciation fee for eight years and zero connection fee for the first five years from the license date in its area of operations. In natural gas distribution auctions held by EMRA, Trakya Doğal Gaz was one of the first two lowest bidders of the tender additionally the Company offered the cheapest natural gas of Turkey to its customers within the distribution license area until the first tariff period that began on February 1st, 2015.

Expansion of license area

Trakya Doğal Gaz expanded its license area to Keşan, İpsala and Süloğlu districts on October 8, 2015, and to Süleymanpaşa, Şarköy, Malkara, Hayrabolu, Ergene (Çordaş distribution area excluded) and Saray districts including Tekirdağ Metropolitan Municipality borders on March 2, 2016.

Responsibility from A to Z in natural gas supply

The company is responsible for the planning, project design, construction, operations, maintenance, and expansion of a distribution network across relevant cities and districts as well as the delivery and retail sales of natural gas to subscribers and eligible consumers throughout the distribution network.

Energy

Trakya Doğal Gaz in Numbers - Achievements and Goals

- As of 2016 year-end, Trakya Doğal Gaz reached a line of 3,200 km and USD 255 million investment value to meet, in full and on time, the investment requirements for the first eight years as well as obligations set by the distribution license.

- The company aims to reach for a line of 5,585 km in length by undertaking USD 361 million investment by the end of 2021, and a line of 6,229 km with an USD 436 million investment by 2036, the 30th year of its distribution license.
- The distribution network has reached a residential potential of 420,000 NIUs*.

- As of the end of 2016, the number of subscriber connection agreements totaled 293,191 NIUs. The estimated numbers of subscriber connections are 513,000 NIUs for year-end 2021, and 701,000 NIUs for 2036.

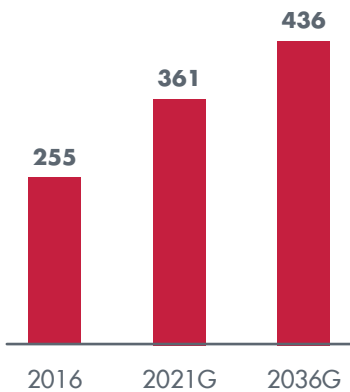
- In 2016, the area of operations of Trakya Doğal Gaz consumed 1.3 billion cubic meters of natural gas, with 786 million cubic meters being the direct sales to consumers and 518 million cubic meters corresponding to the amount Trakya Doğal Gaz distributed to the regional wholesale company, which sells it to its own consumers.

- Forecasts indicate that investments and new subscriptions will take the annual natural gas consumption across the Thrace distribution area to 2.2 billion and 3.5 billion cubic meters in 2021 and 2036, respectively.

TRAKYA NATURAL GAS

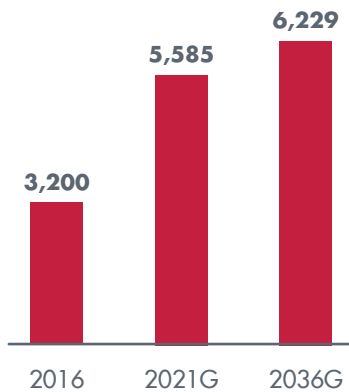
Total Investment Amount

(million USD)



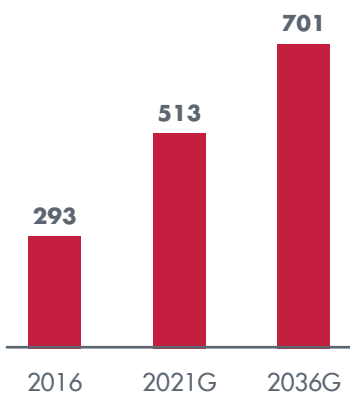
Total Length of Line

(km)



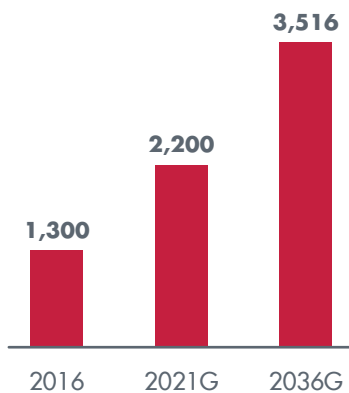
Total Number of Subscribers

(thousand NIUs)



Natural Gas Consumption

(million m³)



Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ (Gaziantep Doğal Gaz)

Gazdaş Gaziantep Doğalgaz Dağıtım AŞ ("Gaziantep Doğal Gaz"), established in 2005, distributes natural gas for residential and industrial use. In August 2005, Gaziantep Doğal Gaz won an auction that grants a 30-year license for distributing natural gas in residential areas across Gaziantep, Kilis and Nizip effective from February 24, 2006.

A large service area

Gaziantep Doğal Gaz was entitled to the 30-year distribution rights of natural gas with a winning bid that includes zero service and depreciation fees for eight years and zero connection fee for the first five years from the license date in its area of operations and became one of the first two lowest bidders in natural gas distribution tenders held by EMRA.

* Number of Independent Units
G: Goal

In addition, the company offered its customers in the distribution license area the cheapest natural gas of Turkey until the first tariff period beginning on February 1st, 2015.

On August 6, 2015; Gaziantep Doğal Gaz added Oğuzeli, İslahiye and Nurdağı districts to its license area.

The company is responsible for the planning, project design, construction, operations, maintenance, and expansion of a distribution network across relevant cities and districts as well as the delivery and retail sales of natural gas to subscribers and eligible consumers throughout the distribution network.

Gaziantep Doğal Gaz in Numbers - Achievements and Goals

- As of 2016 year-end, Gaziantep Doğal Gaz reached a line of 3,000 km and USD 200 million investment value to meet, in full and on time, the investment requirements for the first eight years as well as obligations set by the distribution license.
- The company aims to reach line of 4,142 km in length by undertaking USD 255 million investment by the end of 2021, and a line of 4,954 km with an USD 366 million investment by 2036, the 30th year of its distribution license.
- The distribution network has hit a residential potential of 610,000 NIUs*.
- As of the end of 2016, the number of subscriber connection agreements totaled 289,304 NIUs. The plan is to expand subscriber connections to 520,000 NIUs as of 2021 year-end, and 929,000 NIUs by 2036.

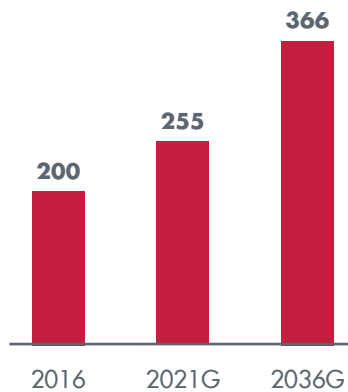
- In 2016, consumers in the area of operations of Gaziantep Doğal Gaz used 526 million cubic meters of natural gas, with 264 million cubic meters being the direct sales to consumers and 262 million cubic meters corresponding to the amount Gaziantep Doğal Gaz distributed to the regional wholesale company which sells it to their own consumers.

- Forecasts indicate that investments and new subscriptions will take annual natural gas consumption across the Gaziantep distribution area to 800 million and 1.6 billion cubic meters in 2021 and 2036, respectively.

GAZİANTEP NATURAL GAS

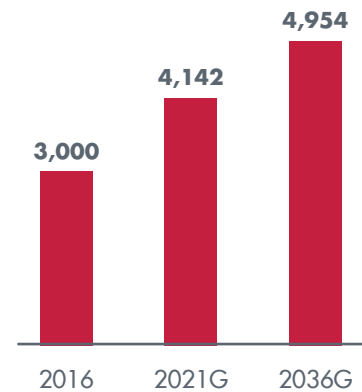
Total Investment Amount

(million USD)



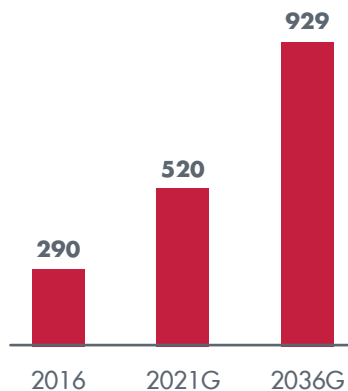
Total Length of Line

(km)



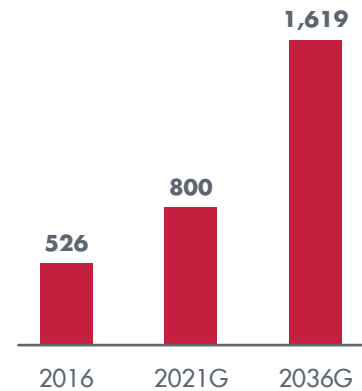
Total Number of Subscribers

(thousand NIUs)



Natural Gas Consumption

(million m³)



* Number of Independent Units
G: Goal

Energy

Gazdaş Call Center

Gazdaş Call Center, equipped with a cutting-edge technology, continuously responds to customer demands across Trakya and Gaziantep Natural Gas Distribution Areas.

Gazdaş Call Center located in Vestel City in Manisa serves the entire distribution area of Gazdaş.

As required by an agreement with Vestel, another Zorlu Holding group company, Gazdaş Call Center responds 24/7 to emergency calls received at Gas Emergency Line 187 as well as customer demands at 444 9 429 (444 Z GAZ).

Thanks to the cutting-edge technology, emergency calls received at the main control center are instantly redirected to the phones of field teams who then intervene in customer problems in less than 15 minutes, ensuring customer satisfaction.

The Easy Subscription project facilitates the subscription contracts for the customers.

The "Easy Subscription" project allows subscribers to carry out transactions through authorized agencies without any required visits to operational offices, which in turn eased the rush due to subscriber connection agreements and subscription contracts.

Zorlu Doğal Gaz and Zorlu Doğal Gaz Tedarik

Since 2010, Zorlu Energy Group sells natural gas through Zorlu Doğal Gaz İthalat, İhracat ve Toptan Ticaret AŞ ("Zorlu Doğal Gaz") and Zorlu Doğal Gaz Tedarik Ticaret AŞ ("Zorlu Doğal Gaz Tedarik").

Zorlu Doğal Gaz operates in direct sales to licensed local wholesale and distribution companies and eligible consumers as well as exports and wholesale supply to exporters of the natural gas it procures from local producers, importers and other wholesale companies via delivery lines and/or from abroad in the form of liquefied natural gas (LNG).

Doğal Gaz Tedarik is a compressed natural gas (CNG) wholesale and distribution firm.

In 2016, Turkey consumed 46.4 billion m³ natural gas, with 8.8 billion m³ supplied by the private sector. With a combined 1.5 billion m³ natural gas trading volume, Zorlu Doğal Gaz and Zorlu Doğal Gaz Tedarik Ticaret are among the Turkey's largest natural gas traders, delivering 3.2% of the total natural gas consumed in Turkey in 2016.

Power Plant Construction, Maintenance, Repair and Operations

Zorlu Endüstriyel

Founded in early 2000, Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret AŞ ("Zorlu Industrial") is an EPC company offering turnkey construction and commissioning services in industrial and power plant investments of national and international scale, from the very feasibility studies and project design. Feasibility and engineering studies as well as turnkey construction and installation works at Zorlu Energy Group's power plants in Turkey and abroad are undertaken by Zorlu Endüstriyel.

2016 activities

After commissioning the second and last phase at the Alaşehir I GPP in January 2016, Zorlu Industrial in second quarter of 2016 launched the construction at Kızıldere III GPP, prospectively Turkey's largest geothermal power investment, and went on

with additional procurement and design upon the installed capacity increase to 165 MW. In third quarter of the same year, the company finalized, in stages, Sarıtepe and Demirciler Wind Power Plant Project of 80.3 MW installed capacity. Meanwhile, electromechanical and hydromechanical equipment were ordered for the capacity increase at İkizdere Regulator and HEPP Project, and the disassembly commenced at the existing plant.

Also playing a substantial role in delivering on the group's "sustainability" principle, Zorlu Endüstriyel has set up a new organizational structure this year, allowing for a better and more efficient use of its expanding business, and one to build on in the future.

Zorlu O&M

Established in 2000 as the first Turkish maintenance and operations company of the energy sector, Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ ("Zorlu O&M") provides long-term operation, maintenance and repair services for thermal (natural gas, single cycle, combined cycle, co-generation) hydroelectric, wind and geothermal plants owned by both Zorlu Energy Group and third parties.

Zorlu O&M is present in nine countries, rendering operations and maintenance services to Zorlu Enerji Group's natural gas power plants in Russia and Israel as well as the wind farm in Pakistan while undertaking maintenance of a number of power plants in Europe, Middle East, South Asia and Central Asia under single contracts. One of the remarkable Zorlu O&M projects abroad is the maintenance of all the Greek public LM gas turbines.

Apart from operations and maintenance, Zorlu O&M also commissions new power plants.

The extensive spare parts pool that feeds a robust logistics network, experienced operations and maintenance personnel, emergency response teams, and an advanced automation infrastructure guarantees a high level of availability for Zorlu O&M in the face of the customers.

2016 activities

- Zorlu O&M, the supplier of operations and maintenance services, mounted a catalytic converter on the Wartsila gas engine exhaust shaft at Zorlu Enerji's Yalova Co-generation Natural Gas Power Plant and therefore reduced CO₂ emissions from 640 mg/m³ to 55 mg/m³, a major cut on greenhouse emissions.
- O&M services at Zorlu Enerji's Lüleburgaz Cogeneration Natural Gas Power Plant, cover the installation and commissioning of two coal-fired steam boilers (with liquid fueled fireboxes) with a capacity of 40 tonnes/h each in order to boost profit by reducing steam generation costs.
- Zorlu O&M undertook the operations and maintenance of the 80.3 MW Sarıtepe- Demirciler Wind Power Plants commissioned by Zorlu Enerji in Osmaniye in 2016. Zorlu O&M was also involved in the installation and commissioning of these facilities.
- The company signed a five-year contract on the Operations, Periodic Maintenance and Repair, and Inspection Works with Trakya Bölgesi Doğal Gaz Dağıtım AŞ and Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ.
- Zorlu O&M, 50% shareholder of Turkbine Teknik Gaz Türbinleri Bakım Onarım AŞ, acquired the remainder 50% shares from the Turkish Airlines to deliver the energy industry Level-IV major maintenance services for GE LM6000 and LM2500 Base/Plus gas turbines.

- The company decided to make a Lease Engine Contract to maintain maximum availability at 840 MW Dorad Combined Cycle Natural Gas Power Plant in Israel, 25% owned by Zorlu Enerji, in addition to their ongoing 25-year Major Maintenance Service Agreement at the same plant.

Zorlu Energy Group & Sustainability

Zorlu Energy Group considers the maximum use of domestic and renewable energy resources as key to sustainable development, and adopts a policy of energy production and distribution based on efficient and reliable resources. Underpinning the Group's priority areas of sustainability are the proper use of natural resources, social governance, energy efficiency, energy supply security, reduction of emissions, and climate change.

The Sustainability Board, which was set up at Zorlu Energy Group in 2015 has prepared the Company's sustainability strategy and action plan and is focused on sustainability activities. Led by the Sustainability Board, the Group defines its approach towards sustainability, which it integrated into its operational processes, as "a guide to effectively managing the economic, environmental and social factors and related risks with a view of creating long-term value".

Favoring a low-carbon economy constitutes one of the main pillars of the Group's sustainability strategy. The Group plans to continue to invest more on domestic and renewable energy resources while respecting environmental and social responsibilities.

Zorlu Energy Group's approximate breakdown of social investments is as follows: 40% to supporting athletic and cultural activities, 20% to corporate social responsibility projects, 20% to efforts of improving life standards of local communities and 20% to education, scholarship and research grants.

Being Turkey's first energy company to calculate its carbon footprint and qualify for the ISO 14064-1 Greenhouse Emission Standards Certification, Zorlu Enerji calculates its carbon footprint on a yearly basis by participating in the Carbon Disclosure Project (CDP) and transparently shares its carbon footprint with the public. The company was awarded the CDP Turkey "Carbon Disclosure Leadership Award" in 2011, 2012, 2013, and 2014.

The 2011 report, which made Zorlu Enerji the first energy company to report on sustainability, preceded the second Sustainability Report in 2012 recognized as the first GRI A level report in the sector. This second report was one of the 24 GRI A level reports issued by energy firms worldwide. Zorlu Enerji, first in the Turkish energy sector and one of the first three companies in Turkey to prepare a report at this level, published its fourth Sustainability Report in 2016. The report covers the 2014-2015 period and was prepared and approved in line with the G4 criteria, which is the latest version of the Global Reporting Initiative (GRI)'s Sustainability Reporting Principles.

A pioneer in the industry on many sustainability-related grounds, Zorlu Enerji voluntarily applied to be included in the BIST Sustainability Index and was deemed qualified to become one of the 43 companies listed on BIST (Istanbul Stock Exchange) Sustainability Index for November 2016 - October 2017 period.

Zorlu Energy Group's Activities in Turkey and Abroad

TURKEY



Electricity Generation

- 1,264 MW total installed capacity, with 700 MW in Turkey, 290 MW* in Israel, 56 MW in Pakistan, and 217 MW in Russia
- 67% of the installed capacity in Turkey and 41% of the total installed capacity are based on renewable energy resources
 - Natural Gas: 739 MW (59%)
 - Wind: 272 MW (22%)
 - Geothermal: 140 MW (11%)
 - Hydroelectric: 113 MW (9%)

* Based on ownership shares

Electricity Trading and Sales

- Around 50,000 customers
- Among top three players of the sector
- Wide network covering different provinces across Turkey
- Customer portfolio:
 - Commercial (65%),
 - Residential (30%),
 - Organized industrial zones and industrial clients (5%)
- One of the first market makers in the Derivatives Market

Natural Gas Distribution and Sales

- Distribution of natural gas to a total population of 3.7 million in Edirne, Kırklareli, Tekirdağ and Gaziantep provinces
- 6,200 km-long pipeline
- Around 583,000 subscribers
- 1.8 billion cubic meters of natural gas sold



	Natural Gas Power Plant
	Geothermal Power Plant
	Hydroelectric Power Plant
	Wind Power Plant
	Natural Gas Distribution
	Power Plants under Construction



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Putting technology at the center of its business, Zorlu Real Estate Group builds exclusive living environments through “smart city” and “smart home” applications.

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Real Estate

Zorlu Real Estate Group accurately analyzes market expectations and customer needs and demands and brings to life top notch, original and world-class projects at prime locations, aiming for high customer satisfaction at all times.



Mesut PEKTAŞ

CEO, Zorlu Real Estate Group

"A trendsetter in the Turkish real estate sector, Zorlu Real Estate Group intends to create new social, cultural, and economic centers of attraction through projects that would make an impression even a century later.

At Zorlu Real Estate Group, our primary project goals are to commingle outstanding architectural designs, state-of-the-art technology and quality into special living spaces as well as modern and smart solutions.

We will continue to add, in Turkey and abroad, to our groundbreaking projects ranging from Zorlu Center, the first five-function mixed-use project in Turkey, to Levent 199, a structure of technology, bringing to life quality buildings and branded projects and make sure to provide our customers with a special experience."

Real estate projects and exclusive living spaces to stand the test of time, even centuries later

Combining the domestic and global reputation and experience of the Zorlu brand with its deep sector knowledge, Zorlu Real Estate Group accurately analyzes market expectations and customer needs and demands and brings to life top notch, original and world-class projects at prime locations, aiming for high customer satisfaction at all times.

Zorlu Real Estate Group strives today and tomorrow to create social, cultural and economic centers of attraction in Turkey with green projects looking to preserve historical and urban environment while making an impression worldwide even a century later.

Technology is the core element of the sustainability-oriented projects

Putting technology at the center of its business, Zorlu Real Estate Group builds exclusive living environments through "smart city" and "smart home" applications as part of its focus on sustainability in its projects.

With the aim of delivering right projects at the right time, Zorlu Real Estate Group has conducted leading and exemplary projects in Istanbul over the past few years. Zorlu Center and Levent 199, the projects by Zorlu Yapı Yatırım AŞ ("Zorlu Yapı") and Zorlu Gayrimenkul Geliştirme ve Yatırım AŞ ("Zorlu Gayrimenkul Geliştirme"), the two flagship companies of the group, boast novel features and distinguish from their counterparts with their architecture, technology and sustainable character.

Zorlu Real Estate Group will continue to blend Zorlu Group's innovation culture with sustainability to introduce novelties to future buildings. Solar power-harnessing bricks, oxygen-releasing facade coatings, robotics for building management will be among many other technologies that will be featured in the Group's future real estate development projects.

Offering entertainment, food and beverage, residences, offices and accommodation at once, the first five-function mixed-use project of Turkey: The Zorlu Center

Zorlu Yapı won the privatization tender of the land owned by the directorate of highways in Zincirlikuyu, a very central district in Istanbul, for USD 800 million in March 2007. The development plan and regulatory procedures of the Zorlu Center project were completed in January 2008 and Zorlu Center, the first five-function mixed-use project of Turkey gradually commenced operations in October 2013. The last phase of the project, the hotel, opened its doors in 2014.

Zorlu Center comprises the following five functions:

- Zorlu Shopping Mall
- Zorlu Performing Arts Center
- Raffles İstanbul Zorlu Center
- Residences
- Offices



The gross construction area of Zorlu Center is 693,784 m². Welcoming around 13 million visitors annually, Zorlu Center has become Istanbul's center of attraction with what it has to offer from shopping to lifestyle, and culture & arts.

A total of USD 2.5 billion was invested in Zorlu Center, creating a total of 44,000 jobs in the construction phase alone.

Distinguished by its central location, Zorlu Center benefits from a wide range of transportation options.

Sitting on one of the most central districts in Istanbul, Zorlu Center carries quality and value due to this key location and wide range of transportation options.

Access to Zorlu Center is easy via private cars as well as the metro and metrobus. To make this possible, Zorlu Real Estate Group invested in underground connection tunnels and an underpass of 770 m and 230 m in length, respectively.

The project also includes a parking lot of around 5,000 vehicle capacity.

Zorlu Center, a smart complex encompassing all the colors of nature with a focus on sustainability, handles vehicle transportation through access roads and ring connections.

Zorlu Center has contributed significantly to the Group's sustainability philosophy, both from its technical features and its wide, green areas.

Zorlu Center has invested USD 20 million in landscaping, showcased on 72,000 m² of total green space, or in other words, equal to 10 soccer fields.

Zorlu Center's landscape features 200 species of plants, including 68 tree species. There are 3,000 trees within the complex, with 2,000 evergreens and 1,000 deciduous trees, as well as 45,000 shrubs and 600,000 perennial plants in the garden and 10,000 indoor plants.

In addition, the project includes a 10,000 m² plaza and a 12,000 m² open air park, as well as a children's playground that complies with European safety standards.

Zorlu Center is fitted with innovative systems that recycle waste and save considerable amount of water.

Zorlu Center recycles its waste through innovative technologies. The complex features a 120 m² recycling room, and glass waste collection points. All waste, including waste oil from restaurants, are regularly collected by relevant organizations, and recycled, if applicable.

Zorlu Center's annual electricity and water consumption is measured at 75 million kWh and around 420 thousand tons of water, considerably less than other projects of comparable scale.



**A venue melding arts and culture:
Zorlu Performing Arts Center
(PSM)***

Since its inception in October 2013, Zorlu Performing Arts Center ("PSM") has been hosting world-famous productions, music festivals, Broadway musicals as well as numerous artists and groups in opera, theater, classical music, jazz and dance music that captivate the audience.

Furnished with the latest technology, different-sized halls, and multiple-purpose areas, Zorlu PSM hosted 350 thousand guests at around 900 events in its third season. Zorlu PSM, the address of big productions, attracted 25 thousand spectators to Shrek Musical. Slava's Snow Show, on the other hand, was staged on two different occasions due to the huge public attention, performing to a total of 15 thousand audience in three weeks.

The "Vestel Proudly Local" program sponsored by Vestel entertained over 30 thousand audience at 25 concerts throughout a season. At its third season, Zorlu PSM introduced an "on-stage standing audience" concept. This concept was taken to the 1,570 m² Zorlu Main Stage by Bedük, Teoman, and Duman for the first time. Zorlu PSM also gave the stage to world-renowned artists and bands such as God Speed You! Black Emperor, Patti Smith, PJ Harvey, and Sigur Ros. Some of these concerts featured an on-stage standing audience.

One of the fourth season goals is to reach over 400 thousand audience through more than 1,000 shows.

**Meeting point of the city right
at the heart of Istanbul: Zorlu
Shopping Mall**

Zorlu Shopping Mall, a part of the Zorlu Center complex, extends to a 73,000 m² leasable area and 105,000 m² construction area. Zorlu Shopping Mall stands out with around 195 stores including global brands premiering in Turkey, 14 movie theaters of a total capacity of 1,600 people, gourmet restaurants, and open square concepts.

Beymen chose to open a 9,600 m² concept store in Zorlu Shopping Mall, also featuring the iconic cubic Apple store of New York, the first in Turkey. Brooks Brothers, Cos, Lanvin, Pomellato, Stella McCartney, Superdry and Tory Burch opened their first stores at Zorlu Shopping Mall in Turkey. Zorlu Shopping Mall is home to many top famous fashion brands including Dolce&Gabbana, Valentino, Saint Laurent, Tiffany&Co, Fendi, Dior, Louis Vuitton,

* Zorlu PSM has a Main Stage with 2,190 seating and 3,200 standing capacity, an amphitheater for 1,000 people, a Sky Lounge for 1,000 people, a 678-seat Drama Stage, a Studio for 600 people and a Foyer and Other Areas with a capacity of 1,300 guests.

Real Estate

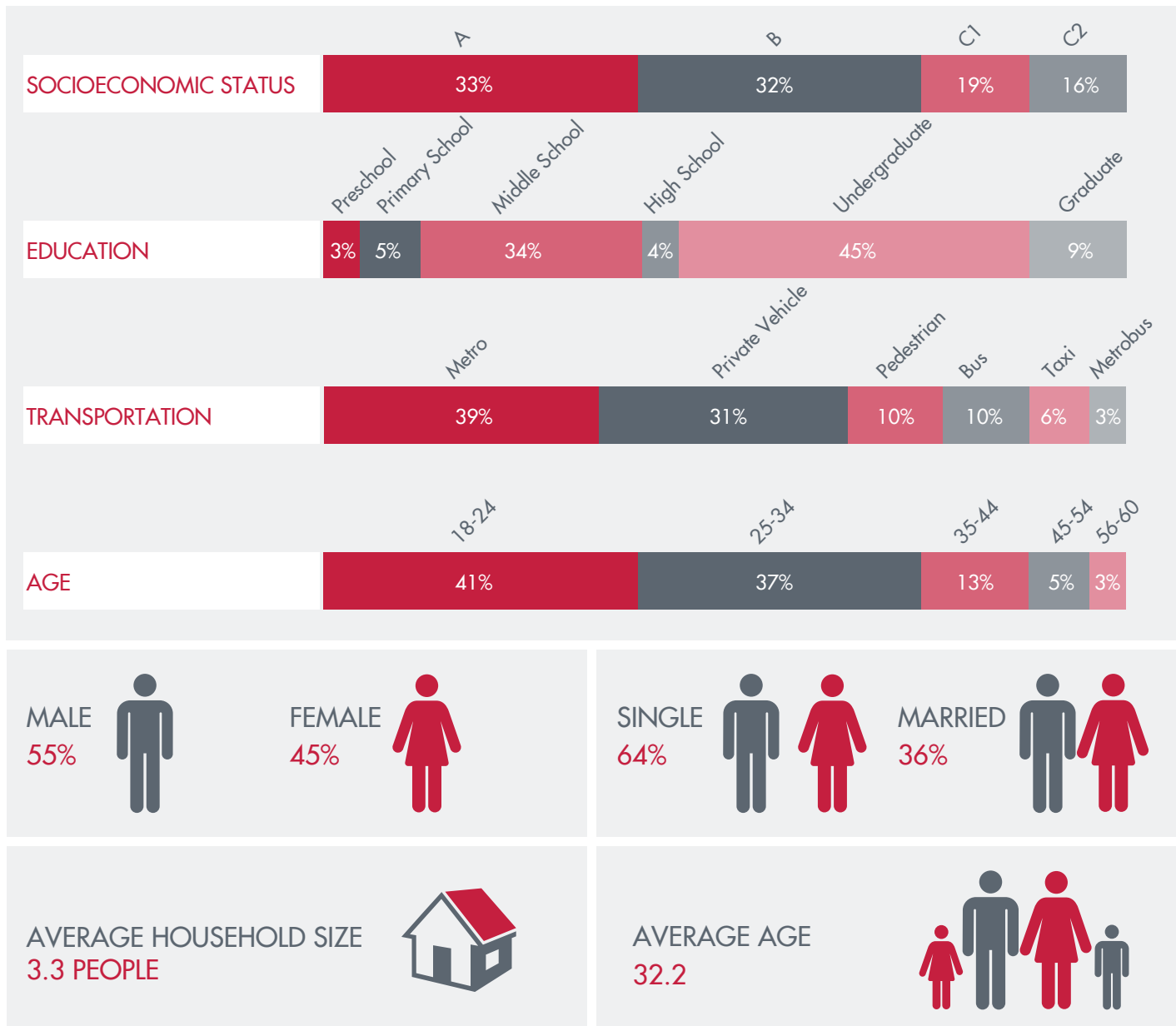
Prada, Burberry, Roberto Cavalli, Michael Kors, Moncler, MontBlanc, Vakko, Sevan Bıçakçı, Sponza, and Urartı as well as trending fashion brands such as H&M with Turkey's largest H&M store of 3,000 m², Beymen Club, GAP, Pinko, Tommy Hilfiger, Gant, Network, İpekyol, Abdullah Kiğılı, Mango, Yargıcı, and Lacoste.

The place also hosts Raffles Arcade, delivering the special luxury shopping experience through the most exquisite top brands in Turkey and in the world.

Since its inception in October 2013, Zorlu Shopping Mall has won 58 domestic and international awards.

In 2016, ICSC (International Council of Shopping Centers) recognized Zorlu Shopping Mall as the "Best European Shopping Centre" in the category of large, new developments.

ZORLU SHOPPING MALL VISITOR PROFILE





Zorlu Shopping Mall also builds on a “Destination Marketing” strategy, crafting events that offer visitors a distinct experience each and every time and convince them into coming back. It has also come to stand among top tourist attractions in Istanbul with a range of novelties and innovative projects. In 2016, the mall was home to unlimited entertainment that endears a wide audience from every segment and every age. The effective marketing activities include “Istanbul Light Festival” that attracted 700,000 visitors in its first year in Turkey as well as many attractions presented for the past four years “Zorlu New Year’s Village”, “Zorlu New Year’s Music Hall”, “Emoji Event” teemed with cabins, a new year tree adorned with lights, colorful balls, 17 big balls by 17 artists, a flying piano, event groups, living statues, shopping parties, and concerts; free-of-charge open-air movie screenings and concerts held on the park area during the summer, among many others.

A world class exclusive high-end hotel: Raffles İstanbul Zorlu Center

Raffles İstanbul Zorlu Center, one of the most exquisite luxury hotels in the world, opened in October 2014. Realized with an investment of USD 250 million, the interior design of the 185-room Raffles İstanbul Zorlu Center bears the signature of HBA (Hirsch Bedner Associates), designer of the world-renowned hotels.

Hotel amenities include a modern Turkish cuisine restaurant, a bar with a vibrant atmosphere, a ballroom with a capacity of 1,200, and a 3,000 m² SPA bathing in natural daylight.

On top of these, Raffles İstanbul Zorlu Center is adorned throughout, in the rooms and various spots, with a sumptuous art collection of more than 200 domestic and international works that furnish the guests with momentous experiences Raffles also

boasts a house brand 66-unit residential complex of one-bedroom and two-bedroom apartments for those who do not want to miss out on the Raffles exclusivity.

Zorlu World ushers in a world of privileges for the visitors of Zorlu Center.

A one-stop app providing easy access to Zorlu Center’s special offers and surprises, the Zorlu World mobile app presents many attractive advantages to the customers.

Zorlu Center’s customer loyalty program, Zorlu World has a wide array of exclusive offers and discounts from the member companies at Zorlu Center, restaurants, valet parking, Raffles İstanbul Zorlu Center and Zorlu PSM discounts as well as early bird rates.

Since its inception in October 2013, Zorlu Shopping Mall has clinched around an approximate 58 domestic and international awards including the 2016 ICSC (International Council of Shopping Centers) "Best European Shopping Centre" award in the category of large, new developments.

Thanks to the alternative offerings involving continuity, day/hour targets, cross use, limited offers to be used on the next purchase, Zorlu World grew to 95,000 members. This app has led to an increase in the number of visitors, basket sizes, visiting and purchasing frequencies, and evidently, in customer satisfaction.

In addition, Zorlu World garnered four Stevie Awards in 2016, namely a Gold Stevie in marketing, and 3 Bronze Stevie in the categories of lifestyle, shopping, and additional services.

A green building rising with a modern architecture and cutting-edge technology in Levent, one of Istanbul's busiest locations: Levent 199

A complex constructed by Zorlu Gayrimenkul Geliştirme on a land procured in 2007 for USD 83 million, Levent 199 is located in Levent, one of the busiest districts in Istanbul. The project is an A+ office complex covering a leasable area of 67,000 m². The total construction area of the 40-floor project is 122,899 m².

One of its distinctive characteristics is the highly energy-efficient glass coatings, which were not manufactured in Turkey before and became widespread only after Zorlu Real Estate Group launched the project, as well as the use of LED fixtures throughout the lighting system. Vestel Elektronik, a Zorlu Holding company, played a considerable role in making it happen.

Thanks to its modern architecture and innovative structure of Levent 199, also home to Zorlu Holding, was granted the "Best Office Architecture" award at the "Europe and Africa Property Awards 2010" organized as a part of the International Property Awards.

Levent 199 qualified for USGBC's LEED Gold Certification that recognizes ecofriendly design.

Sporting a special parking lot for electric vehicles, a bicycle park and a wide, 10,000 m² landscape area, Levent 199 was granted a LEED Gold Certificate by the U.S. Green Building Council. This accolade makes Levent 199 the first LEED Gold-certified A+ office project in Turkey.

For the heating and cooling systems optimization, all the systems at Levent 199 are equipped with heat recovery fresh air systems which maximize fresh air intake regardless of the season. This feature not only slims down operational costs but also creates a good working environment for employees.

Furthermore, choosing LED in lighting systems saves 5% on energy in the parking lot.

Levent 199 supports end-to-end recycling.

At Levent 199, there are rigorous efforts towards waste disposal. Wastes are sorted at their source and sent to the relevant parties for recycling or disposal. Office paper waste is handed to municipal authorities for recycling.

The treatment system of Levent 199, an additional investment, treats graywater and stores treated water to be reused as irrigation water for gardens and green areas, among other uses.

The project enjoys the limelight with its technology, as well.

Levent 199 stands out from others with its high level of technology which also makes it an exemplary project.

Double deck elevators, a first in Istanbul, reduced the average elevator waiting time to 27 seconds, saving space and at least 50% energy.

Furthermore, the Levent 199 project used a new construction method, which is a first in Turkey, where columns were downsized from 160 cm to 1 m with the use of steel, resulting in a significant saving in space. This method served as a model for other companies, and was adopted by many.

Zorlu Real Estate Group will continue to make an impact with the upcoming bold projects.

Zorlu Real Estate Group aims to invest in and develop quality projects at valuable lands, and take part in their operations, and strives for this goal with new projects in the pipeline. The Group's main projects of focus in the coming period will be Zorlu Konak, Zorlu Alaçatı and Zorlu Marmaris projects.

Awards Received in 2016

<p>Stevie Awards</p> <p>Raffles Arcade / Communications Campaign of the Year - Marketing / B2B</p>	<p>Stevie Awards</p> <p>Raffles Arcade / Communications Campaign of the Year - Reputation / Brand Management</p>	<p>Stevie Awards</p> <p>Raffles Arcade / Brand Experience of the Year - B2B</p>
<p>Stevie Awards</p> <p>Phantom of the Opera / Communications or PR Campaign of the Year / Arts & Entertainment</p>	<p>Stevie Awards</p> <p>Yeni Yil Gazinosu / Communications or PR Campaign of the Year / Arts & Entertainment</p>	<p>Stevie Awards</p> <p>Istanbul Light Festival / Marketing Campaign of the Year / Event</p>
<p>Stevie Awards</p> <p>Zorlu World Mobile Loyalty Platform</p>	<p>Stevie Awards</p> <p>Zorlu World Mobile Loyalty Platform / Lifestyle</p>	<p>Stevie Awards</p> <p>Zorlu World Mobile Loyalty Platform / Shopping</p>
<p>Stevie Awards</p> <p>Zorlu World Mobile Loyalty Platform / Services & Utilities</p>	<p>Marcom Awards</p> <p>Raffles Arcade / Public Relations</p>	<p>Marcom Awards</p> <p>Raffles Arcade / PR Campaign of the Year / B2B</p>
<p>Marcom Awards</p> <p>Raffles Arcade / Reputation and Brand Management</p>	<p>Golden Compass</p> <p>Istanbul Light Festival / Marketing Communications and Integrated Marketing</p>	<p>IPRA Golden World Awards</p> <p>Raffles Arcade (B2B category)</p>



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The Meta Nickel-Cobalt plant, a highly intricate facility that demands multi-disciplinary expertise, continues to display an upwards trend in terms of work days and production capacity.

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Mining-Metallurgy

META, the company that introduced nickel mining to Turkey, operates within the Zorlu Mining Group since 2007.



Dr. Orhan Yılmaz
CEO, Zorlu Mining Group

“Our primary goal at Zorlu Mining Group is to meet the global quality and efficiency standards in nickel-cobalt production by building a mining culture, and training young and dynamic professionals.

One of the keys to our breakthrough in nickel and cobalt mining is to focus on R&D, which already makes up a major part of our operations.

We will sustain our dedicated efforts in a bid to put our country’s nickel potential to good use for the economy and create added value for our Group through nickel-cobalt investments.”

Meta Madencilik Limited Şirketi was founded in 2000 to usher in nickel mining in Turkey. In 2007, the company partnered with Zorlu Group and changed to Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ (“META”), and has been operating under this name since then.

META’s activities include exploration, mining, export, R&D and nickel-cobalt mining investments to exploit our country’s nickel potential and contribute to domestic economy. Currently, the company operates the Gördes-Manisa nickel mine and engages in nickel mine exploration in various areas.

Designed to produce 10,000 tons of annual nickel metal production with around 1.7 million tons of nickel ore feed, the Gördes Meta-Nikel Project investment was started in 2011 and the plants’ construction was completed in year-end 2014. There after commissioning work was started and first product exports were carried out in May 2015.

In 2015, the plant was operational only for 48 days due to the repair works on the equipment which was damaged under bad weather conditions, and the renewal of the ore feed station.

The plant worked 136 days to produce 1,790 tons of nickel metal equivalents in 2016. This year, unfavorable weather conditions continued, and the deformed bricks of the high-pressure flash vessel were replaced.

The Meta Nickel-Cobalt plant, a highly intricate facility that demands multi-disciplinary expertise, continues to display an upwards trend in terms of work days and production capacity.

2017 targets are 240 work days and around 4,000 tons of MHP (nickel cobalt hydroxide) nickel metal equivalent.





The aim is to start the production at full capacity in the coming years, following the scheduled improvements to ore preparation, High Pressure Acid Leaching (HPAL) Facilities, Counter Current Decantation (CCD), and tailings dam.

Thanks to the devoted efforts of the management and the technical personnel, improvement and research for boosting efficiency and reaching full capacity were carried over to 2016. The improvement works underway are the following:

- Revision of the High Pressure Heater Feedwater Pump design, new pumps ordered,
- Two filters ordered for MHP Filter Press capacity increase,
- Insulation against unexpected freezes due to cold weather and covering the HPAL facilities to prevent any adverse weather impact on the relevant personnel, equipment and instruments as well as keep the equipment from freezing in winter,
- Cost reduction efforts,
- R&D projects,
 - Ore dressing project,
 - Waste reduction and waste recycling efforts,
 - Preliminary works on the establishment of a sulfuric acid production plant,
 - The second-phase plans involving the pilot production and basic engineering efforts towards the treatment of MHP to produce nickel and cobalt metals.

Other Activities

Zorlu Faktoring

Zorlu Faktoring AŞ ("Zorlu Faktoring") was established in 2012 to deliver factoring services in Turkey and abroad. The company takes it as a priority to serve all the sectors and companies which shape Turkish economy, in a reliable, consistent and honest manner.

Zorlu Faktoring, whose main area of activity is domestic revocable factoring transactions, targets medium and large-scale enterprises as well as prominent companies that have a widespread network of suppliers and dealers.

Committed to be one of the top 10 factoring companies and expand the products and services across Turkey, the company makes headway with the additional advantage due to its ownership structure and experienced team.

Jules Verne Travel & Event

In 1998, ABH Turizm Temsilcilik ve Ticaret AŞ ("ABH Turizm") was founded as a tourism agency. On September 1, 2015; the company merged with its subsidiaries Jules Verne Fuarçılık Hizmetleri AŞ and JBR Turizm Bilişim Ticaret AŞ.

Jules Verne Travel & Event, a company of ABH Turizm which operates in all the segments of the tourism industry, joined Zorlu Group in 2004.

The company offers a wide range of corporate and individual services, event organization in Turkey and abroad, flight ticket sales, hotel bookings, organization of national and international congresses and seminars, product launches and cruise tours as well as transfers, tour guiding and visa services.

ABH Turizm has proved very successful in numerous important projects, in Turkey and abroad, with a team of experts on corporate and individual services alike.

Zorlu Grand Hotel

The first tourism initiative of Zorlu Group, Zorlu Grand Hotel opened its doors in 1996 in the center of Trabzon, rising as the first and only five-star hotel of the region. The hotel offers exclusive services to business and holiday guests with 160 rooms, six conference halls, a health club and restaurants, all sporting an authentic decoration and a huge comfort.

Being one of Turkey's top 25 business hotels, Zorlu Grand Hotel is located at 4 km to Trabzon Airport, 10 minutes from the World Trade Center and 50 meters from the public transport.

Zorlu Air Havaçılık AŞ (Zorlu Air)

Launched initially under the roof of Korteks in 1992, Zorlu Air continued its operations as an independent air charter company starting from 1996.

Zorlu Air currently serves with a 2016 AW-139 VIP helicopter with a passenger capacity of six to eight, a 2002 Bell-430 VIP helicopter with a passenger capacity of six, and a 2012 Gulfstream G-450 Large Cabin aircraft with a passenger capacity of 14. All these aircrafts joined the Zorlu Air family on their year of manufacture.

Human Resources

Zorlu Holding Human Resources Department keeps abreast of the international and domestic developments as well as trends that affect human resources, provides a good work environment and all-around personal development opportunities to the personnel.



Necmi Kavuşturan

CEO, Group Head of Human Resources of Zorlu Holding

“At Zorlu Holding Human Resources Department, our particular emphasis is on the cross-function coordination on all the human resources and creating synergy between the employees across the Group.

Underpinning our approach to human resources are a transparent performance management, career planning and on-the-job trainings as well as an “equal pay for equal work” practice that completes our holistic approach.

Our primary concern is to make sure we build a team of highly motivated and qualified experts, with a focus on sustainable success and profitability. We follow and adapt to new, decisive human resources practices on a global level, opening the way for thriving creative and productive talents.

Through an array of training programs, not only do we offer our employees a path to personal development but also, we contribute to our Group by building a proper infrastructure.

We aim for persistence by hiring and training professionals who can carry our Group to the future, while continuously improving our corporate performance.”

With more than 60 group companies and an approximate 27 thousand employees, Zorlu Group today growingly contributes to the Turkish economy.

Zorlu Holding considers human resources as the most important and valuable capital for delivering on the goals.

The Human Resources department at Zorlu Holding believes that the ideas and projects originated from satisfied and qualified employees create a competitive edge in the respective sector.

Zorlu Holding Human Resources Department keeps abreast of the international and domestic developments as well as trends that affect human resources, provides a good work environment and all-around personal development opportunities to the personnel.

Zorlu Holding primarily hires experienced and knowledgeable people of the sector, who are also open to improvement and innovation and able to smoothly adapt to Zorlu Group corporate culture. In the business processes including hiring, Zorlu Holding and their subsidiaries do not discriminate on the basis of language, religion, race or gender.

As regards work environment and human rights, Zorlu Holding acts in keeping with its commitments under the UN Global Compact.

As of the end of 2016, Zorlu Group employs 26,642 people of which 70 percent are blue-collar and 30 percent are white-collar personnel.

The table below shows the breakdown of employees by sector.

Sector	Number of Employees* (as of 12/31/2016)
Consumer Electronics & Household Appliances**	16,738
Textiles	6,788
Energy	1,046
Real Estate	889
Mining	516
Other	644
Total	26,621

* Includes employees abroad and subcontractors' personnel.

** Vestel Savunma Sanayi AŞ and AYESAŞ employees are counted among Vestel Group personnel.

Zorlu Holding Human Resources Policy

With respect to human resources management, Zorlu Holding knows that determined, professional and qualified employees who work with passion are essential to achieving goals.

The group companies hire candidates who have dreams alongside expectations, seek excellence in lieu of being contented with the "good", and share values, all based on the principles of equal opportunity and non-discrimination.

Zorlu Holding Human Resources Policy and practices are centered around a remuneration system that rewards success, a transparent performance appraisal as well as career planning and trainings that allow for entrepreneurship.

At Zorlu Holding, the decisive criterion for hiring is competence.

The employee selection and placement processes are based on putting the right people to the right jobs and carried out rigorously in line with Zorlu Holding goals and principles.

At Zorlu Holding, competence is the top criterion for hiring.

Zorlu Holding relates competence to;

- result-orientation,
- self-confidence,
- taking initiatives,
- analytical thinking,
- customer-centricity,
- teamwork and cooperation,
- flexibility and change management,
- relationship/network building,
- and creativity.

Candidates who are competent as defined and a good fit for the job may apply through Zorlu Career web portal and other external job websites. Job applications received at the portals are screened according to company needs; candidates with the right skills are identified and invited to an interview.

The hiring process uses personality inventories, foreign language proficiency tests, general aptitude tests and interviews to assess how a candidate matches the job. Candidates who successfully complete the process receive a job offer from the Human Resources Department.

Zorlu Holding Wage Management System is designed on the basis of certain parameters and a rational approach.

Zorlu Holding's Wage Management System is identified and updated in light of market conditions and in-group balance, and considers, more specifically, position levels, wage market, Group's wage policy, and performance parameters.

Zorlu Holding Wage Policy may vary with each company on the grounds of the existing wage structure, market position, and competitiveness. The wage policy also provides the personnel with several employee benefits according to the position title.

Zorlu Holding Career Planning System enables employees to improve their career.

Zorlu Holding adopts the modern human resources management system, therefore supports employees with their career planning.

In consideration of the needs of Zorlu Holding group companies and employees' career progress, promotions and horizontal advancement systems are in place, coordinating the future business goals and employees' individual goals. The objective is to improve employees' existing skills, foster their professional competence and earn new competences required for future jobs.

The Career Planning System also presents horizontal advancement opportunities to Zorlu Holding personnel in addition to vertical career advancement.

Zorlu Holding follows global standards of Occupational Safety and Employee Health.

Zorlu Holding believes in the importance of creating a healthy, safe and decent work environment that is compatible with human dignity, suitable for employees across the Group and meets international standards that transcend the regulations.

The Holding accepts it as a core mission to offer the personnel an environment in which they can work efficiently and productively and perform well.

Zorlu Holding Occupational Health and Safety (OHS) Policy mainly seeks to provide decent working conditions, assess risks and takes measures against these risks in the field of activity, and regulate working conditions of the individuals with special needs.

Human Resources

Zorlu Holding places a premium on occupational safety, persisting in the “zero accident” goal.

The planned and systematic OHS trainings at Zorlu Holding aim to raise employee awareness in order to establish a safe and healthy work environment.

As a measure against occupational health and safety risks employees might face in the workplace, practical and interactive training courses are organized. Additional activities include OHS-themed drills and distribution of informative leaflets.

In an effort to maintain a “zero accident” goal, Zorlu Holding focuses on occupational safety as part of sustainability initiatives.

Zorlu Holding considers employee loyalty and satisfaction a key factor in sustainable success and performance.

Regarding human resources as its most valuable capital, Zorlu Holding carries out activities with an awareness to reinforce employee motivation, corporate loyalty and belonging, all of which are required for a successful and sustainable performance of group companies.

Besides employee commitment and loyalty surveys within the Group, various other instruments are also used. Factors that ensure commitment are identified, analyzed and used for activities to raise current levels.

Social clubs within Zorlu Holding enhance communication and coordination between employees.

Fundamental values of Zorlu Holding include strengthening bonds between human resources and boosting their spirits and motivation. Opening of social clubs are supported to serve that end. Social, cultural, artistic and sports clubs established in the Group improve self-growth of employees, help them develop their hobbies, ensure a work-private life balance and give an opportunity for further communication and cooperation between each other.

Healthy Living and Sports Club, Book Club, Outdoor Sports and Theater Club carry out regular activities within the Group.

Zone, the intranet platform of Zorlu Holding, is a communication platform that brings together all employees in one place.

Zone, the intranet platform accessible to all employees of Zorlu Holding, is a communication platform that brings together employees working in different locations. Besides providing information, announcing activities, events and news on Zorlu Holding and Group companies, Zone also includes social information.

Dialog Conferences, a series of events seeking to expand the vision of Zorlu employees, are organized every month.

“Dialog Conferences” organized by Zorlu Holding, aims to enrich Zorlu employees’ perspective on Turkish and global agendas as well as to expand their vision.

The monthly conference series hosts experts who give speeches in their respective fields. Each month, employees from different levels in the Group participate in the conferences.

In an effort to improve competences of human resources within the Group, Zorlu Holding plans and carries out training and development practices.

Training and development practices in all Zorlu Group companies are followed with a consideration of equal opportunities. The said practices are of great import in terms of improving professional and personal competences of human resources and making sure they catch up with not only developments in their own professional field but in their industry as well.

Training programs within the group are planned according to areas of improvement identified by the performance assessment process.

Following are some of the numerous areas in which Zorlu Holding organizes annual training programs based on the fields of activity of Group companies:

- personal growth,
- technical know-how,
- development of managerial skills,
- finance,
- law,
- sales and marketing,
- production.

Additional training programs for competence development are customized for managerial positions.

Training and Development Programs as well as the Vestel Technology Academy offer employees the chance to raise their level of education and improve themselves.

Manager Trainee (MT) and other programs for new graduates help them adapt to Zorlu Group companies and boost their competences required in their respective positions. These programs are carried out in partnership with leading universities in the country, fulfilling a significant mission for industry-university collaboration.

Vestel Manager Trainee Program (Vestel MT Program) and Vestel Technology and Business Administration Academy under Vestel Group boost and enrich technical capabilities of engineers and administrative staff. Additional training programs and academies improve professional, technical and intellectual competences of employees. Academics and scientific teams as well as experts participate in the said programs where new technologies and innovations are put into practice.

Training and Development Programs as well as Vestel Technology Academy offer employees the chance to raise their level of education and improve themselves.

Vestel Technology Academy, a joint project by Vestel Group and Özyeğin University, offers lifelong learning to Vestel employees.

The program aims to improve the knowledge and experiences of engineers, while employees with different engineering backgrounds work on areas of improvement to cater to Vestel's needs.

To serve these purposes, efforts are made to encourage bachelor's degree holders to join master's degree programs, and master's degree holders to start PhD programs.

Vestel MT Program raises the managers of the future while helping Vestel create added value.

The 7th Vestel MT Program, which is carried out with the academic support of Turkey's leading universities, started at Vestel Training Center in 2016.

The program aims to raise new university graduates as future managers. Over a period of six months, candidates receive both theoretical training and follow a practice-based internship program.

Zorlu Textile New Graduates Program welcomes young, new graduates who will bring further success to Zorlu Group in the future.

In 2016, Zorlu Group carried out the 4th Zorlu Textile New Graduates Program which aims to attract to the Group talented, young people who are new university graduates.

In partnership with Textile Engineering and Business Administration Departments of Istanbul Technical University, the program offers theoretical and practical training to talented new graduates over a course of four months.

Zorlu Textile New Graduates Program will continue its activities with an eye to raising qualified managers that will bring further, continuous success to Zorlu Textile and Zorlu Group in the future.

Zorlu Energy Group prepares employees for the future with training and development programs.

Executive Training Academy Program within Zorlu Energy Group aims to find employees with leadership qualities, help employees improve themselves and their professional skills and prepare them for future tasks with higher responsibilities.

ZEGA (Zorlu Enerji Development Academy) engages in activities for managers and directors within the Group. In 2016, the academy launched assessment center, a feedback system and "Management Training Talks" in an effort to boost employees' competences as well as their loyalty.

32% of all employees within Zorlu Group are women.

Zorlu Holding supports and takes seriously women's presence in economic and social life as well as their full participation in decision-making processes.

Human Resources

Zorlu Holding encourages gender equality within group companies as part of “United Nations Women’s Empowerment Principles”, of which the Holding is a signatory since 2015, as well as the 5th Sustainable Development Goal.

In an effort to ensure gender equality in the workplace, Zorlu Holding encourages gender equality within group companies as part of “United Nations Women’s Empowerment Principles” (UNWEP), of which the Holding is a signatory since 2015, as well as the 5th Sustainable Development Goal.

As of the end of 2016, 32% of total employees in Zorlu Group are women. Raising the number of women employees in Zorlu Holding and Zorlu Group companies serves strategic goals. Women’s active roles within the Group are also supported.

Vestel Group offers employment opportunities for disabled people with “Equal Opportunity” and “I’m a Part of Life” projects.

Vestel Group considers it important that disabled individuals are included in the labor force under equal conditions. With that in mind, the Group launched “Equal Opportunity” and “I’m a Part of Life” projects to provide employment for disabled people.

“Equal Opportunity” project was carried out in the electronics factory of Vestel. Following the training program, hearing-impaired and speech-handicapped individuals were employed. Production lines in the factory are especially designed for easy use by disabled people.

Meanwhile, “I’m a Part of Life” project launched by the Human Resources Department of Zorlu Holding aims to welcome mentally-challenged individuals or those with down syndrome to work in Vestel and join the workforce.

Other Human Resources Activities within Zorlu Group Companies

In 2016, further activities were carried out to boost employer brand perception within group companies.

- To serve this purpose, Vestel Human Resources organized 66 activities in certain universities throughout the year to attract young talents with events entitled “Campuses Furnished with Vestel”
- A prize competition was launched in Zorlu Korteks for a recommendation system where employees share OHS risk findings and recommendations to ensure a safer operation of the system.



Mehmet Zorlu Foundation

Established in 1999, the Mehmet Zorlu Foundation focuses on "Education", "Culture & Arts" and "Health and Social Solidarity", embracing a philosophy of "investing in the future of Turkey".



Necmi Kavuşturan
Chairman, Mehmet Zorlu Foundation

"Through Mehmet Zorlu Foundation, Zorlu Holding continues to support education, culture & arts, solidarity and health and create social benefit.

Our priority goal is to help raise future generations, and by making a difference in their lives, transform them into self-confident, self-fulfilling, imaginative individuals who will be active in every aspect of life.

Because we know that well-raised, competent young people will be the assurance of a bright, prosper future for our country."

Aiming to increase its support for the society, Zorlu Holding organizes its social responsibility efforts through MZF.

As a world citizen, Zorlu Holding undertakes a variety of social responsibility activities under Mehmet Zorlu Education, Health, Culture and Solidary Foundation ("MZF") for social benefit.

Established on April 25, 1999, MZF focuses on "Education", "Culture & Arts" and "Health and Social Solidarity", embracing a philosophy of "investing in the future of Turkey". Particularly, the foundation aims to increase its contribution to education, culture & arts and sports initiatives aimed at the youth.

MZF is financed using donations of Group companies, as well as through lease and interest revenues.

MZF has provided scholarships to 16,471 students up to and including the 2015/16 academic year.

MZF provides a range of scholarship opportunities in education, and in this context, also offers in-cash and in-kind support to schools, associations and foundations.

Around 2.000 students receive MZF scholarships every year, and so far, MZF has provided scholarships to 16,471 students up to and including the 2015/16 academic year.

MZF scholarships continue until graduation depending on student achievement and needs. As of the end of 2016, the scholarship program's scope includes 33 universities in Turkey. In the 2015/16 academic year, 63% of scholarship recipients are university students, while 32% are children of Zorlu Group employees.

In addition to scholarship opportunities, MZF also contributes to a higher quality education of children and young people by building schools and tech-centers in various regions of Turkey and helping them achieve their aspirations. In the past 16 years, MZF has opened six schools, while taking part in the development and renovation of six others.

Furthermore, MZF carries out joint initiatives with universities in Turkey and abroad as part of various national and international-level collaborations.

MZF also plays an important role in health and culture & arts.

MZF provides medicine and medical equipment aid to persons in need of assistance. It also provides donations to a number of institutions including the Turkish Red Crescent, the Foundation for Children with Leukemia (LÖSEV), the Hope Foundation for Children with Cancer (KAÇUV), and Turkish Kidney Foundation (TBV).

MZF carries out its cultural and artistic activities through the Zorlu Children's Theater.



Zorlu Children's Theater has performed before over 700,000 people in 14 years.

Established by MZF in 2003, the Zorlu Children's Theater has presented around 1,000 plays in 14 years, reaching an audience of more than 700,000 children.

Having performed a number of well-known plays, such as the Heart of Music, the Town Musicians of Bremen, the Frog Prince and Frozen, the Zorlu Children's Theater also presented an unprecedented show on occasion of March 27 World Theatre Day with the play "Carnival Planet", drawing from the imagination of a nine year old.

Enriching the inner world and dreams of children through entertaining, and at the same time, educational plays, the Zorlu Children's Theater was granted a number of international awards during the year.



MZF's extensive training program, "Competences for the 21st Century" provides young people with the opportunity to advance their knowledge, experience and competences.

Organized by MZF for the past two years, the "Competences for the 21st Century" is a training program aimed at young people, the core target audience of the foundation's social efforts. The program enables the young to build upon their academic, technical and professional knowledge with life skills and adaptation capabilities for the 21st century.

A first in Turkey, the program features in-class education, online support, dissertations, summer internships and post-internship working experiences. It comprises six courses: Career Planning, Competences, Excel Modeling, Project Presentation, Entrepreneurship and Job Seeking Techniques.

The program is open to MZF scholarship recipients at the second, third and fourth year of their university education, as well as the children of Zorlu Group employees.

MZF contributes to the development of youth through the "Clearer Future Youth Platform".

As part of MZF's collaboration with "Clearer Future", Zorlu Group provide e-mentorship to scholarship students through the "Clearer Future Youth Platform" and share their experience and know-how them.

Supporting youth development, "Clearer Future" is an online and offline career guidance platform that assists young people between 15 and 29 years of age to find their ideal career and offers professional development support.

Audit and Internal Control

Internal audit of Zorlu Group companies is carried out by a dedicated Internal Control Department operating within Zorlu Holding since 2000.



Billur Demet Atan
CAE, Zorlu Holding

“As the Zorlu Holding Audit and Internal Control Department, we employ an effective, transparent and high-efficiency approach as we work to ensure that company activities are carried out in full compliance with internal regulations and applicable legislation, and as a result, support the Group in reaching its targets.

One of our priority goals is to sustain a control environment that befits the corporate culture of Zorlu, and further the development of functions that will serve this purpose.”

Organization and Activities of the Audit and Internal Control Department

Since 2000, internal audit of Zorlu Group companies is carried out by a dedicated Internal Control unit operating within Zorlu Holding. The Internal Audit Unit conducts board-approved audit programs in line with international internal audit standards, and shares its individual audit results as well annual reports detailing all audit and control activities throughout the year with the Board of Directors, with Audit Committees where applicable, and with Group CEOs.

Complementing the Internal Audit Department are the Financial Audit and Tax Audit units, which were established in 2011 and commenced their activities in 2012 to provide financial oversight of Group companies. In the last quarter of 2013, the Internal Audit and Financial and Tax Audit units were reorganized under the Zorlu Holding Audit and Internal Control Department. In accordance with the changing needs of the Zorlu Group, the Tax Audit Unit was transformed into the Tax Audit Directorate on December 1, 2015, while as of January 1, 2016, the Internal Audit Unit was restructured into two distinct departments, the Internal Audit Process Oversight and Internal Audit Investigation Oversight.

The purpose, authorizations and responsibilities concerning internal audit activities have been defined by a series of board-approved documents circulated across the Group, such as the “Audit Regulation” and the “Internal Audit Working Principles”.

Internal Audit Activities

Process audit activities are carried out in line with a board-approved, risk-based annual audit program to evaluate resource usage efficiency, adherence to written rules (laws, regulations, internal policies and directives), and information accuracy, security and reliability.

Prior to each audit, internal auditors meet with senior management for risk assessment where the risks that may pose an obstacle to the company’s targets are positioned on a risk matrix based on their potential impact and probability. On the audit’s field work side, internal controllers manage high-probability, high-impact risks and evaluate outcomes as guided by test results. As a result, the department provides consultancy services with reasonable assurance, while offering best practices drawing from synergy within the Group

One month after the final report, actions taken in line with the 4T approach (Treat, Terminate, Transfer, Tolerate) are reported to the Board of Directors.

During the year, the Internal Audit unit organizes periodic meetings with the Audit Committees of companies that feature such an organization. In these meetings, participants evaluate planned and actual audit, consultancy, special investigation activities for the year, share findings, review action plans and follow-up results based on these findings, and look into the plans of the following period.

The 13-person Zorlu Group Internal Audit Team improves and enhances its knowledge, expertise and other qualities through training; team members seek membership at relevant organizations (e.g. Turkish Internal Audit Institute) and its internal auditors obtain international certificates, and all of these activities are supported and promoted by the Zorlu Group. The team features two CIAs (certified internal auditors), one CPA (certified public accountant), one CISA (certified information systems auditor), and five CRMAs (certification in risk management assurance).

Financial Audit and Tax Audit Activities

The Financial Audit and Tax Audit units have been carrying out their activities within the Zorlu Group companies since 2012. Currently, these units have 12 and 6 employees, respectively.

These units ensure that budget sheets and income statements user for Group companies' financial and tax reporting are in conformity with uniform chart of accounts, tax legislation and audit standards to provide reasonable assurance to the Board of Directors in such areas.

Audit findings are reported to the company executives and senior management. The Tax Audit unit also performs reasonable assurance advisory services to Group companies against potential tax risks they might face.

The Financial Audit unit, on the other hand, also controls CMB-compliant financial reports of the Group companies that have been publicly listed as of the reporting date, and shares its comments with the relevant departments.

The Financial Audit Team includes one Certified Public Oversight Authority Auditor and four CPAs, while the Tax Audit Team includes one Certified Public Oversight Authority Auditor and three CPAs.

Consolidated Financial Statements and Independent Auditor's Report

Zorlu Holding A.Ş.

Consolidated Financial Statements at 31 December 2016 Together with Auditor's Report

**To The Shareholders and Board of Directors of
Zorlu Holding A.Ş. Istanbul/Turkey**

Introduction

We have audited the accompanying consolidated statement of consolidated financial position of Zorlu Holding A.Ş. (the "Company") and its subsidiaries listed under note 1 ("Group"), as at 31 December 2016, and the consolidated statements of profit/loss, comprehensive income, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 Zorlu Holding A.Ş. as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

EREN Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Member Firm of GRANT THORNTON International



Aykut Halit
Partner

15.05.2017

Zorlu Holding A.Ş.

Consolidated Statements of Financial Position at 31.12.2016 And 2015

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Assets	Note	31.12.2016	31.12.2015
Current assets			
Cash and cash equivalents	5	3.813.216	1.136.380
Investment securities	7	223.148	3.587.350
Trade receivables			
-Related parties	30	306.939	131.386
-Third parties	8	3.169.040	3.424.972
Receivables from factoring sector operations			
-Other trade receivables from finance sector operations	9	177.670	167.329
Other receivables			
-Related parties	30	4.486.809	3.410.519
-Third parties	12	302.951	389.143
Inventories	14	2.273.658	2.646.996
Prepaid expenses	10	156.147	138.634
Current income tax assets		35.631	33.912
Derivative financial instruments	11	173.506	77.692
Other current assets	13	183.706	160.075
Total current assets		15.302.421	15.304.388
Non-current assets			
Trade receivables			
-Related parties	30	4.332	1.004
-Third parties	8	136.409	159.522
Other receivables			
-Related parties	30	219.965	223.141
-Third parties		1.531	17.337
Investments accounted for using the equity method	6	194.276	190.342
Investment securities	7	4.974.055	2.108.821
Property, plant and equipment	15	6.770.374	5.498.758
Intangible assets	16	1.623.578	1.569.173
Prepaid expenses	10	306.397	210.140
Other non-current assets	13	36.809	52.568
Deferred tax asset	22	420.114	255.377
Total non-current assets		14.687.840	10.286.183
Total assets		29.990.261	25.590.571

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

Zorlu Holding A.Ş.

Consolidated Statements of Financial Position at 31.12.2016 And 2015

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Liabilities and equity	Note	31.12.2016	31.12.2015
Current liabilities			
Financial liabilities	17	9.337.603	6.587.628
Trade payables			
-Related parties	30	33.836	34.487
-Third parties	19	5.042.393	6.021.774
Payables from finance sector operations			
-Other trade payables from factoring sector operations	18	246.195	252.458
Employee benefit obligations		117.627	85.902
Other payables			
-Related parties	30	77.722	1.457
-Third parties		49.139	10.802
Deferred income	10	101.876	221.296
Derivative financial instruments	11	358.209	232.022
Taxation on income	22	5.332	47.792
Short term provisions			
-Other provisions	21	288.217	210.567
Other liabilities	20	220.168	171.090
Total current liabilities		15.878.317	13.877.275
Non-current liabilities			
Financial liabilities	17	8.870.519	7.126.515
Trade payables			
-Third parties	19	6.229	--
Other payables			
-Related parties	30	175.152	167.915
-Third parties		503	1.558
Derivative financial instruments	11	11.949	16.559
Long term provisions			
-Provision for employee benefits	23	150.135	133.971
-Other provisions	21	76.797	33.148
Other non-current liabilities	20	195.295	155.894
Deferred tax liability	22	42.708	77.415
Total non-current liabilities		9.529.287	7.712.975
Equity			
Share capital	24.a	3.325.000	3.155.000
Adjustments to share capital	24.b	446.109	446.109
Share premium		21.289	21.289
Other comprehensive income/(expense) not to be reclassified to profit or loss			
-Revaluation reserves	24.c	282.450	286.157
-Actuarial gain/loss arising from defined benefit plans		(3.234)	(101)
Other comprehensive income/(expense) to be reclassified to profit or loss			
-Cash flow hedge fund	24.d	(237.650)	(31.375)
- Currency translation differences		2.074.736	1.064.291
Restricted reserves	24.e	200.331	133.141
General reserves		(1.531.098)	(513.514)
Net profit (loss) for the year		(207.408)	(787.549)
Equity attributable to owners of the parent		4.370.525	3.773.448
Non controlling interests		212.132	226.873
Total equity		4.582.657	4.000.321
Commitments and contingencies	26	--	--
Total liabilities and equity		29.990.261	25.590.571

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

Zorlu Holding A.Ş.

Consolidated Statements of Profit or Loss for the Years Ended 31.12.2016 and 2015

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	Note	01.01.- 31.12.2016	01.01.- 31.12.2015
Revenue	4	14.227.063	13.255.949
Cost of sales (-)	4	(10.804.374)	(10.199.042)
Gross profit		3.422.689	3.056.907
Marketing, selling and distribution expenses (-)		(1.442.383)	(1.314.234)
General administrative expenses (-)		(587.388)	(560.720)
Other income	28	120.605	115.899
Other expense (-)	28	(89.771)	(189.483)
Share of profit of equity-accounted investees		2.009	17.159
Operating profit		1.425.761	1.125.528
Financing income	29	4.813.479	3.854.342
Financing expense (-)	29	(6.517.172)	(5.839.554)
Loss before taxation		(277.932)	(859.684)
Current period tax expense	22	(37.925)	(73.810)
Deferred tax income	22	138.418	90.565
Taxation on income (expense)		100.493	16.755
Net loss for the period		(177.439)	(842.929)
Loss attributable to:			
Equity holders of the Parent		(207.408)	(787.549)
Non-controlling interests		29.969	(55.380)

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

Zorlu Holding A.Ş.

Consolidated Statements of Comprehensive Income for the Years Ended 31 December 2016 and 2015

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

		01.01.- 31.12.2016	01.01.- 31.12.2015
Net loss for the year		(177.439)	(842.929)
Other comprehensive income/expense not to be reclassified to profit/loss			
- Actuarial gain/(losses)	23	(4.186)	27.527
- Tax effect	22	837	(5.505)
		(3.349)	22.022
Other comprehensive income/expense to be reclassified to profit/loss			
- Cumulative gains/(losses) on cash flow hedging		(316.435)	(121.573)
- Translation differences		1.009.671	648.316
- Tax effect	22	63.287	24.315
		756.523	551.058
Total comprehensive loss for the year		575.735	(269.849)
Net loss attributable to:			
Equity holders of the Parent		603.326	(226.650)
Non-controlling interests		(27.591)	(43.199)

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

Zorlu Holding A.Ş.

Consolidated Statements of Changes in Shareholders' Equity for the Year Ended 31 December 2016 and 2015

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	Paid in capital	Adjustments to share capital	Share premium	Other comprehensive income/(expense) not to be reclassified to profit or loss			Other comprehensive income/(expense) to be reclassified to profit or loss			Retained earnings		Equity holders of the parent	Non-controlling interests	Total equity
				Revaluation reserve	Actuarial gain/loss arising from defined benefit plans	Cash flow hedge fund	Currency translation differences	Restricted reserves	General reserves	Net profit (loss) for the year				
Balances at 01.01.2015	3.155.000	446.109	21.000	286.157	(22.309)	48.248	435.964	109.375	(435.102)	(42.318)	4.002.124	236.163	4.238.287	
Transfer to accumulated deficit	--	--	--	--	--	--	--	--	(42.318)	42.318	--	--	--	
Unconsolidated subsidiary	--	--	--	--	--	--	--	--	(504)	--	(504)	18	(486)	
Disposal of subsidiary	--	--	--	--	--	--	--	--	--	--	--	(5.821)	(5.821)	
Cash increase in subsidiaries share capital	--	--	--	--	--	--	--	--	--	--	--	46.544	46.544	
Merge effect	--	--	--	--	--	--	--	--	(1.194)	--	(1.194)	(398)	(1.592)	
Dividend paid to minority interest	--	--	--	--	--	--	--	--	--	--	--	(5.804)	(5.804)	
Transfer to restricted reserves	--	--	--	--	--	--	--	23.766	(23.766)	--	--	--	--	
Total comprehensive income	--	--	--	--	22.216	(80.019)	626.702	--	(8.000)	(787.549)	(226.650)	(43.199)	(269.849)	
Transactions with non-controlling interests	--	--	289	--	(8)	396	1.625	--	(2.630)	--	(328)	(630)	(958)	
Balances at 31.12.2015	3.155.000	446.109	21.289	286.157	(101)	(31.375)	1.064.291	133.141	(513.514)	(787.549)	3.773.448	226.873	4.000.321	
Transfer to accumulated deficit	--	--	--	--	--	--	--	--	(787.549)	787.549	--	--	--	
Unconsolidated subsidiary	--	--	--	2.896	--	--	--	--	--	--	2.896	--	2.896	
Cash increase in subsidiaries share capital	170.000	--	--	--	--	--	--	--	(170.000)	--	--	--	--	
Transfer to restricted reserves	--	--	--	--	--	--	--	67.190	(67.190)	--	--	--	--	
Total comprehensive income	--	--	--	(6.603)	(3.133)	(202.940)	1.023.410	--	(207.408)	--	603.326	(27.591)	575.735	
Transactions with non-controlling interests	--	--	--	--	--	(3.335)	(12.965)	--	7.155	--	(9.145)	12.850	3.705	
Balances at 31.12.2016	3.325.000	446.109	21.289	282.450	(3.234)	(237.650)	2.074.736	200.331	(1.531.098)	(207.408)	4.370.525	212.132	4.582.657	

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

Zorlu Holding A.Ş.

Consolidated Statements of Cash Flows for the Year Ended 31 December 2016 and 2015

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	Note	01.01.- 31.12.2016	01.01.- 31.12.2015
Net loss for the period		(177.439)	(842.929)
Depreciation of property, plant and equipment	15	503.424	422.599
Amortization of intangible assets	16	109.261	115.676
Profit on sale of property, plant and equipment	28	(14.928)	(18.182)
Loss on sale of property, plant and equipment	28	6.756	2.046
Profit on sale of investment		--	(181.039)
Provision for employee termination benefits	23	29.944	33.457
Provision for doubtful receivables, net		18.653	115.653
Provision for (release from) diminution of inventories, net	14	(1.647)	(1.563)
Other provisions		121.299	74.916
Losses (gains) on derivative financial instruments, net		(20.466)	67.730
Interest expense		1.388.695	1.413.615
Interest income		(758.237)	(987.347)
Unearned interest on receivables	29	23.684	38.663
Unearned interest on payables	29	(29.128)	(48.208)
Adjustments to the tax expense/income		(100.493)	(16.755)
Operating profit before changes in working capital		1.099.378	188.332
Changes in trade receivables		47.486	(942.421)
Changes in inventories		378.129	(513.690)
Changes in other receivables		102.170	(164.021)
Changes in other assets		(9.590)	(18.612)
Changes in trade payables		(950.938)	995.703
Changes in other payables		(54.003)	(12.338)
Changes in other liabilities		120.204	111.544
Changes in deferred income		(119.420)	42.508
Changes in prepaid expenses		(113.770)	22.081
Employee termination paid	23	(31.106)	(23.815)
Taxes paid		(80.385)	(32.341)
Net cash provided by (used in) operating activities		388.155	(347.070)
Cash flows from investing activities			
Purchases of property, plant and equipment	15	(1.259.475)	(960.055)
Purchases of intangible assets	16	(164.065)	(148.773)
Proceeds from sale of property, plant and equipments		203.623	33.692
Proceeds from sale of intangible assets		2.550	697
Transactions with non-controlling interests		3.705	(958)
Sale of investment		--	207.618
Net cash used in investing activities		(1.213.662)	(867.779)
Cash flows from financing activities			
Proceeds from borrowings		8.819.689	12.827.506
Repayments of borrowings		(4.468.076)	(9.144.555)
Cash increase (decrease) in subsidiaries share capital		--	46.544
Changes in investment securities		506.731	(1.311.024)
Payment of settlement of derivatives		(273.424)	(59.133)
Changes in other receivables from related parties		(1.073.114)	(1.363.805)
Changes in other payables to related parties		83.502	(4.815)
Interest received		758.237	987.347
Interest paid		(1.267.145)	(1.294.002)
Dividend paid to non-controlling interests		--	(5.804)
Net cash provided by financing activities		3.086.400	678.259
Translation differences		381.987	566.603
Net change in cash and cash equivalents		2.642.880	30.013
Cash and cash equivalents at beginning of year		1.131.309	1.101.296
Cash and cash equivalents at end of year	5	3.774.189	1.131.309

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

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

1. ORGANISATION AND NATURE OF ACTIVITIES

Zorlu Holding A.Ş. (the "Company" or "Zorlu Holding") was founded in 1990 to support and organize the activities of its subsidiaries mainly within the sectors of textile, white good and electronic and energy by providing centralised services for finance, accounting, budget, internal audit, human resources and corporate communications.

Zorlu Holding A.Ş. and its subsidiaries (the "Group") is made up of Zorlu Holding A.Ş., its 51 (2015: 51) subsidiaries listed below in which Zorlu Holding A.Ş. owns a majority shareholding and/or effectively controls their management.

The Group is the under control of the Zorlu family.

The registered office address of the Company is located at Levent 199, Büyükdere Caddesi No: 199, Şişli/İstanbul- Turkey.

Nature of activities of the Group

The Group is organized into three major production divisions given below;

1.1 Energy division

This division is established to meet the energy requirements of Zorlu Group and other industrial companies.

The subsidiaries in energy segment; their field of activities and countries of operation are listed below:

Company	Field of activities	Country
Electricity and steam generation and repair and maintenance group		
Zorlu Enerji Elektrik Üretim A.Ş.	Production of electricity and steam and sales	Turkey
Zorlu Doğal Elektrik Üretimi A.Ş.	Production of electricity	Turkey
Zorlu O/M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş.	Energy facility maintenance services	Turkey
Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret A.Ş.	Energy facility construction services	Turkey
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	Maintenance and repair	Turkey
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	Purchase and sale of electricity	Turkey
Rosmiks International B.V.	Financial services	Netherland
Rosmiks LLC	Production of electricity	Russia
Rotor Elektrik Üretim A.Ş.	Production of electricity	Turkey
Zorlu Hidroelektrik Enerji Üretim A.Ş.	Production of electricity	Turkey
Zorlu Jeotermal Enerji Elektrik Üretim A.Ş.	Production of electricity	Turkey
Zorlu Enerji Pakistan Ltd.	Production of electricity	Pakistan
Zorlu Wind Pakistan (Private) Ltd.	Production of electricity	Pakistan
Zorlu Rüzgar Enerjisi Elektrik Üretim A.Ş.	Production of electricity	Turkey
Nemrut Jeotermal Elektrik Üretim A.Ş.	Production of electricity	Turkey
Zorlu Solar Pakistan (Private) Ltd.	Production of electricity	Pakistan
Zorlu Solar Enerji Tedarik ve Ticaret A.Ş.	Production of electricity	Turkey
Natural gas extraction and distribution services		
Trakya Bölgesi Doğalgaz Dağıtım A.Ş.	Natural gas distribution	Turkey
Gazdaş Gaziantep Doğalgaz Dağıtım A.Ş.	Natural gas distribution	Turkey
Zorlu Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş.	Purchase and sales of natural gas	Turkey
Zorlu Doğal Gaz Tedarik Ticaret A.Ş.	Purchase and wholesale of natural gas	Turkey
Zorlu Doğal Gaz Petrokimya Ürünleri Petrol İnşaat Sanayi Ticaret A.Ş.	Purchase and sale of petrol and petrochemical goods	Turkey

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Zorlu Enerji Elektrik Üretim A.Ş. ("Zorlu Enerji") - Zorlu Enerji was established in 1993 by Zorlu Holding and Korteks for the purpose of generating, selling, trading electricity and steam.

The total electricity and steam capacity of the Company's 3 natural gas plant which are operating and located in Bursa, Kırklareli (Lüleburgaz) and Yalova, is 231.9 MW and 219.5 ton/hour currently. The production license granted for Ankara Natural Gas Fueled Electric Production Plant of 50.3 MW installed capacity was ended as of 30 September 2014. The production license of combined cycle Natural Gas power plant, having a capacity of 163,2 MW in Kayseri, Melikgazi has been terminated on 1 October 2015. Pursuant to the material event disclosure dated 25 January 2017, the production licence of the combined cycle natural gas power plant of Zorlu Enerji in Bursa Organised Industrial Zone was amended as the power plant's economic life ended and natural gas costs increased. The installed power included in the licence was decreased from 90 MWe to 34.3 MWe. In order to increase the steam production capacity of the Lüleburgaz plant which is 189.5 tons/hour, a fluidized bed steam boiler plant with a steam production capacity of 2x40 tons/hour is being installed in the plant. Construction and engineering work on the project started in April 2016 and the facility is targeted to be commissioned in the second quarter of 2017.

On February 2015, Yozgat Provincial Special Administration gave three "Geothermal Sources and Natural Mineral Waters Exploration License" to the Company until 10 February 2018 in order to make exploration in 3 different region in Yozgat province, Şefaatlı district.

As disclosed in the material event disclosure on 27 April 2015, within the scope of the preliminary license applications based on wind power, a preliminary license application is made to Energy Market Regulatory Authority ("EMRA") on 27 April 2015 by Zorlu Enerji, in order to obtain production license for a term of 49 years regarding six projects in five regions with a total capacity of 523.5 MW. The tender process will be expected to begin which is related to preliminary license application.

Zorlu Enerji made a prelicense application again to EMRA in order to convert it into a production license for an investment decision of imported combined cycle natural gas power plant having a capacity of 1.200 MW to be incorporated in Kırklareli, Vize, Kıyıköy district due to decreasing natural gas costs and being more productive coal power plants compared to older ones. As a preliminary licensing condition, Environmental Impacts Assessment ("EIA") process should be completed in two years.

Zorlu Enerji participated in the tender dated on 30 January 2015 regarding Turkish Electricity Transmission Company's "Application for the Establishment of Pre-licensed Solar Power Electricity Production Plant Competition Package 3" for the Konya Zone 1 with 46MW capacity and won the tender by taking 18 MW full capacity. In respect of the won tender, as per the material disclosure dated 5 April 2016, EMRA granted pre-licence which will be valid for 30 months for the planned construction of Alibeyhöyüğü Solar Power Plant Project in Çumra, Konya.

Zorlu Enerji participated in Denizli Metropolitan Municipality's tender to rent geothermal fields on 21 September 2016, and won the tender by agreeing and undertaking to pay annual field rent made up of 19% of the annual field operation turnover defined in article 26/G of the tender specifications as well as TL3,000,000 fixed rent, excluding VAT. Within the scope of the tender, the 3470 hectare Sarayköy geothermal field on Lot 32 in the Tekke Neighborhood of the Sarayköy District of Denizli Province, with operation licence no: (J-559/c), will be rented out until 2 June 2041 for the purpose of generating electrical energy via geothermal resources. Field operation turnover is made up of the net fee of the electrical power sold, excluding VAT, and the net income acquired by the sale or rent of the geothermal fluid to third parties, excluding VAT.

Zorlu Doğal Elektrik Üretimi A.Ş. ("Zorlu Doğal Elektrik") - Zorlu Doğal Elektrik Üretimi A.Ş. was established for purpose to sell the electricity, to develop a project to correspond the requirement of energy, heat and steam, to establish hydroelectric, geothermic power plants being in the first place and also to perform feasibility studies to assembly associations which is based on all forms of renewable energy in 2008.

On 5 March 2008, Zorlu Doğal has won the tender for the operating license of 7 hydroelectric power plants, 1 geothermal power plant and 1 fuel oil power plant from Ankara Doğal Elektrik Üretim ve Ticaret AŞ ("ADÜAŞ") and started to operate to be valid effective from 1 September 2008. The application to EMRA in order to be ended of the production licence of Van fuel oil power plant with 15 MW, was approved as of 5 March 2014. As a result sales negotiations conducted with bargaining method on 10 November 2015, Van plant and its field was sold.

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Zorlu Dođal has hydroelectric power plants in Tokat, Eskişehir, Kars, Rize, Erzurum, Erzincan, Tunceli and the first geothermal power plant of Turkey in Denizli and also operating rights of the highest geothermal energy potential field in Turkey for 30 years.

Performance and security tests of the first phase of fully constructed Kızıldere II project of Zorlu Dođal with the installed capacity of 60 MW has been successfully completed and after the official acceptance of the Ministry, the power plant has been started to sell commercial electricity as of 31 August 2013, official acceptance of the second and last phase with the capacity of 20 MW has been made on 31 October 2013 and the power plant started being operated with full capacity. Upon the Kızıldere II power plant's put into use full capacity, Zorlu Dođal's total installed capacity in 7 hydroelectric and 2 geothermal power plants has reached to 207.6 MW.

Kızıldere II Plant of 80 MW has the right to benefit from YEKDEM. The power plant was integrated to YEKDEM and sold all electricity generated in 2014, 2015 and 2016 within the scope of YEKDEM. The application to EMRA, in order to sell electricity in scope of YEKDEM in 2017, has been approved as of November 2016. In this respect, Kızıldere II plant sells the electricity to be generated in 2017 against a price of USD 11.2/kWh resulting from addition of additional contribution share of USD 0.7/kWh granted due to use of domestic equipment to the price of USD 10.5/kWh as the support price given on source basis to the generation plants based on geothermal energy.

For the Kızıldere III Geothermal Power Plant project developed in the Karataş neighbourhood within the provincial borders of Denizli and Aydın, Zorlu Dođal obtained the production licence from EMRA which will be valid through 2037. The Kızıldere III Geothermal Power Plant project was merged with Kızıldere VI Geothermal Power Plant project to be developed in the same field and will be composed of two units with a total installed capacity of 165 MW. EMRA accepted Zorlu Dođal's application to modify the installed capacities of Unit I and Unit II from 95.2 MW and 69.8 MW to 99.5 MW and 65.5 MW, respectively, without altering the total installed capacity of the project. According to the plans, the first unit will start operations at the end of 2017 and the second unit will start operations within 2018. As it was decided to carry out Kızıldere VI Geothermal Power Plant project under Kızıldere III Geothermal Power Plant project, the former application to EMRA for pre-licence of 60 MW in relation to the Kızıldere VI Geothermal Power Plant project was withdrawn.

In addition, Zorlu Dođal obtained a pre-licence from EMRA for the Kızıldere IV Geothermal Power Plant project planned to be established in the Karataş neighbourhood, Buharkent district, Aydın province with an installed capacity of 24.9 MW on 22 June 2015. Pursuant to the material event disclosure dated 10 November 2016, an application was filed to EMRA for an amendment on the installed capacity in the pre-licence of the project from 24.9 MW to 60 MW.

Pursuant to the material event disclosure dated 21 April 2015, the application to EMRA for the amendment of the 15 MW installed capacity in the current production licence of Tercan Dam and Hydroelectric Power Plant ("HPP"), owned by Zorlu Dođal, as 17.04 MWm/16.9 MWe with the additional 4th unit was approved. Construction work for increasing the installed capacity has not started yet; however, the engineering work is continuing.

The electromechanical, hydro mechanical, and field construction efforts are ongoing and started in July 2016 for Zorlu Dođal's İkizdere Regulator and Hydroelectric Power Plant in İkizdere District, Rize Province, which already has 18.6MW installed power, but will be modified to have 24.94 MW through rehabilitation. İkizdere Regulator and Hydroelectric Power Plant's electricity generation has been halted during the rehabilitation and the power plant is planned to resume operations in July 2017. As a result of the thorough engineering studies in the tunnel, an application was filed to EMRA for amendment of the installed capacity in İkizdere regulator and the hydroelectric power plant's licence from 27.10 MWm/26.05 MWe to 25.78 MWm/24.94 MWe.

Zorlu Solar Enerji Tedarik ve Ticaret AŞ ("Zorlu Solar") - Zorlu Solar has been established to generate electricity both domestically and internationally from solar energy; to rent, sell, purchase, export Solar Photovoltaic (PV) panels and provide services for placing the panels onto the roofs and any other services regarding the installation and consultancy of Solar Photovoltaic panels. Zorlu Solar has also been established to engage in electricity energy and/or wholesale purchases and sales activities domestically. The registration procedures for the establishment of the company has been completed as of 28 March 2016.

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş. ("Zorlu O&M") - Zorlu O&M was established in 2000 to provide operational and maintenance services to power plants. Zorlu O&M has cooperation agreements with Zorlu Enerji and provides operation and maintenance services in Turkey to Zorlu Enerji's power stations. Internationally it provides services for the power stations in Greece, India and Kuwait. Zorlu O&M will provide operation and maintenance services to Zorlu Enerji's Pakistan and Israel power plant projects.

Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret A.Ş. ("Zorlu Endüstriyel") - Zorlu Endüstriyel became operational in 2000 for the purpose of developing, implementing and providing financial support to industrial and energy plant projects. Zorlu Endüstriyel is also responsible for the construction of power plants in Moscow (Russia) and Lüleburgaz (Turkey) and the wind energy power plant under construction in Osmaniye (Turkey) and Pakistan. The validity of "Construction and Service Certificate" license obtained on 14.06.2007 is for 10 years.

Zorlu Elektrik Enerji İthalat İhracat ve Toptan Ticaret A.Ş. ("Zorlu Elektrik") - Zorlu Elektrik was established in 2000 to purchase electricity from domestic markets and free zones, its wholesale or direct sale in Turkey, or its export to foreign countries. To ensure operation integrity by consolidating wholesale electricity trade operations within Zorlu Enerji and to increase transparency, all of Zorlu Elektrik's shares were acquired by Zorlu Enerji and the relevant registration transactions were completed on 7 March 2016.

Zorlu Elektrik's main operations are as follows:

- retail electricity sales to the persons and organisations within the scope of free consumer
- electricity purchase and sales in Organised Wholesale Electricity Markets run by EPIAŞ
- over the counter (OTC) and Derivative Market wholesale electricity trade
- electricity export and import, and
- group management in charge of balance.

Rosmiks International B.V. ("Rosmiks BV") - This company was established in 2006 for the purpose of providing financial support to two energy plant projects in Russia with a capacity of 340 MW of electricity and 2.500.000 Gcal/year of steam and owns 100% of Rosmiks LLC.

Rosmiks LLC ("Rosmiks LLC") - Rosmiks LLC was established for the purpose of building and operating two energy plants respectively in "Kojuhovo" and "Tereshkovo" regions in Russia with a capacity of 340 MW of electricity and 2.500.000 Gcal/year of steam each.

As of 11 November 2011 an electricity sales agreement was signed with Promyshlennaya Energetika for Tereshkovo natural gas combined cycle plant belonging to Rosmiks LLC which is a 75,5% subsidiary of Zorlu Holding. Tereshkovo power plant has commenced production as from 14 November 2011. Hence, first phase of Tereshkovo power plant, involving capacities of 170 MW of electricity and 150 gcal/hour of steam has been completed. Tereshkovo power plant was constructed with an investment of USD 500 million approximately; its construction which incorporates a planned capacity 340 MW of electricity and 150 gcal/hour of steam has been undertaken by Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret A.Ş.

As of 14.03.2012, district heating, hot water and combined-cycle power generation system has also been commissioned by Tereshkovo natural gas combined cycle plant's first phase in addition to 170 MW of electricity and 150 gcal/hour of steam production units.

Rotor Elektrik Üretim A.Ş. ("Rotor") - Rotor was established for the purpose of building wind power plants in 2003 and was acquired by "Zorlu Enerji" in 2007.

On 19 December 2003, Rotor obtained the production licence for 30 years from EMRA to establish a wind power plant with a capacity of 135MW in the province of Osmaniye. Gökçedağ Wind Power Plant (Rotor WPP) whose construction started in July 2008, started production with full capacity on 15 October 2010 and continues its operations.

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Gökçedağ Wind Power Plant joined the Renewable Energy Resources Support Mechanism ("YEKDEM") in 2016 and the application to EMRA for Gökçedağ Wind Power Plant to make use of YEKDEM in the 2017 calendar year was accepted in November 2016. Accordingly, also in 2017, the power plant sells all the electricity it generates in return for 7.3USD cent/kWh, which is the support fee provided on the basis of resources to the production facilities running on wind power within the scope of YEKDEM.

Zorlu Hidroelektrik Enerji Üretim A.Ş. ("Zorlu Hidroelektrik") – Zorlu Hidroelektrik was established in 2007 for the purpose of building hydroelectric power plants and other power plants based on renewable energy sources.

In accordance with the decision of EMRA dated 7 June 2012 and numbered 3870/3, EMRA has cancelled the license of Zorlu Enerji for Sami Soydam Sandalcık Barajı hydroelectric power plant in Denizli which would have 127.8 MWm/124 Mwe capacity; in accordance with the Electricity Market Law numbered 4628 and related regulations, aforesaid the license has been transferred to Zorlu Hidroelektrik as of 7 June 2012.

As per the material disclosure dated 25 January 2016, generation license for Sami Soydam Sandalcık Barajı and HES project and the installed power specified on the license was increased from 127.8 MWm/124 MWe to 130.801 MWm/125.866 MWe.

Zorlu Jeotermal Enerji Elektrik Üretimi A.Ş. ("Zorlu Jeotermal") – Zorlu Jeotermal was established in 30 June 2008 to develop projects for energy power plants, especially hydroelectric and thermal power plants based on all forms of renewable energy sources to produce energy, steam and heat.

Zorlu Jeotermal has taken over the Alaşehir Geothermal license of Zorlu Petrogas Petrol, Gaz ve Petrokimya Ürünleri İnşaat Sanayi ve Ticaret AŞ on 30 July 2009.

The production plant is located in Manisa, Alaşehir with a capacity of 45MW operates with full capacity. The application to EMRA, in order to sell electricity in 2017 in scope of YEKDEM, has been approved as of November 2016. In this respect, Alaşehir I plant sells the electricity to be generated in 2017 against a price of USD 11.2/kWh resulting from additional contribution share of USD 0.7/kWh granted due to use of domestic equipments to the price of USD 10.5/kWh as the support price given on source basis to the generation plants based on geothermal energy within the scope of YEKDEM.

Zorlu Jeotermal received pre-license from EMRA as of 8 September 2014 for the relevant Alaşehir II geothermal power plant project located in Manisa, Alaşehir with the capacity of 24.9 MW. The Company has received the certificate which shows Environmental Impact Assessment, Permit and Inspection ("EIA") is not required as of 19 June 2015 and began searching and well drilling.

Zorlu Jeotermal has received pre-license of 10 December 2014 for the Alaşehir III geothermal power plant with planned 30 MW capacity. As per the material disclosure dated 4 December 2015, upon exploration works, Zorlu Jeotermal applied to EMRA in order to amend the capacity from 30 MW to 50 MW. As per the material disclosure dated 4 April 2016, Zorlu Jeotermal has received acceptance to its application to the EMRA and the Authority has decided to grant Zorlu Jeotermal the pre-license to be valid for 30 months entered into force on the decision date.

Zorlu Jeotermal joined the tender held by Kütahya Special Provincial Administration on 27 October 2016 for licensing and granting the right to explore the geothermal resource search field and won the tender by accepting and undertaking to pay a fee of TL450,000 plus VAT. Within the scope of the tender, Zorlu Jeotermal gained the right to conduct a search for geothermal resources in Yeniköy geothermal field, a field of 4,950 hectares in the Yeniköy neighbourhood, Simav district, Kütahya province.

Zorlu Enerji Pakistan Limited ("Zorlu Enerji Pakistan") – Zorlu Enerji Pakistan was incorporated on 13 September 2007 to set up a project for electric power generation through wind to generate and sell electric power. The wind farm with the installed capacity of 56.4 MW being constructed in Jhimpir area of Pakistan by the Group's 100% subsidiary Zorlu Enerji Pakistan started commercial electric energy sales to Pakistan National Transmission and Distribution Company ("NTDC") on 26 July 2013.

Zorlu Wind Pakistan (Private) Limited ("Zorlu Wind") – With regard to the material event disclosure on 5 January 2015, Zorlu Wind Pakistan is incorporated with a partnership of Zorlu Enerji having a partnership in the ratio of 99.7% which has a capital of TL464 equivalent to PKR10,000 and has a wind energy production activity, and the said company's registration procedures have been completed.

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Zorlu Rüzgar Enerjisi Elektrik Üretimi A.Ş. ("Zorlu Rüzgar") – Zorlu Rüzgar was established in 2009 to develop projects for energy power plants, based especially on wind power and other forms of renewable energy sources to produce electricity.

In accordance with the Board of Directors decision dated 16 November 2009 and numbered 2009/9 Rotor has transferred its license to Zorlu Rüzgar which was obtained for 25 years as of 5 August 2008 for the construction of two wind energy power plants in Sarıtepe and Demirciler regions of Osmaniye with a capacity of respectively 50 MW and 60 MW.

Sarıtepe (57 MW) and Demirciler (23.3 MW) Wind Power Plants, which were built in Osmaniye by Zorlu Rüzgar and have a total installed capacity of 80.3 MW, have been partially commissioned since June 2016 and is fully operational as of 27 August 2016 and production has begun.

The application to EMRA for Sarıtepe and Demirciler's benefit from YEKDEM in the 2017 calendar year was approved in November 2016. As of 2017, the power plant will sell all electricity within the scope of YEKDEM for 8.58USD/kWh which is the sum of the 1.28USD/kWh contribution fee for using locally produced components and the support fee of 7.3USD/kWh.

Zorlu Solar Pakistan (Private) Ltd. ("Zorlu Solar Pakistan") – Pursuant to the Material Event Disclosure dated 25 November 2016, a company with the title "Zorlu Solar Pakistan (Private) Limited", whose main field of activity is electricity generation, has a capital of 10,000PKR, and is 99.7% owned by Zorlu Enerji, was founded and registered in Pakistan.

Pursuant to the Material Event Disclosure dated 7 December 2016, the Punjab Power Development Board accepted the pre-licence application of Zorlu Solar Pakistan for 100 MW solar power plant project planned to be developed in Punjab, Pakistan. This is the first renewable energy pre-licence application accepted by the Pakistani Government after three years.

Trakya Bölgesi Doğalgaz Dağıtım A.Ş. ("Trakya Doğal Gaz ") - Trakya Doğal Gaz was established in 2005 for the purpose of city gas distribution. On August 2006, Trakya Doğal Gaz won the tender of city gas distribution in Tekirdağ, Muratlı, Edirne, Kırklareli, Kavaklı, Babaeski, Lüleburgaz, Evrensekiz, Büyükkarıştıran, Misinli, Ulaş, Çerkezköy, Kapaklı, Kızılpınar, Karaağaç, Velimeşe, and Veliköy, all in the Thrace region for 30 years starting on 25.01.2006. As a condition of the tender the price for unit service and depreciation was determined as "0" (zero) cent/kwh for the first 8 years and the price for subscription deposits as USD "0" (zero) for the first 5 years. After 8 years, natural gas sales conditions will be determined by EMRA.

Gazdaş Gaziantep Doğalgaz Dağıtım A.Ş. ("Gaziantep Doğal Gaz") - Gaziantep Doğal Gaz was established in 2005 for the purpose of city gas distribution. On August 2005, Gaziantep Doğal Gaz won the tender of city gas distribution in Gaziantep, Kilis and Nizip all in Southeast Anatolia region for 30 years starting on 24.02.2006. As a condition of the tender the price for unit service and depreciation was determined as "0" (zero) cent/kwh for the first 8 years and the price for subscription deposits as USD 30 for the first 5 years. After 8 years, natural gas sales conditions will be determined by EMRA.

Zorlu Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş. ("Zorlu Doğal Gaz") - Zorlu Doğal Gaz was established in 2003 for the purpose of wholesale procurement and distribution of compressed natural gas ("CNG") and/or liquefied natural gas ("LNG") to other wholesale companies, free trade zones and countries abroad; owns license for wholesale and retail sales and direct sales to consumers.

Zorlu Doğal Gaz Tedarik Ticaret A.Ş. ("Zorlu Doğal Gaz Tedarik")- Zorlu Doğal Gaz Tedarik was established in 2010 for the purpose of wholesale procurement and distribution of compressed natural gas ("CNG") and/or liquefied natural gas ("LNG") to other wholesale companies, free trade zones and countries abroad; owns license for wholesale and retail sales and direct sales to consumers.

Nemrut Jeotermal Elektrik Üretimi A.Ş. ("Nemrut Jeotermal")- Nemrut which the Group has 75% shareholding and Rarık-Turkison Enerji İnşaat Maden Proje Ltd. Şti. has 25% shareholding, has been incorporated on 2 August 2013 with 878732 number Trade Registering Newspaper.

Bitlis Special Provincial Administration has given to Nemrut, in which the Company has 75% shareholding, the "Geothermal Resources and Natural Mineral Waters Operating License" for a period of 30 year and the "Geothermal and Natural Resources Exploration Licence" until the date of 3 June 2014 to be valid in the boundaries of Tatvan district of Bitlis. Relevant licenses have entered into force on 23 September 2013. The application for the time extension of exploration license process has not been approved yet.

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Zorlu Doğal Gaz Petrokimya Ürünleri Petrol İnşaat Sanayi Ticaret A.Ş. ("Petrokimya") – Zorlu Doğal Gaz Petrokimya Ürünleri Petrol İnşaat Sanayi ve Ticaret A.Ş. was established in 2013 for the purpose of trading petrol and petrochemical products.

Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. ("Turkbine") – Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş. was established in 2011 for performs the maintenance, repair and overhaul services and engineering support for the GE CF6-80C2, GE CF6-80A series aircraft engines and GE LM6000 series industrial gas turbines.

1.2 Textile division

The activities of this division consist of production and marketing of yarn and home textiles, including curtains, bed linens, quilt cover sets and varieties. Curtains and quilt covers are produced under the Taç brand and sold in Linens chain stores.

The subsidiaries in textile division; their field of activities and countries of operation are listed below:

Company	Field of activities	Country
Textile production		
Korteks Mensucat Sanayi ve Ticaret A.Ş.	Production of textile goods	Turkey
Zorluteks Tekstil Ticaret ve Sanayi A.Ş.	Production of textile goods	Turkey
Textile marketing		
Zorlu Dış Ticaret A.Ş.	Textile marketing	Turkey
Zorlu Ev Tekstil Ürünleri Ticaret A.Ş.	Textile marketing	Turkey
Zorlu Tekstil Ürünleri Pazarlama A.Ş.	Textile marketing	Turkey
Zorluteks SNG	Textile marketing	Russia
Zorluteks D.O.O.	Textile marketing	Macedonia
Zorlu UK Limited	Textile marketing	U.K.

Korteks Mensucat Sanayi ve Ticaret A.Ş. ("Korteks") - Korteks was made up of two divisions: Firstly, Korteks Weaving and Knitting plant was established in 1982 and has been engaged in the production of jacquard lace and woven product (voile and its varieties). This division was transferred to Zorluteks in the last quarter of 2007. Secondly, Korteks Polyester Yarn Plant was established in 1989 to meet polyester needs of the Korteks Weaving and Knitting plant. The plant is located on 145.000 m² of grounds and has 335.000 m² of enclosed space.

Zorluteks Tekstil Ticaret ve Sanayi A.Ş. ("Zorluteks") - Zorluteks was established in 1982. Zorluteks's production facilities include home textile and curtain weaving and knitting, finishing, and sewing plants. In home textile production facilities with a total of 160,000 m² of enclosed space, Zorluteks manufactures 96 million meters a year of a wide range of home textile products such as comforters, piques, pillowcases, bed sheets, fitted sheets, tablecloths, bedspreads, cotton curtain fabrics, and towels. 40% of the company's output is exported to different parts of the world including the USA, EU, Japan, and Russia. The remainder of the output is assigned to leading Turkish labels as TAÇ and Linens.

In accordance with the Board decisions dated 22 June 2014 and numbered 2014/27, Linens Pazarlama merged with Zorluteks Tekstil as a branch of Company.

Zorlu Holding A.Ş.

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(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Zorlu Dış Ticaret A.Ş. ("Zorlu Dış Ticaret") - Zorlu Dış Ticaret was established in 1998 carries out all foreign trade activities of the Textile Group.

Zorlu Ev Tekstil Ürünleri Ticaret A.Ş. ("Zorlu Ev Tekstil") - Zorlu Ev Tekstil was established in 1990 is responsible for marketing of textile products in Black Sea Region and the Commonwealth of Independent States.

Zorlu Tekstil Ürünleri Pazarlama A.Ş. ("Zorlu Tekstil Ürünleri") - Zorlu Tekstil Ürünleri was established in 1990. It serves wholesalers in the Aegean region.

Zorluteks SNG ("Moscow") - Zorluteks SNG was established in 2005. It serves wholesalers in Russia.

Zorluteks D.O.O. ("Skopje") - Zorluteks D.O.O. was established in 2004. It serves wholesalers in Macedonia.

Zorlu UK Limited ("England") - Zorlu UK was established in 2002. It serves wholesalers in England.

1.3 White goods and electronics division

The subsidiaries in white goods and electronics division; their field of activities and countries of operation are listed below:

Company	Field of activities	Country
Vestel Elektronik Sanayi ve Ticaret A.Ş.	Production	Turkey
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	Production	Turkey
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	Sales	Turkey
Vestel Ticaret A.Ş.	Sales	Turkey
Vestel CIS Limited	Sales	Russia
Vestel Iberia SL	Sales	Spain
Vestel France SA	Sales	France
Vestel Holland BV	Sales	Netherland
Vestel Germany GmbH	Sales	Germany
Cabot Communications Limited	Software	UK
Vestel Benelux BV	Sales	Netherland
Vestel UK Limited	Sales	UK
Vestek Elektronik Araştırma Geliştirme A.Ş.	Software	Turkey
Vestel Trade Limited	Sales	Russia
OY Vestel Scandinavia AB	Sales	Finland
Intertechnika LLC	Service	Russia
Vestel Poland sp. z.o.o.	Sales	Poland
Vestel Central Asia LLP	Sales	Kazakhstan
Vestel Polska Technology Center sp. z o.o.	Production/Sales	Poland

Vestel Elektronik Sanayi ve Ticaret A.Ş. ("Vestel Elektronik")

Vestel Elektronik was established in 1983 and mainly produce and sell a range of brown goods and white goods. Vestel Elektronik is registered to CMB and its share have been quoted to Borsa İstanbul ("BİST") since 1990.

Zorlu Holding A.Ş.

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Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. ("Vestel Beyaz Eşya")

Vestel Beyaz Eşya was established in 1997 in Manisa Organized Industrial Zone and is a manufacturer of f refrigerators, room air conditioning units, washing machines, cookers, dishwashers and water heaters.

Vestel Komünikasyon Sanayi ve Ticaret A.Ş. ("Vestel Komünikasyon")

Vestel Komünikasyon was established in 1975 and is located in Aegean Free Zone.

Vestel Ticaret A.Ş. ("Vestel Ticaret")

Vestel Dış Ticaret was established in 1987 in İstanbul and it currently operates in Manisa Organized Industrial Zone. It carries out all foreign trade activities of industrial products of Group manufacturing companies. After the merger with Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. as of 30 January 2013, Vestel Dış Ticaret A.Ş. was changed its trade name as Vestel Ticaret A.Ş. As of 30.11.2012, Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. was merged with Vestel Dış Ticaret A.Ş. and operates as a brunch of Vestel Ticaret A.Ş.

Vestel CIS Limited ("Vestel CIS")

Vestel CIS was established in 2002 in Vladimir Region, Russia and is a manufacturer of televisions, refrigerators and washing machines.

Vestel Iberia SL("Vestel Iberia")

Vestel Iberia SL was established in 1998 in Spain for the purpose of selling Vestel products throughout Spain and Portugal.

Vestel France SA ("Vestel France")

Vestel France SA was established in 1996 in France for the purpose of selling Vestel products throughout France, Switzerland and Belgium.

Vestel Holland BV ("Vestel Holland")

Vestel Holland BV was established in 1995 in Holland for the purpose of providing raw materials to the Group manufacturing companies and is a wholesaler of their products.

Vestel Germany GmbH ("Vestel Germany")

Vestel Germany GmbH was established in 1995 in Germany for the purpose of selling, distributing and providing service for Vestel products throughout Germany, Switzerland and Austria.

Cabot Communications Limited ("Cabot UK")

Cabot UK was established in 1995 in England and involved in Vestel Group Companies in 2001. Cabot's' field of activity is developing software about digital televisions technologies and establishing marketing channels for these products.

Vestel Benelux BV ("Vestel Benelux")

Vestel Benelux BV was established in 2003 in Holland for the purpose of marketing Vestel products throughout Holland, Belgium and Luxemburg.

Vestel UK Limited ("Vestel UK")

Vestel UK Limited was established in England in 2004 for the purpose of marketing Vestel products in England.

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Vestek Elektronik Araştırma Geliştirme A.Ş. ("Vestel Elektronik Araştırma Geliştirme")

The company was established in 2005 in Istanbul for the purpose of providing consulting, marketing research and planning services in electronic sector.

Vestel Trade Limited ("Vestel Trade")

Vestel Trade Limited was established in 2003 for the purpose of marketing Vestel products in Russia.

OY Vestel Scandinavia AB ("OY Vestel")

OY Vestel was established in 2006 in Finland for the purpose of marketing Vestel products in Finland.

Intertechnika LLC ("Intertechnika")

Intertechnika was founded in Russia in 2005 and its 99,9% shares was acquired by Vestel CIS Limited on 26 December 2007. Intertechnika provides operational lease services to Vestel CIS Limited

Vestel Poland sp. z.o.o. ("Vestel Poland")

Vestel Poland sp. z.o.o. was established in 2014 in Poland for the purpose of marketing Vestel products throughout Poland.

Vestel Central Asia LLP ("Vestel Central Asia")

Vestel Central Asia LLP was established in 2011 for the purpose of marketing and selling Vestel products in Kazakhstan.

Vestel Polska Technology Center sp. z o.o. ("Vestel Polska.")

Vestel Polska Technology Center sp. z o.o. was established in 2016 in Wroclaw/Poland for the purpose of manufacturing and selling Vestel products.

1.4 Other activities

Other group operations mainly comprise the sale of services.

Company	Field of activities	Country
Zorlu Air Havacılık A.Ş.	Aviation	Turkey
Zorlu International Investments Limited	Investment	Malta
ABH Turizm Temsilcilik ve Ticaret A.Ş.	Tourism	Turkey
Zorlu Faktoring A.Ş.	Factoring	Turkey
Linens Tekstil Ürünleri Pazarlama A.Ş.	Textile marketing	Turkey
Rosmiks Finance B.V.	Financial services	Netherlands

Zorlu Air Havacılık A.Ş. ("Zorlu Air"/Istanbul/Turkey) – Zorlu Air was established in 1995 to provide air-taxi services. As of report date, Zorlu Air owns two Bell 430 VIP helicopters and one Gulfstream G-450 large cabin jet built in 2012. Zorlu Air's Gulfstream G-450 has a range of 4.350 nautical miles (8.056 km) and a carrying capacity of 14 passengers. The plane went into service in August 2012 with the issuance of the company's air taxi operations license.

Zorlu International Investments Limited ("Zorlu International" Malta) – Zorlu International was established in December 2006 in Malta.

ABH Turizm Temsilcilik ve Ticaret A.Ş. ("ABH Turizm" Istanbul/Turkey) – ABH Turizm was established in January 1998 to operate in tourism sector as travel agency and tour operator. ABH was merged with its subsidiaries which are Jules Verne Fuarçılık Hizmetleri A.Ş. and JBR Turizm Bilişim Ticaret A.Ş. as of 01 September 2015.

Zorlu Holding A.Ş.

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(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Zorlu Faktoring A.Ş., Zorlu Faktoring was established in August 2012 to factoring operations in the financial sectors.

Linens Tekstil Ürünleri Pazarlama Anonim Şirketi. ("Linens Tekstil"/Istanbul/Turkey) –Linens Tekstil was established in 1997 as of Deniz Destek Oto Kiralama Temizlik Hizmetleri ve İnşaat A.Ş. and changed its name in 2014. The company is inactive as of 31 December 2016.

Rosmiks Finance B.V. ("Rosmiks Finance") – Zorlu Faktoring was established in December 2013 in Holland.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Basis of preparations

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect.

The Company and its subsidiaries established in Turkey maintain their accounting records and prepares their statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost convention in TL. These financial statements are based on the statutory records, which are maintained under historical cost conversion, with required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the IAS/IFRS.

Financial statements of subsidiaries operating in foreign countries are prepared according to the legislation of the country in which they operate and adjusted to the IAS/IFRS to reflect the proper presentation and content. Foreign subsidiaries' assets and liabilities are translated into TL from the foreign exchange rate at the balance sheet date and income and expenses are translated into TL at the average foreign exchange rate. Exchange differences arising from the translation of the operating net assets of the foreign undertakings and differences between average and balance sheet date rates are included in "currency translation differences" under the shareholders' equity.

2.2 Measurement currency and reporting currency

These consolidated financial statements are presented in TL. Turkish Lira ("TL") is the Group's functional currency.

2.3 New and amended standards and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments had no effect on the financial position or performance of the Company.

IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments had no effect on the financial position or performance of the Company.

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

POA of Turkey issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 or
- Using the equity method defined in IAS 28 The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Company and had no effect on the financial position or performance of the Company.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. The amendment is not applicable for the Company and had no effect on the financial position or performance of the Company.

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

Amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Financial Statements. The amendments are not applicable for the Company no effect on the financial position or performance of the Company.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

Amendments issued to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income arising from equity accounted investments. The amendments had no significant effect on the financial position or performance of the Company.

Annual Improvements to IFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendments had no significant effect on the financial position or performance of the Company.

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

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Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued IFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). Effective date for IFRS 15 is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 9 Financial Instruments

In January 2016, POA issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (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 IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of IFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under IFRS.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

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Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Annual Improvements – 2011–2013 Cycle

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/ Company applies this relief, it shall disclose that fact. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IAS 7 'Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled sharebased payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

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Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

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IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal Company that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

2.4 Comparable financial information and reclassification of prior period financial statements

The financial position with the accompanying notes as of 31.12.2016 and 31.12.2015 and statement of comprehensive income, cash flow and changes in equity with the accompanying notes as of 31.12.2016 and 31.12.2015 are presented as comparatively. For the compatibility of the current consolidated financial statements, these consolidated financial statements are reclassified if necessary, and material differences are disclosed.

As of 31.12.2015, provision for employee benefits amounting to TL 2.431, which was accounted under "Other current liabilities", was reclassified to "Short term provisions".

As of 31.12.2015, doubtful debt provision expense amounting to TL 3.619, which was accounted under "Selling expenses", was reclassified to "Other expense".

As of 31.12.2015, doubtful debt provision expense amounting to TL 112.034 which was accounted under "General and administrative expenses", was reclassified to "Other expense".

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As of 31.12.2015, derivative financial income amounting to TL 643.979 which was accounted under "Financing income" was netted with "Financing expense".

2.5 Critical accounting estimates, assumptions and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary they are reported in earnings in the periods in which they become known.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date and the significant judgments with the most significant effect on amounts recognized in the financial statements are set out below:

- Deferred tax asset is recognized to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable deferred tax asset is recognized for all temporary differences. For the year ended 31.12.2016, since the assumptions related to the Group's future taxable profit generation are considered reliable, adequate, deferred tax asset is recognized.

-When setting aside the provision for legal claims the probability of losing the related case and the results expected to be suffered in the event that the legal counsel of the Group and management of the Group make their best estimates to calculate the provision required.

- Property, plant and equipment and intangible assets held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Group estimates that the useful lives of tangible and intangible assets.

Depreciation is charged using the straight line basis over the useful lives which depend on the best estimation of the management. Useful lives of property, plant and equipment and intangible assets are reviewed at each balance sheet dates and make changes if necessary.

- The fair value of forward contracts calculated by calculating forward exchange rate, for remainder of agreement related foreign currency's prevailed market interest rate, and comparing it to reporting date forward exchange rate. All derivatives are carried as assets when the fair value of the forward foreign exchange contracts are recognized in income statement. The effective portion of changes in the fair value of derivative financial instruments such as interest rate swaps, is recognized in other comprehensive income.

2.6 Offsetting

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

2.7 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Zorlu Holding and entities controlled by Zorlu Holding. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements and have been prepared in accordance with IFRS by applying uniform accounting policies and presentation. The results of operations of subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

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For the purpose of consolidated financial statements Zorlu Holding and its subsidiaries will be referred to collectively as the "Group".

Consolidated company	31.12.2016		31.12.2015	
	Ownership interest	Economic interest	Ownership interest	Economic interest
Zorlu Enerji Elektrik Üretimi A.Ş.	81,1%	81,1%	81,1%	81,1%
Zorlu Doğal Elektrik Enerji Üretim A.Ş.	100,0%	81,1%	100,0%	81,1%
Zorlu O/M Enerji Tesisleri İşletme ve Bakım Hizmetleri A.Ş.	100,0%	99,9%	100,0%	99,9%
Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Tic. A.Ş.	100,0%	99,8%	100,0%	99,8%
Zorlu Elektrik Enerji İthalat İhracat A.Ş.	100,0%	100,0%	99,0%	99,0%
Rosmiks International B.V.	100,0%	100,0%	100,0%	100,0%
Rosmiks LLC	100,0%	100,0%	100,0%	100,0%
Rotor Elektrik Üretim A.Ş.	100,0%	81,1%	100,0%	81,1%
Zorlu Hidroelektrik Enerji Üretim A.Ş.	100,0%	81,1%	100,0%	81,1%
Zorlu Rüzgar Enerjisi Elektrik Üretim A.Ş.	100,0%	81,1%	100,0%	81,1%
Zorlu Enerji Pakistan Ltd.	100,0%	81,1%	100,0%	81,1%
Zorlu Wind Pakistan (Private) Ltd.	99,7%	80,8%	99,7%	80,8%
Nemrut Jeotermal Elektrik Üretim A.Ş.	75,0%	60,8%	75,0%	60,8%
Zorlu Doğal Gaz, Petrokimya Ürünleri Petrol İnşaat Sanayi Ticaret A.Ş.	100,0%	100,0%	100,0%	100,0%
Trakya Bölgesi Doğalgaz Dağıtım A.Ş.	94,2%	94,2%	94,2%	94,2%
Gazdaş Gaziantep Doğalgaz Dağıtım A.Ş.	74,4%	74,4%	74,4%	74,4%
Zorlu Doğalgaz İthalat İhracat A.Ş.	99,0%	99,0%	99,0%	99,0%
Zorlu Doğal Gaz Tedarik Ticaret A.Ş.	95,0%	95,0%	95,0%	95,0%
Zorlu Jeotermal Elektrik Üretim A.Ş.	100,0%	81,1%	100,0%	81,1%
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	100,0%	100,0%	--	--
Zorlu Solar Pakistan (Private) Ltd.	100,0%	100,0%	--	--
Zorlu Solar Enerji Tedarik ve Ticaret A.Ş.	100,0%	100,0%	--	--
Korteks Mensucat Sanayi ve Ticaret A.Ş.	100,0%	100,0%	100,0%	100,0%
Zorluteks Tekstil Ticaret ve Sanayi A.Ş.	100,0%	100,0%	100,0%	100,0%
Zorlu Dış Ticaret A.Ş.	100,0%	100,0%	100,0%	100,0%
Zorlu Ev Tekstil Ürünleri Ticaret A.Ş.	100,0%	100,0%	100,0%	100,0%
Zorlu Tekstil Ürünleri Pazarlama A.Ş.	100,0%	100,0%	100,0%	100,0%

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Basis of consolidation (continued)

Consolidated company	31.12.2016		31.12.2015	
	Ownership interest	Economic interest	Ownership interest	Economic interest
Zorluteks SNG	100,0%	100,0%	100,0%	100,0%
Zorluteks D.O.O.	83,0%	83,0%	83,0%	83,0%
Zorlu UK Limited	100,0%	100,0%	100,0%	100,0%
Vestel Elektronik Sanayi ve Ticaret A.Ş.	77,5%	77,5%	77,5%	77,5%
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	94,6%	73,3%	94,6%	73,3%
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	100,0%	77,5%	100,0%	77,5%
Vestel Ticaret A.Ş.	100,0%	77,5%	100,0%	77,5%
Vestel CIS Limited	100,0%	77,5%	100,0%	77,5%
Vestel Iberia SL	100,0%	77,5%	100,0%	77,5%
Vestel France SA	100,0%	77,5%	100,0%	77,5%
Vestel Holland BV	100,0%	77,5%	100,0%	77,5%
Vestel Germany GmbH	100,0%	77,5%	100,0%	77,5%
Cabot Communications Ltd.	90,8%	70,4%	90,8%	70,4%
Vestel Benelux BV	100,0%	77,5%	100,0%	77,5%
Vestel UK Limited	100,0%	77,5%	100,0%	77,5%
Vestek Elektronik Araştırma Geliştirme A.Ş.	100,0%	77,5%	100,0%	77,5%
Vestel Trade Ltd	100,0%	77,5%	100,0%	77,5%
OY Vestel Scandinavia AB	100,0%	77,5%	100,0%	77,5%
Intertechnika LLC	99,9%	77,4%	99,9%	77,4%
Vestel Poland sp. z.o.o.	100,0%	77,5%	100,0%	77,5%
Vestel Central Asia LLP	100,0%	100,0%	100,0%	77,5%
Vestel Polska Technology Center sp. z o.o.	100,0%	100,0%	--	--
Zorlu Air Havacılık A.Ş.	100,0%	100,0%	100,0%	100,0%
Linens Tekstil Ürünleri Pazarlama A.Ş.	100,0%	100,0%	100,0%	100,0%
Zorlu International Investments Ltd.	100,0%	100,0%	100,0%	100,0%
ABH Turizm Temsilcilik ve Ticaret A.Ş.	75,0%	75,0%	75,0%	75,0%
Zorlu Faktoring A.Ş.	98,4%	98,4%	98,4%	98,4%
Rosmiks Finance B.V.	100,0%	100,0%	100,0%	100,0%

Subsidiaries are companies in which Zorlu Holding has the power to control the financial and operating policies for the benefit of itself, either through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself or although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

The balance sheet and statement of income of the subsidiaries are consolidated on a line-by-line basis and all material intercompany payable/receivable balances and sales/purchase transactions are eliminated. The carrying value of the investment held by Zorlu Holding and its subsidiaries is eliminated against the related shareholder's equity.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

The Company has always exercised effective control over the management of each of the companies included in the group consolidation.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

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The table below sets out all associates and demonstrates the proportion of ownership interest as of 31 December 2016 and 2015:

Associates	Direct and indirect ownership interest by the Company and its Associates (%)	
	31.12.2016	31.12.2015
Dorad Energy Ltd.	25,00	25,00
Turkbine Teknik Gaz Türbinleri Bakım Onarım A.Ş.	--	50,00
Ezotech Ltd.	42,15	42,15
Solad Energy Ltd.	42,15	42,15
Vestel Savunma Sanayi A.Ş. (*)	35,00	35,00
Aydın Yazılım Elektronik ve Sanayi A.Ş. (*)	21,00	21,00

(*) Since Vestel Savunma and Aydın Yazılım has net liability position as of 31 December 2016, carrying value of those Investments accounted for using the equity method accounted for by equity method is resulted as nil in the consolidated balance sheets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is shown net of value added and sales taxes, discounts, returns and other similar allowances. Revenue from the rendering of services is recognized by reference to the stage of completion of the transaction when the following conditions are met:

- the amount of revenue can be measured reliably,
- the flow of economic benefits to the entity is probable,
- the stage of completion at the period end can be measured reliably and
- the costs incurred to date can be measured reliably.

Revenue for services provided initially is measured at the fair value of the consideration receivable. Expenses is included in operating expenses at cost unless the expense was permitted or required to be included in the financial statements on another basis. Cost is the fair value of the consideration given for the materials or services used in the production of goods or provision of services. Cost of sales is presented as a separate line item on the face of the income statement for the functional analysis of expenditures is chosen for the format of the income statement.

Factoring service income is composed of collected and accrued interest income and commission income earned from advance payments made to customers.

A proportion of factoring invoice total obtained constitutes commission income.

Revenue is recognised on an accrual basis when the electricity is delivered. Transmission revenue is netted-off with its related costs in the consolidated financial statements.

Dividend revenue from investments is recognized when the shareholder's rights to receive payment have been established.

Other revenues earned by the Group are recognized on the following bases:

- Rental income – on an accrual basis.
- Interest income – on an effective yield basis.

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Foreign currency translations

Foreign currency translations and translation - Transactions in foreign currencies during the period have been translated into TL at the exchange rates prevailing at dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the income or expense accounts as appropriate.

The foreign exchange rates used by the Group are as follows:

	2016	2015
USD	3,5192	2,9076
EUR	3,7099	3,1776
GBP	4,3189	4,3007
CHF	3,4454	2,9278

Foreign entities- Foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences between the closing balances and opening balances due to the difference in inflation and devaluation are included in currency translation adjustment in equity.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost, restated in equivalent purchasing power at 31 December 2005 less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Property, plant and equipment in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight line basis over the following years stated below:

	Useful life in years
Land improvements	10-48
Buildings	25-50
Leasehold improvements	3-10
Plant and machinery	2-27
Furniture and fixtures	5-27
Motor vehicles	5-20

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Leases

Finance lease - Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the Group is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Operating lease - Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments on operating lease are recognized as an expense on a straight-line basis over the lease term.

Intangible assets

Goodwill - Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of its subsidiaries listed under note 16 at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

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Purchased intangible assets - Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment loss. Amortisation is charged on a straight line basis over their useful life. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

	Years
Wind energy production rights	25
Hydroelectric energy production rights	30
Thermal energy production rights	29

Research and development costs

Research costs are recognized as expense in the period in which they are incurred. An intangible asset arising from development (or from the development phase of an internal Project) are recognized as intangible assets when the following criteria are met;

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available ; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

In other cases, development costs are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. In cases where it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and expensed immediately.

Other intangible assets- Other intangible assets including information systems, development expense of information systems and other determinable rights, are capitalized and amortized on a straight line basis over their estimated useful lives, not exceeding a period of 5 years.

Impairment of intangible assets - Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition but excludes borrowing cost. Cost is calculated by using moving weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether any indication of impairment exists. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

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Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these financial statements shareholders are referred to as related parties. Related parties also include individuals that are principle owners, management and members of the Group's Board of Directors and their families.

Borrowing cost

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs of qualifying assets are not added to the cost of those assets for the period during which construction to get them ready for their intended use or sale is suspended. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. Other borrowing costs are expensed in the period in which they are incurred and reported in "financing expense".

Bank borrowings

Interest-bearing bank loans and overdrafts are recognized at fair value at initial recognition which equate to the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Income taxes

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

Deferred income tax is provided, using the liability method, on all temporary differences at the financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Employee termination benefits

Under Turkish labour law, the Group and its Turkish subsidiaries are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

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Warranty and assembly expenses provision

Warranty expenses include repair and maintenance expenses of products sold and labor and material costs of authorized services for products under the scope of warranty terms without any charge to customers. Based on estimations using past statistical information, warranty expense provision is recognised for the products sold with warranty terms in the period, for possible repair and maintenance expenses to be incurred during the warranty period.

Financial assets

Financial assets other than hedging instruments are divided into the following categories:

- financial assets as at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments
- loans and receivable

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognized in profit or loss or directly in equity.

Financial assets as at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Available-for-sale financial assets

Generally, the Group recognizes all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expense relating to financial assets are recognized in the income statement line item "finance costs" or "finance income", respectively.

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include unconsolidated investments. Unconsolidated investments which are not quoted at any stock exchange are reported at cost less any impairment charges, as its fair value can currently not be reliably estimated.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity. The Group currently holds time deposits that fall into this category.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

Loans and receivable

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified in this category. Loans and receivables (trade and other receivables bank deposits, cash and others) are measured at amortized using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for cases when the recognition of interest would be immaterial.

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(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Factoring receivables and other receivables

Factoring receivables and other receivables are stated at fair value at initial recognition. Subsequent to initial recognition, all receivables except for factoring receivables are carried at amortized cost using the effective interest method. Factoring transactions are accounted for at carrying amounts in subsequent reporting periods. The Group management believes that carrying amounts of factoring receivables approximate to their fair values since amortization is taken into account at initial recognition.

Derivative financial instruments

The Group holds derivative financial instruments which mainly consist of interest rate swap instruments and forward foreign exchange contracts.

Derivative financial instruments held for trading are recognized initially at fair value; attributable transaction costs are recognised in statement of consolidated income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in the fair value of such derivatives are recognised in the statement of consolidated income as part of finance income and costs.

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Government grants

Government grants, including non-monetary grants at fair value, are recognized in consolidated financial statements when there is reasonable assurance that the entity will comply with the conditions attaching to them, and the grants will be received.

Incentives for research and development activities are recognized in consolidated financial statements when they are authorized by the related institutions.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method to set an allowance for unearned interest. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method to set an allowance for unearned interest.

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Recognition and derecognition of financial instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of a financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of a financial asset or when a financial asset or a portion of a financial asset expires. The Group derecognizes a financial liability when and only when a liability is extinguished and that is when the obligation specified in the contract is discharged, cancelled and expires.

Commitments and contingencies

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non-occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognised in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Segment reporting

Operating segments are identified on the same basis as financial information is reported internally to the Group's chief operating decision maker. The Group Board of Directors has been identified as the Group's chief operating decision maker who responsible for allocating resources between segments and assessing their performances. The Group management determines operating segments by reference to the reports reviewed by the Board of Directors to make strategical decisions.

The Group management evaluates the operational results at industrial and geographical level. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses.

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand; deposits with banks and other financial institutions with the original maturity of three months or less.

4. SEGMENT INFORMATION

The basis on which the Group reports its primary and secondary segment information is as follows:

- Energy: Electricity production, natural gas extraction and distribution, and power plant construction (note 1.1).
- Textile: Manufacture and sale of textile goods (note 1.2).
- Holding: This segment mainly the finance agent for Zorlu Group.
- White goods and electronic: Production and sale of white goods and electronic devices (note 1.3).

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The segment results for the period ended 31.12.2016 are as follows:

	Energy	Textile	Holding	White goods and electronics	Other	Elimination	Total
01.01.- 31.12.2016							
External revenue	2.866.834	1.705.897	28.018	9.540.494	85.820	--	14.227.063
Intersegment revenue	131.125	280	22.346	--	17.250	(171.001)	--
Cost of sales	2.997.959 (2.181.659)	1.706.177 (1.045.877)	50.364 (42.964)	9.540.494 (7.382.660)	103.070 (151.214)	(171.001) --	14.227.063 (10.804.374)
Gross profit	816.300	660.300	7.400	2.157.834	(48.144)	(171.001)	3.422.689

Other segment items included in the income statement:

Depreciation expense	207.469	42.651	8.315	239.707	5.282	--	503.424
Amortization charge	22.540	4.587	444	81.643	47	--	109.261
	230.009	47.238	8.759	321.350	5.329	--	612.685

	Energy	Textile	Holding	White goods and electronics	Other	Elimination	Total
01.01.- 31.12.2015							
External revenue	2.245.853	1.604.592	22.316	9.250.461	132.727	--	13.255.949
Intersegment revenue	85.681	808	20.501	--	11.319	(118.309)	--
Cost of sales	2.331.534 (1.693.011)	1.605.400 (1.080.386)	42.817 (37.264)	9.250.461 (7.248.850)	144.046 (139.531)	(118.309) --	13.255.949 (10.199.042)
Gross profit	638.523	525.014	5.553	2.001.611	4.515	(118.309)	3.056.907
Depreciation expense	160.183	26.125	7.148	224.603	4.540	--	422.599
Amortization charge	40.370	6.603	133	68.495	75	--	115.676
	200.553	32.728	7.281	293.098	4.615	--	538.275

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The segment assets and liabilities as of the financial position dates and capital expenditure for the periods ended are as follows:

31.12.2016	Energy	Textile	Holding	White goods and electronics	Other	Total
Current assets						
Cash and cash equivalents	176.921	17.985	2.352.701	1.264.003	1.606	3.813.216
Investment securities	48.421	--	174.727	--	--	223.148
Trade receivables	658.449	363.238	11.347	2.434.816	8.129	3.475.979
Receivables from factoring sector operations	--	--	--	--	177.670	177.670
Other receivables	77.116	2.130.196	2.301.433	280.962	53	4.789.760
Inventories	48.341	404.974	62	1.817.869	2.412	2.273.658
Prepaid expenses	40.060	71.956	6.428	31.098	6.605	156.147
Current income tax assets	18.696	10.676	7	6.252	--	35.631
Derivative financial instruments	22.282	242	--	150.982	--	173.506
Other current assets	87.982	41.727	16.127	37.870	--	183.706
Total current assets	1.178.268	3.040.994	4.862.832	6.023.852	196.475	15.302.421
Non-current assets						
Trade receivables	--	17.840	--	122.901	--	140.741
Other receivables	179.916	164	82	41.334	--	221.496
Investments accounted for using the equity method	194.276	--	--	--	--	194.276
Investment securities	5.989	3.465	4.950.163	7.069	7.369	4.974.055
Property, plant and equipment	4.622.622	502.228	201.851	1.335.399	108.274	6.770.374
Intangible assets	835.452	180.395	8.312	593.018	6.401	1.623.578
Prepaid expenses	229.703	94	12.767	63.501	332	306.397
Other non-current assets	29.363	2	--	7.444	--	36.809
Deferred tax	306.995	24.472	--	85.223	3.424	420.114
Total non-current assets	6.404.316	728.660	5.173.175	2.255.889	125.800	14.687.840
Total assets	7.582.584	3.769.654	10.036.007	8.279.741	322.275	29.990.261
Current liabilities						
Financial liabilities	3.140.232	2.911.314	2.363.780	860.496	61.781	9.337.603
Trade payables	1.096.108	211.406	79.853	3.679.279	9.583	5.076.229
Payables from factoring sector operations	22	--	--	--	246.173	246.195
Employee benefit obligations	3.022	19.124	3.354	91.229	898	117.627
Other payables	1.518	26.857	52.007	46.379	100	126.861
Deferred income	5.221	61.721	--	34.393	541	101.876
Derivative financial instruments	31.070	91.741	--	235.398	--	358.209
Taxation on income	411	--	--	3.931	990	5.332
Short term provisions	2.263	6.784	1.712	275.367	2.091	288.217
Other liabilities	54.254	12.105	4.761	146.884	2.164	220.168
Total current liabilities	4.334.121	3.341.052	2.505.467	5.373.356	324.321	15.878.317
Noncurrent liabilities						
Financial liabilities	3.969.697	272.002	2.318.408	2.233.073	77.339	8.870.519
Trade payables	6.229	--	--	--	--	6.229
Other payables	503	--	175.152	--	--	175.655
Derivative financial instruments	11.949	--	--	--	--	11.949
Long term provisions	11.168	58.495	3.793	153.260	216	226.932
Other non-current liabilities	195.196	99	--	--	--	195.295
Deferred tax liability	27.954	26	14.728	--	--	42.708
Total non-current liabilities	4.222.696	330.622	2.512.081	2.386.333	77.555	9.529.287
Total liabilities	8.556.817	3.671.674	5.017.548	7.759.689	401.876	25.407.604
01.01.- 31.12.2016						
Capital expenditure	864.039	134.814	5.885	373.529	45.273	1.423.540

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

31.12.2015	Energy	Textile	Holding	White goods and electronics	Other	Total
Current assets						
Cash and cash equivalents	278.558	12.467	115.235	728.219	1.901	1.136.380
Investment securities	300	--	3.587.050	--	--	3.587.350
Trade receivables	432.453	349.589	2.714	2.767.366	4.236	3.556.358
Receivables from factoring sector operations	--	--	--	--	167.329	167.329
Other receivables	111.859	51.596	3.267.833	368.016	358	3.799.662
Inventories	59.307	382.394	69	2.203.005	2.221	2.646.996
Prepaid expenses	37.201	39.654	5.435	52.712	3.632	138.634
Current income tax assets	8.736	40	8	24.885	243	33.912
Derivative financial instruments	483	2.906	--	74.303	--	77.692
Other current assets	80.231	32.718	18.128	27.714	1.284	160.075
Total current assets	1.009.128	871.364	6.996.472	6.246.220	181.204	15.304.388
Non-current assets						
Trade receivables	--	18.224	2.119	140.183	--	160.526
Other receivables	177.481	99	83	62.815	--	240.478
Investments accounted for using the equity method	190.342	--	--	--	--	190.342
Investment securities	6.039	3.466	2.089.854	2.092	7.370	2.108.821
Property, plant and equipment	3.591.183	419.246	211.497	1.221.137	55.695	5.498.758
Intangible assets	848.631	176.025	1.634	542.762	121	1.569.173
Prepaid expenses	171.615	14.273	15.969	7.540	743	210.140
Other non-current assets	41.342	2	--	11.224	--	52.568
Deferred tax	156.212	22.210	--	75.291	1.664	255.377
Total non-current assets	5.182.845	653.545	2.321.156	2.063.044	65.593	10.286.183
Total assets	6.191.973	1.524.909	9.317.628	8.309.264	246.797	25.590.571
Current liabilities						
Financial liabilities	2.168.014	2.032.308	1.624.822	740.986	21.498	6.587.628
Trade payables	1.269.701	189.629	54.152	4.536.791	5.988	6.056.261
Payables from factoring sector operations	--	--	--	--	252.458	252.458
Employee benefit obligations	3.813	12.271	2.223	67.006	589	85.902
Other payables	1.418	--	2.570	8.135	136	12.259
Deferred income	4.732	82.108	--	134.126	330	221.296
Derivative financial instruments	69.562	101.185	--	61.275	--	232.022
Taxation on income	1.268	44.725	--	1.799	--	47.792
Short term provisions	1.520	1.043	--	205.438	135	208.136
Other liabilities	62.990	4.475	2.211	101.858	1.987	173.521
Total current liabilities	3.583.018	2.467.744	1.685.978	5.857.414	283.121	13.877.275
Noncurrent liabilities						
Financial liabilities	3.251.450	314.775	1.800.659	1.720.198	39.433	7.126.515
Other payables	1.509	--	166.406	1.558	--	169.473
Derivative financial instruments	16.559	--	--	--	--	16.559
Long term provisions	10.392	50.428	3.579	101.459	1.261	167.119
Other non-current liabilities	155.695	199	--	--	--	155.894
Deferred tax liability	23.669	26	48.599	4.138	983	77.415
Total non-current liabilities	3.459.274	365.428	2.019.243	1.827.353	41.677	7.712.975
Total liabilities	7.042.292	2.833.172	3.705.221	7.684.767	324.798	21.590.250
01.01.- 31.12.2015						
Capital expenditure	682.509	61.664	12.788	350.144	1.723	1.108.828

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Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Geographical segments	31.12.2016	31.12.2015
Segment assets		
Turkey	19.473.550	16.988.443
Europe	8.333.029	7.053.728
Asia	2.183.682	1.548.400
	29.990.261	25.590.571
	01.01.- 31.12.2016	01.01.- 31.12.2015
Revenue		
Turkey	6.846.582	6.263.322
Europe	6.031.059	5.769.294
Other countries	1.349.422	1.223.333
	14.227.063	13.255.949
Capital expenditure		
Turkey	1.387.749	1.082.545
Asia	35.791	26.283
	1.423.540	1.108.828
Depreciation and amortization expenses		
Turkey	533.338	464.908
Europe	18	21
Asia	79.329	73.346
	612.685	538.275

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Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

5. CASH AND CASH EQUIVALENTS

	31.12.2016	31.12.2015
Cash in hand	269.332	1.233
Demand deposit at banks	468.790	592.111
Time deposit at banks	2.909.819	463.060
Blocked deposit	68.129	12.710
Other	97.146	67.266
Cash and cash equivalents	3.813.216	1.136.380
Bank overdrafts (-)	(39.027)	(5.071)
Cash and cash equivalents presented in cash flow statement	3.774.189	1.131.309

The maturity period of time deposits vary between January 2017 and March 2017 (2015: January 2016 and March 2016). As of the financial position dates yearly interest rates on time deposits for foreign currencies vary between 0,10% to 6,55% (2015: 0,25% to 1,83%) and 7,65% to 12,4% for Turkish Lira (2015: 6% to 12,1%).

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group holds a 25% voting and equity interest in Dorad Energy Ltd. ("Dorad"), 42,15% voting and equity interest Ezotech Ltd. ("Ezotech") and 42,15% voting and equity interest Solad Energy Ltd. (Solad). These investments are accounted for under the equity method.

Cost	194.276	190.342
Opening balance, 01.01	190.342	118.597
Share of profit of equity-accounted investees	(7.763)	17.159
Translation differences	11.697	54.586
Ending balance, 31.12	194.276	190.342

Zorlu Holding A.Ş.

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(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

7. INVESTMENT SECURITIES

	31.12.2016	31.12.2015
Current		
Investment securities held to maturity	222.948	3.587.050
Other	200	300
	223.148	3.587.350

Investment securities held to maturity

Investment securities held to maturity are investments in fixed rate debt securities. Group monitors its interest rate and other market price risks to which it is exposed primarily through sensitivity analysis. Group accepts a degree of interest and other market price risk as long as the effects of various changes in rates and prices, as calculated using its sensitivity analysis model, remain within prescribed ranges.

The cost of other marketable securities, government bonds and private sector bonds, together with accrued interests were approximately equal to their market value.

Non-current financial assets available-for-sale

Financial assets held to maturity	4.940.978	2.079.721
Unconsolidated investments	21.370	17.343
Other investments	11.707	11.757
	4.974.055	2.108.821

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Unquoted investments whose fair value cannot be measured reliably are carried at cost and classified as available-for-sale investment securities.

Entity	Country	Share %		Amount	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
Unconsolidated investments					
Zorlu USA Inc.	USA	100%	100%	116	116
ZFS Financial Services Ireland Limited	Ireland	100%	100%	488	488
Zorlu Enerji ve İnşaat Sanayi ve Ticaret A.Ş.	Turkey	95%	95%	1.000	1.000
Zorlu Hometeks A.Ş.	Turkey	100%	100%	7.000	7.000
Tasfiye Halinde Zorlu İnşaat Endüstrisi Enerji Tesisleri Sanayi ve Ticaret A.Ş.	Turkey	--	100%	--	950
Zorlu OMR Ltd.	Russia	100%	100%	5.000	5.000
Zorlu O&M Pakistan Ltd.	Pakistan	100%	100%	242	242
Vestel Elektronika SRL	Romania	100%	100%	1.778	1.778
Vestel Ventures Arge A.Ş.	Turkey	100%	100%	6.290	1.776
Uts-United Technical Services, S.R.O	Slovakia	100%	100%	6	6
Other				1.228	765
				23.148	19.121
Vestel Elektronika SRL	Romania			(1.778)	(1.778)
				21.370	17.343
Other investments					
Buseb A.Ş.	Turkey	10%	10%	392	392
Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş.	Turkey	2%	2%	272	272
Sichuan Zorluteks Yinhua Co. Ltd.	China	10%	10%	3.123	3.123
Intermar Ticaret Pazarlama Turizm Sanayi A.Ş.	Turkey	16%	16%	7.402	7.402
Other				518	568
				11.707	11.757
Financial assets held to maturity				4.940.978	2.079.721
				4.974.055	2.108.821

As of the financial position dates, the companies listed under "equity investments" and "unconsolidated investments" in which the Group has controlling interest or significant influence are not consolidated or equity accounted as they are immaterial individually and in aggregate to the results and financial position of the Group.

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The movement of unconsolidated investments is given below:

	31.12.2016	31.12.2015
Opening balance, 01.01	17.343	17.839
Additions	4.977	477
Disposals(-)	(950)	(973)
Closing balance, 31.12	21.370	17.343
8. TRADE RECEIVABLES		
Current		
Trade receivables		
- Third parties	3.057.404	3.170.027
- Related parties, note 30	305.654	121.409
Notes receivable		
- Third parties	375.258	549.288
- Related parties, note 30	2.496	10.608
	3.740.812	3.851.332
Unearned interest on receivables (-)		
- Third parties	(32.638)	(35.092)
- Related parties, note 30	(1.211)	(631)
Allowance for doubtful receivables (-)	(230.984)	(259.251)
	3.475.979	3.556.358
Non-current		
Trade receivables		
- Third parties	119.698	2.190
- Related parties, note 30	4.501	1.018
Notes receivable		
- Third parties	19.170	164.775
	143.369	167.983
Unearned interest on receivables (-)		
- Related parties, note 30	(169)	(14)
- Third parties	(2.459)	(7.443)
	140.741	160.526

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Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

Movement in the allowance for doubtful receivables is as follows:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Opening balance, 01.01	259.251	150.626
Charge for the year	33.785	118.713
Doubtful receivables written-off	(48.784)	--
Amounts utilized during the year (-)	(15.132)	(10.302)
Translation differences	1.864	363
Disposal of subsidiary	--	(149)
Ending balance, 31.12	230.984	259.251

9. RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31.12.2016	31.12.2015
Current		
Domestic factoring receivable	53.971	95.957
Other factoring receivable	125.373	74.906
Unearned interest (-)	(1.674)	(3.534)
	177.670	167.329

The company had received cheques and notes receivable amounting to TL 121.524 (2015: TL 157.776) in exchange of factoring receivables.

The company had received guarantees amounting to TL 1.892.641 (2015: TL 1.655.390) as collateral for receivables from sector operations.

10. PREPAID EXPENSES AND DEFERRED INCOME

	31.12.2016	31.12.2015
Current		
Prepaid expenses	62.815	61.671
Advances given to third parties	47.116	76.963
Advances given to related parties, note 30	46.216	--
	156.147	138.634
Non-current		
Prepaid expenses	194.447	152.897
Advances given	111.950	57.243
	306.397	210.140
Deferred income		
Advances received from third parties	101.845	220.640
Advances received from related parties, note 30	31	656
	101.876	221.296

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

11. DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2016			31.12.2015		
	Contract amount	Fair values		Contract amount	Fair values	
Asset		Liability	Asset		Liability	
Held for hedging						
Interest rate swaps	1.191.396	--	31.609	799.814	--	65.795
Currency forwards	1.503.127	106.528	--	1.466.555	37.596	344
Held for trading						
Currency forwards	6.973.941	66.656	235.398	2.957.657	37.190	11.923
Cross foreign currency swaps	380.827	--	91.741	1.325.489	2.906	150.194
Interest rate swaps	2.901.963	322	11.410	2.686.115	--	20.325
	12.951.254	173.506	370.158	9.235.630	77.692	248.581

12. OTHER RECEIVABLES

Due from related parties, note 30	4.486.809	3.410.519
VAT receivables	208.895	314.019
Deposits and guarantees given	34.112	37.193
Due from personnel	3.237	2.618
Other receivables	56.707	35.313
	4.789.760	3.799.662

13. OTHER ASSETS

	31.12.2016	31.12.2015
Current		
VAT receivable	173.413	144.747
Other	10.293	15.328
	183.706	160.075
Non-current		
VAT receivable	29.365	41.342
Tangible fixed assets and stocks on resale	7.444	11.226
	36.809	52.568

Zorlu Holding A.Ş.

Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

14. INVENTORIES

Raw and auxiliary materials	912.246	1.104.718
Work in process	112.983	253.590
Finished goods and merchandise	1.250.817	1.294.247
Other	26.113	21.445
	2.302.159	2.674.000
Provision for diminution in value of inventories (-)	(28.501)	(27.004)
	2.273.658	2.646.996

Movement in the diminution in value of inventories is as follows:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Opening balance, 01.01	27.004	28.336
Charge for the year	5.458	11.815
Amounts utilized during the year (-)	(7.105)	(13.378)
Translation difference	3.144	231
Ending balance, 31.12	28.501	27.004

15. PROPERTY, PLANT AND EQUIPMENTS

	2015	Additions	Disposals	Addition of subsidiary	Translation differences	Transfer	2016
Cost							
Land and buildings	1.896.844	116.429	(7.781)	66.613	98.043	37.339	2.207.487
Machinery and equipment	5.600.164	630.240	(294.448)	8.434	330.646	101.866	6.376.902
Motor vehicles	23.925	5.006	(849)	88	238	--	28.408
Leasehold improvements	328.603	14.379	(1.256)	--	249	117.730	459.705
Furniture and fixtures	451.149	40.759	(2.154)	99	2.943	11.555	504.351
Construction in progress	1.237.654	452.662	--	--	348.829	(270.410)	1.768.735
	9.538.339	1.259.475	(306.488)	75.234	780.948	(1.920)	11.345.588
Accumulated depreciation							
Land and buildings	280.474	105.394	(5.176)	--	16.991	--	397.683
Machinery and equipment	3.284.776	329.762	(102.892)	3.760	119.880	--	3.635.286
Motor vehicles	17.982	3.197	(764)	--	203	--	20.618
Leasehold improvements	144.626	19.979	(100)	--	125	--	164.630
Furniture and fixtures	311.723	45.092	(2.105)	43	2.244	--	356.997
	4.039.581	503.424	(111.037)	3.803	139.443	--	4.575.214
Net book value	5.498.758						6.770.374

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(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	2014	Additions	Disposals	Disposal of subsidiary	Translation differences	Transfer	2015
Cost							
Land and buildings	1.859.206	42.032	(2.495)	(84.000)	(3.100)	85.201	1.896.844
Machinery and equipment	4.986.044	165.452	(43.074)	(8.806)	58.712	441.836	5.600.164
Motor vehicles	32.100	2.347	(9.132)	(1.384)	(6)	--	23.925
Leasehold improvements	293.296	25.955	(2.542)	(821)	158	12.557	328.603
Furniture and fixtures	408.661	50.520	(7.750)	(8.684)	574	7.828	451.149
Construction in progress	1.140.409	673.749	--	(16)	(30.449)	(546.039)	1.237.654
	8.719.716	960.055	(64.993)	(103.711)	25.889	1.383	9.538.339
Accumulated depreciation							
Land and buildings	244.122	50.326	(564)	(12.786)	(624)	--	280.474
Machinery and equipment	3.026.350	307.900	(38.986)	(6.356)	(4.137)	5	3.284.776
Motor vehicles	16.901	3.356	(1.075)	(1.201)	1	--	17.982
Leasehold improvements	126.753	20.961	(2.542)	(612)	66	--	144.626
Furniture and fixtures	282.841	40.056	(4.270)	(7.214)	310	--	311.723
	3.696.967	422.599	(47.437)	(28.169)	(4.384)	5	4.039.581
Net book value	5.022.749						5.498.758

The Group's policy is to trace all material and significant fixed asset additions under construction in progress and transfer to the related fixed asset accounts when the construction process is completed. As of 31.12.2016 "Construction in Progress" account for new investments in tangible fixed assets amounted to TL 1.768.735 (2015: TL 1.237.654) which was broken down as follows:

	31.12.2016	31.12.2015
Energy segment	1.664.972	1.133.961
Textile segment	1.163	985
Holding segment	94.660	96.257
White goods segment	7.832	5.670
Other segment	108	781
	1.768.735	1.237.654

Energy segment

- Construction of one 340 MW energy power plants by Rosmiks LLC in Russia amounting to TL1.091.054 (2015: TL 740.237).
- Investments in progress amounted to TL 406.567 by Zorlu Doğal (2015: TL 118.179) and TL 103.279 by Zorlu Endüstriyel (2015: TL 15.437) in Kızıldere for increasing capacity of power stations. Investments in hydroelectric power stations amounting to TL 13.234 (2015: TL 32.572) and investments in thermal and wind power stations amounting to TL38.676 (2015: TL 208.201) and other investments amounting to TL 11.282 (2015: TL 3.798).
- As of 31.12.2016 investments for installation of natural gas pipelines in Lüleburgaz, Edirne, Çerkezköy, Kırklareli and Tekirdağ by Trakya Gaz and in Gaziantep by Gaziantep Gaz totalled TL 880 (2015: TL 15.537).

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Textile segment

- Investments by Korteks and Zorluteks for modernization of textile factories in Lüleburgaz and Bursa totalling TL 1.163 (2015: TL 985).

Holding segment

- Investments by Zorlu Holding in Zincirlikuyu/Istanbul relates to construction of building amounting to TL 94.660 (2015: TL 96.257).

White goods segment

- Investments by Vestel Group of companies relate to modernization of white goods production facilities in Manisa amounting to TL 7.832 (2015: 5.670 TL).

The financing expenses capitalized under construction-in-progress during 2016 totalled TL 34.839 (2015: TL 72.203)

The guarantees given to secure bank loans are set out in note 26.

Leased assets comprise plant and machinery and furniture and fixtures are amounting to TL 96.569 (2015: TL 62.832) net of accumulated depreciation.

16. INTANGIBLE ASSETS

	2015	Additions	Disposals	Addition of subsidiary	Translation difference	Transfers	2016
Cost							
Goodwill	423.288	--	--	--	--	--	423.288
Wind energy production rights	20.483	--	--	--	--	--	20.483
Hydroelectric energy production rights	748.519	--	--	--	--	--	748.519
Thermal energy production rights	211.896	--	--	--	--	--	211.896
Development cost	571.104	117.065	(2.377)	--	--	--	685.792
Other rights	96.736	21.516	(374)	171	414	1.290	119.753
Other intangible assets	131.972	25.484	--	--	289	630	158.375
	2.203.998	164.065	(2.751)	171	703	1.920	2.368.106
Accumulated depreciation							
Wind energy production rights	6.289	819	--	--	--	--	7.108
Hydroelectric energy production rights	157.849	19.120	--	--	--	--	176.969
Thermal energy production rights	44.034	5.951	--	--	--	--	49.985
Development cost	274.424	77.493	(1)	--	--	--	351.916
Other rights	68.795	1.212	(200)	79	403	--	70.289
Other intangible assets	83.434	4.666	--	--	161	--	88.261
	634.825	109.261	(201)	79	564	--	744.528
Net book value	1.569.173						1.623.578

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(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

	2014	Additions	Disposals	Unconsolidated subsidiary	Translation difference	Transfers	2015
Cost							
Goodwill	423.288	--	--	--	--	--	423.288
Wind energy production rights	20.483	--	--	--	--	--	20.483
Hydroelectric energy production rights	748.519	--	--	--	--	--	748.519
Thermal energy production rights	211.896	--	--	--	--	--	211.896
Development cost	457.212	112.930	(418)	--	--	1.380	571.104
Other rights	88.378	11.073	(193)	--	276	(2.798)	96.736
Other intangible assets	107.421	24.770	(118)	(219)	83	35	131.972
	2.057.197	148.773	(729)	(219)	359	(1.383)	2.203.998
Accumulated depreciation							
Wind energy production rights	5.470	819	--	--	--	--	6.289
Hydroelectric energy production rights	132.356	25.493	--	--	--	--	157.849
Thermal energy production rights	36.100	7.934	--	--	--	--	44.034
Development cost	215.825	58.599	--	--	--	--	274.424
Other rights	53.301	15.252	(19)	--	266	(5)	68.795
Other intangible assets	75.893	7.579	(13)	(83)	58	--	83.434
	518.945	115.676	(32)	(83)	324	(5)	634.825
Net book value	1.538.252						1.569.173

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17. BORROWINGS

	Foreign Currency		TL Amount	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Current				
-USD ('000)	1.542.945	1.445.762	5.429.932	4.203.698
-EUR ('000)	234.234	123.577	868.985	392.678
-CHF ('000)	--	693	--	2.028
-TL	2.464.244	1.595.444	2.464.244	1.595.444
-PKR ('000)	147.236	143.328	4.928	3.953
Bond issued				
- TL	542.054	379.292	542.054	379.292
Finance leases				
-USD ('000)	6.657	3.399	23.427	9.883
-EUR ('000)	1.087	205	4.033	652
			9.337.603	6.587.628
Non-current				
-USD ('000)	1.689.078	1.606.579	5.944.203	4.671.289
-EUR ('000)	279.472	284.959	1.036.813	905.486
-TL	1.502.236	1.066.666	1.502.236	1.066.666
-PKR ('000)	860.173	952.864	28.790	26.280
Bond issued				
- TL	265.527	415.196	265.527	415.196
Finance leases				
-USD ('000)	24.034	14.012	84.580	40.742
-EUR ('000)	2.256	269	8.370	856
			8.870.519	7.126.515

As disclosed in the material event disclosure dated 28 May 2015, it has been announced that application has been approved for issuing debt instruments not exceeding TL 356.224 having 1 to 3 years term, in various dates, in 1 year, without public offering, by way of sale to qualified investors, after notification of the debt instrument document. In this regard, sale transactions of the changeable interest bearing bonds totally amount of TL 233.500, in the amount of TL 88.900 and having 546 days term and also in the amount of TL 50.600 and having 1.092 days term was completed on 20 August 2015 and in the amount of TL 23.450 and having 569 days term and also in the amount of TL 16.550 and having 1.024 days term was completed on 27 October 2015 and in the amount of TL 54.000 and having 727 days term was completed on 3 February 2016 by way of sale to qualified investors without public offering. Additionally, sale transactions of the changeable interest bearing bonds totally amount of TL 106.000, in the amount of TL 50.000 and having 455 days term was completed on 4 August 2016 and in the amount of TL 56.000 and having 371 days term was completed on 27 October 2016.

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Issuance of lease certificate with the nominal value of TL100 million having due date of 17 March 2020 and payment term on every three months, without public offering has been completed as of 24 March 2015 by the Company.

Rotor, one of the subsidiaries of Zorlu Enerji, has signed a long term loan agreement with the consortium of a group of financial institutions amounting EUR130 million as of 8 May 2009 related to the 135 MW electricity production powerplant located in Osmaniye.

As of 26 October 2011, Zorlu Enerji Pakistan Ltd. subsidiary of Zorlu Enerji, signed a long term loan agreement with International Finance Corporation ("IFC"), the Asian Development Bank ("ADB"), Eco Trade and Development Bank ("ECO") and local consortium leader Habib Bank Limited ("HBL") amounting USD111 million with a maturity of up to 12 years for financing of its wind energy power plant with a capacity of 56.4 MW in Pakistan/Jhimpir established in Jhimpir, the Sindh region of Pakistan.

As disclosed in the material event disclosure dated 27 October 2015, a loan agreement amounting to USD815 million (USD785 million in cash and USD30 million in non-cash) and having a 14 years term has been signed on 27 October 2015 between Zorlu Doğal, Akbank A.Ş., Türkiye Garanti Bankası A.Ş., Türkiye İş Bankası A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş. for refinancing of the existing debts and in order to use the investment in the Kızıldere III geothermal power plant, which is planned to be incorporated in Denizli, for financing. As of 31 December 2016, in the extent of this purchase and investment, Zorlu Doğal has obtained USD 732,5 million.

Zorlu Jeotermal Enerji Elektrik Üretimi A.Ş., 100% owned subsidiary of Zorlu Enerji has been signed a long term loan agreement (14 years) on 25 November 2013 with Yapı Kredi A.Ş. which will provide a fund up to USD113 million in order to finance the geothermal powerplant project with the capacity of 45 MW that will be established in Alaşehir, Manisa. After the capacity increase from 30 MW to 45 MW, pursuant to the material disclosure dated 24 June 2015, the loan amount was increased from USD113 million to USD148 million. There aren't any changes in other terms of the loan. In this respect, Zorlu Jeotermal has obtained USD148 million as of 31 December 2016.

As of 29 June 2015, Gazdaş and Trakya have signed a loan agreement to finance infrastructure investments, between Akbank T.A.Ş. and Yapı ve Kredi Bankası A.Ş. amounting to USD 102 million and USD 114 million respectively, with a maturity of 12 years.

Pursuant to the material disclosure dated 24 November 2014, Zorlu Rüzgar, which is 100% subsidiary of the Company, signed two loan agreements amounting to EUR 40 million with Türkiye Sınai Kalkınma Bankası and EUR41.3 million with Bayerische Landesbank as a part of ECA financing with German Trade Finance Agency (Euler Hermes) contribution, in order to finance Saritepe and Demirciler wind power plant projects which are planned to established in Bahçe/Osmaniye and to have 80.3 MW installed capacity. Maturity of the loan that has been obtained from Türkiye Sınai Kalkınma Bankası is 12 years, with non-repayable period of 2 years and maturity of the loan that has been obtained from Bayerische Landesbank is 15.5 years, with non-repayable period of 1.5 years. Zorlu Rüzgar has obtained EUR80.6 million as of 31 December 2016.

As of 23.07.2014, Zorlu Holding obtained a loan from syndication headed by Türkiye Garanti Bankası A.Ş. amounting to USD 395 million and EUR 15 million. The maturity of the loan is six years with a non-repayable period of 24 months. As of 31 December 2016 the loan amounts to USD 307 million and EUR 12 million was received.

Korteks Mensucat Sanayi ve Ticaret A.Ş. has completed sale transaction of the floating rate bonds, with coupon-paid every 3 months and the principal-paid at maturity, which have a due date of 910 days and a nominal value of TL 92.450 on 29 September 2014, with a due date of 910 days and a nominal value of TL 86.560 on 18 February 2015 and with a due date of 364 days and a nominal value of TL58.000 and with a due date of 728 days and a nominal value of TL 42.000 on 28 March 2016 and nominal value of TL 55.000 and with a due date of 460 days and a nominal value of TL 25.000 and with a due date of 730 days on 17 August 2016.

The Group obtained spot loans from various financial institutions with a maturity between 1 to 3 years. As of 31 December 2016, the Group's short term borrowings amounted of TL 1.960.661, long term spot loans amounted to TL 240.294. The annual interest rate varies between 14,95% and 18,40% for TL loans and between 5,67% and 7,18% for foreign currency loans.

As of 31 December 2016, Eximbank loans in short term borrowings amounted to TL 129.432 (EUR 33.821 thousand, USD 1.125 thousand) with an average interest rate of 5,61% for EUR and 6,40% for USD.

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As of 31 December 2016, Eximbank loans in long term borrowings amounted to TL 8.791 (USD 2.498 thousand) with an average interest rate of 5,46% for USD loans.

The Group has contingent liabilities in respect of letters of guarantee obtained from local banks and submitted to various financial institutions (note 26).

Summary maturity schedule of total borrowings is given below:

	USD (‘000)	EUR (‘000)	CHF (‘000)	PKR (‘000)	TL	TL equivalent
31.12.2016						
Due in one year	1.542.945	234.234	--	147.236	3.006.298	9.310.143
One to two years	631.886	160.427	--	204.963	1.434.952	4.260.713
Two to three years	392.628	30.503	--	110.481	159.728	1.658.325
Three to four years	194.378	21.946	--	110.716	71.330	840.508
Four to five years	95.317	14.333	--	87.125	32.775	424.305
Over five years	374.869	52.263	--	346.888	68.978	1.593.718
	3.232.023	513.706	--	1.007.409	4.774.061	18.087.712
	USD (‘000)	EUR (‘000)	CHF (‘000)	PKR (‘000)	TL	TL equivalent
31.12.2015						
Due in one year	1.445.762	123.577	693	143.328	1.974.736	6.577.093
One to two years	578.891	159.596	--	252.183	1.043.510	3.240.781
Two to three years	367.975	35.854	--	109.561	159.188	1.346.063
Three to four years	177.298	23.022	--	105.524	81.228	672.805
Four to five years	142.690	21.225	--	108.589	78.464	563.789
Over five years	339.725	45.262	--	377.007	119.472	1.261.479
	3.052.341	408.536	693	1.096.192	3.456.598	13.662.010

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18. PAYABLES FROM FINANCE SECTOR OPERATIONS

	31.12.2016	31.12.2015
Current		
Borrowings received	103.402	134.438
Finance bonds	142.793	118.020
	246.195	252.458

The interest rates of the spot loans vary between 6,10% and 12,20% (2015: 5,55% and 11,80%).

Zorlu Faktoring has completed sale transaction of four finance bond, which have a due date of 546 days and nominal value of TL 35.000, TL 22.000, due date of 455 days and nominal value of TL 34.000 and due date of 364 days and nominal value of TL 50.000 respectively on 9 October 2015, 18 December 2015, 18 April 2015 and 10 November 2015.

19. TRADE PAYABLES

	31.12.2016	31.12.2015
Current		
Trade payables		
- Third parties	5.036.752	6.027.346
- Related parties, note 30	33.946	34.691
Notes payables		
- Third parties	1.566	1.961
Other	11.085	125
	5.083.349	6.064.123
Unearned interest on payables (-)		
- Third parties	(7.010)	(7.658)
- Related parties, note 30	(110)	(204)
	5.076.229	6.056.261
Non-current		
Third parties	6.229	--

20. OTHER LIABILITIES

Current		
Taxes payable	94.962	97.468
Other	125.206	73.622
	220.168	171.090
Non-current		
Deposits received from natural gas customers	195.101	155.600
Deposits and guarantees received	95	95
Deferred income	99	199
	195.295	155.894

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21. PROVISION FOR EXPENSES

	31.12.2016	31.12.2015
Current		
Provision for share of TRT	450	448
Legal claims	32.415	27.786
Warranty provisions	147.020	112.730
Other provisions	108.332	69.603
	288.217	210.567
Non-current		
Warranty provisions	76.797	33.148

Movement of provisions is as follows:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Opening balance, 01.01	243.715	166.368
Additions	187.771	300.409
Disposals (-)	(66.472)	(223.062)
Ending balance, 31.12	365.014	243.715

22. TAXATION ON INCOME

a. Current taxation

In Turkey, the corporation tax rate on the profits for the calendar year 2016 is 20% (2015: 20%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

In Turkey no taxes are withheld from undistributed profits, profits added to share capital (bonus shares) and dividends paid to other resident companies. Other than those, profits distributed in dividend to individuals and non-resident companies are subject to withholding at the rate of 15%.

In Turkey, the tax legislation does not permit a parent company and its affiliates to file a consolidated tax return. Therefore, provision for taxation charge, as reflected in the accompanying consolidated financial information, has been calculated on a separate-entity basis.

The exemption period granted on profits from the sale of investment shares and immovable property by Corporation Tax Law transitory articles No. 28 and 29 expired on 31 December 2004. However this exemption was re-enacted by Law No. 5281 on permanent basis in effect from 1 January 2005. Accordingly, 75% of profits from the sale of investments and immovable's held for a minimum of two years will be tax exempt provided the sale proceeds are collected within two years and 75% of the profit is added to share capital or is kept in a special reserve account for a minimum of five years.

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In Turkey companies were allowed to deduct 40% of the value of fixed assets (exceeding TL 6.000) purchased after 24 April 2003 (investment allowances) from their taxable profits as investment incentive. Such investment deduction is also not subject to income tax withholding. The investment deductions not used in any year because of insufficient profits may be carried to future periods. Investment allowances related to fixed assets purchased or to be purchased under Investment Incentive Certificates granted or applied for before 24 April 2003, may be based on up to 100% of the investment value in fixed assets, but these are subject to tax at 19.8%. Investment allowances have been cancelled as from 1 January 2006 but investment allowances earned prior to this date may be used up to 31 December 2008; any balance unused after this date may not be carried forward; if this option is exercised the balance of taxable profit after deduction of investment allowances is to be taxed at 30%.

Tax losses that are reported in the Corporation Tax in Turkey return may be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

The Turkish Tax Procedural Law does not include a procedure for formally agreeing tax assessments. Tax returns must be filed within three and half months of the year-end and may be subject to investigation, together with their underlying accounting records, by the tax authorities at any stage during the following five years.

A reconciliation of the Group's tax provision on the financial position is as follows:

	31.12.2016	31.12.2015
Corporation tax payable	37.925	73.810
Prepaid tax	(32.593)	(26.018)
	5.332	47.792
Deferred tax assets	(420.114)	(255.377)
Deferred tax liabilities	42.708	77.415
	(372.074)	(130.170)

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b. Deferred taxation

The Group recognizes deferred tax assets and liabilities based upon temporary differences between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

The composition of cumulative temporary differences and the related deferred tax assets/liabilities in respect of items for which deferred tax has been provided at the balance sheet dates using the expected future tax rates were as follows:

	Deferred tax assets		Deferred tax liabilities		Net	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Temporary differences arising						
from restating non-monetary assets	160.151	117.922	201.532	203.976	(41.381)	(86.054)
Employee termination benefits	26.668	26.433	--	--	26.668	26.433
Provision for diminution in value of Inventories	3.071	3.399	--	--	3.071	3.399
Provision for doubtful receivables	28.155	37.584	303	160	27.852	37.424
Taxable losses carried forward	130.159	134.703	--	--	130.159	134.703
Unearned interests, net	56.982	11.023	11.396	3.122	45.586	7.901
Interest swaps	2.978	38.156	--	--	2.978	38.156
Forward expense accruals	46.397	25	341	13.340	46.056	(13.315)
Warranty expense	22.290	18.218	--	--	22.290	18.218
Other	126.840	66.012	12.713	54.915	114.127	11.097
	603.691	453.475	226.285	275.513	377.406	177.962
Net-off (-)	(183.577)	(198.098)	(183.577)	(198.098)	--	--
Net deferred tax assets/ (liabilities)	420.114	255.377	42.708	77.415	377.406	177.962

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Movement of deferred tax liability is given below:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Opening balance, 01.01	177.962	74.757
Charge for the year	138.418	90.565
Actuarial gain/loss	837	(5.505)
Financial derivative instruments deferred tax effect due to cash flow hedging	63.287	24.315
Translation differences	(3.098)	(8.770)
Disposal of subsidiary	--	2.600
Ending balance, 31.12	377.406	177.962

23. EMPLOYEE TERMINATION BENEFITS

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

The amount of indemnity is the equivalent of one month's salary for each year of service subject to a ceiling which is TL 4.297,21 as of 31.12.2016 (2015: TL 4.092,53) on historical cost basis.

In the accompanying consolidated financial statements, the Group reflected a liability for termination benefits based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted to present value at the balance sheet date by using average market yield, expected inflation rates and an appropriate discount rate (2016:4,72% - 2015:4,72%).

The Group has no other obligation for employee termination other than the retirement pay above.

Movement of reserve for retirement pay is given below:

	31.12.2016	31.12.2015
Opening balance, 01.01	133.971	140.784
Service cost	29.944	33.457
Actuarial gain/loss	4.186	(27.527)
Interest expense	13.140	12.960
Repayments (-)	(31.106)	(23.815)
Disposal of subsidiary	--	(1.888)
Ending balance, 31.12	150.135	133.971

Number of personnel employed at years end:

White goods and electronics	15.371	15.690
Textile	4.793	4.607
Energy	992	899
Holding	287	267
Other	96	120
	21.539	21.583

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Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

24. EQUITY

a) Share capital

As of financial position dates the paid-in capital of the Company is TL 3.325.000 consisting of 3.325.000.000 ordinary shares of par value TL 1 each.

The shareholders of the Company and their percentage shareholdings are as follows:

	Shareholding percentage %		Shareholding amount	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Ahmet Nazif Zorlu	47%	47%	1.562.750	1.482.850
Olgun Zorlu	32%	32%	1.064.000	1.009.600
Zeki Zorlu	15%	15%	498.750	473.250
Other shareholders	6%	6%	199.500	189.300
	100%	100%	3.325.000	3.155.000

b) Adjustment to share capital ("inflation adjustment of share capital")

Adjustment to share capital (restated to 31.12.2004 purchasing power of money) is the difference between restated share capital and historical share capital.

	31.12.2016	31.12.2015
Adjustment to share capital	446.109	446.109

c) Revaluation fund

Increases of carrying amounts as a result of revaluations recognised directly in the equity are followed in the headings below.

Revaluation of electric production rights	282.450	286.157
---	----------------	----------------

d) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet affected profit or loss.

Hedging reserve	(237.650)	(31.375)
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e) Restricted reserves ("Legal reserves")

The legal reserves consist of first and second legal reserves set aside out of profits in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Legal reserves	200.331	133.141
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(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

25. GENERAL RESERVES

General reserves comprise legal reserves and retained earnings.

Under the Turkish Commercial Code, the Group is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

- First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid up share capital.
- Second legal reserve, apportioned at the rate of at least 10% of distributions in excess of 5% of issued share capital, without limit. It may be used to absorb losses.

26. COMMITMENTS AND CONTINGENCIES

Contingent assets

	31.12.2016	31.12.2015
Obtained from customers and suppliers		
Letters of guarantee	745.932	583.368
Checks and notes	890.412	367.811
Mortgaged and guarantees received	2.073.786	1.071.762

Contingent liabilities

a. Letters of guarantee, checks and notes given

On behalf of incorporated body	2.136.518	837.412
On behalf of consolidated subsidiaries	14.768.991	13.753.938
On behalf of other Zorlu Group of companies	73.125	303.310
On behalf of third parties	177.940	44.328

17.156.574 **14.938.988**

b. Court cases started by the Group and pending as of 31 December 2016 amounted to TL 70.318 (31 December 2015: TL 39.475) and as of the same date court cases started and pending against the Group amounted to TL 1.274 (31 December 2015: TL 3.978).

c. As of 31 December 2016, Zorlu Holding A.Ş. guaranteed the bank loan amounting to USD 81,7 million and EUR 328,35 million between Zorlu Yapı Yatırım A.Ş. and Akbank A.Ş..

d. As of 31 December 2016, Zorlu Holding A.Ş. guaranteed the bank loan amounting to USD 270 million between Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş. and Finansbank A.Ş.

e. Zorlu Holding is guarantor for Zorlu Doğal's investment loan from Akbank T.A.Ş and Türkiye Garanti Bankası A.Ş, Türkiye İş Bankası A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş. amounting USD 572,5 million, Zorlu Jeotermal's investment loan from Yapı ve Kredi A.Ş. amounting to USD 144,2 million, Rotor's investment loan from various financial institutes amounting to EUR 79,8 million and Zorlu Rüzgar's investment loan from Türkiye Sınai Kalkınma Bankası and Bayerische Landesbank amounting to EUR 45,7 million.

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Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

f. Derivatives

As of 31 December 2016, the Group has entered in forward exchange contracts amounting to EUR 398.335 thousand, USD 1.296.145 thousand, CHF 178.366 thousand, GBP 49.227 thousand, RON 24.978 thousand, PLN 80.211 thousand and TL 1.523.431, on a fixed amount USD 1.016.871 thousand, EUR 536.456 thousand, GBP 83.445 thousand, CHF 178.600 thousand, RUB 845.977 thousand, RON 24.978, PLN 79.852, SEK 12.811 and TL 1.682.263.

As of 31 December 2016, the Group has entered in options contracts amounting to TL 355.140 thousand and USD 462.000 thousand on a fixed amount, TL 1.394.726 thousand and USD 112.300 thousand.

27. NATURE OF EXPENSES

Nature of expenses consists of cost of sales, selling, general and administrative expenses.

	01.01.- 31.12.2016	01.01.- 31.12.2015
Direct materials and merchandise expenses	8.835.893	8.518.551
Changes in inventories	(19.892)	(42.446)
Personnel expenses	1.149.777	1.005.591
Depreciation and amortization expense	601.094	532.805
Warranty expenses	290.362	263.096
Freight and freight insurance	193.984	226.569
Outsourcing expenses	169.999	83.410
Energy expenses	117.152	154.775
Advertising expenses	102.029	90.144
Repair and maintenance expenses	62.564	46.262
Exhibition expenses	27.051	21.306
Other	1.304.132	1.173.933
	12.834.145	12.073.996

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(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

28. OTHER INCOME AND OTHER EXPENSE

Provisions released	17.224	5.060
Profit on sale of property, plant and equipment	14.928	18.182
Income on insurance claims	3.432	2.219
Scrap sales income	678	2.372
Other	84.343	88.066
Other income	120.605	115.899
Doubtful provision	33.785	115.653
Idle capacity depreciation expenses	11.591	5.470
Loss on sale of property, plant and equipment	6.756	2.046
Loss on sale of investment	54	165
Idle capacity expenses	--	476
Other	37.585	65.673
Other expense	89.771	189.483

29. FINANCING INCOME AND FINANCING EXPENSE

	01.01.- 31.12.2016	01.01.- 31.12.2015
Foreign exchange gain	3.985.489	2.818.052
Interest income	758.236	987.347
Unearned interest on payables	29.128	48.208
Profit on derivative financial instruments	20.466	--
Dividend income	20.160	735
Financing income	4.813.479	3.854.342
Foreign exchange loss	5.005.707	4.203.355
Interest expense	1.388.695	1.413.615
Loss on derivative financial instruments	--	67.730
Bank commission expenses	56.587	89.523
Unearned interest on receivables	23.684	38.663
Other financial expenses	42.499	26.668
Financing expense	6.517.172	5.839.554

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(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

30. RELATED PARTY DISCLOSURE

These comprised the following:

The significant balances with related parties at period end are shown below:

31.12.2016	Trade receivables	Other receivables	Prepaid expenses	Trade payables	Deferred income	Other payables
Current						
Zorlu USA Inc.	88.744	--	--	--	--	--
Zorlu Hometeks A.Ş.	53	--	9.205	--	--	13.067
Zorlu Yapı Yatırım A.Ş.	821	2.881.557	--	349	--	--
Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş.	--	266.209	--	136	--	--
Zorlu Gayrimenkul Otelcilik İnşaat Taahhüt ve Turizm A.Ş.	5	163.043	--	--	--	--
Sichuan Zorluteks Yinhua Co. Ltd.	--	--	--	22.297	--	--
Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş.	1.951	958.063	13.457	--	--	--
Edeltech Ltd.	44.603	--	--	--	--	--
Zorlu O/M Pakistan	5.176	12.137	--	--	--	--
UTS- United Technical Services, Spol S.R.O.	13.915	--	--	--	--	--
Vestel Elektronika S.R.L.	8.341	--	--	--	--	--
Other related parties	144.541	205.800	23.554	11.164	31	64.655
	308.150	4.486.809	46.216	33.946	31	77.722
Unearned interest (-)	(1.211)	--	--	(110)	--	--
	306.939	4.486.809	46.216	33.836	31	77.722
Non-current						
Dorad Energy Ltd.	--	36.088	--	--	--	--
Solad Energy Ltd.	--	8.116	--	--	--	--
Ezotech Ltd.	--	97.452	--	--	--	--
Edeltech Ltd.	--	68.935	--	--	--	--
Other related parties	4.501	9.374	--	--	--	175.152
	4.501	219.965	--	--	--	175.152
Unearned interest (-)	(169)	--	--	--	--	--
	4.332	219.965	--	--	--	175.152

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Notes to Consolidated Financial Statements for the Year Ended 31 December 2016

(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

31.12.2015	Trade receivables	Other receivables	Prepaid expenses	Trade payables	Deferred income	Other payables
Current						
Zorlu USA Inc.	71.542	--	--	--	--	--
Zorlu Hometeks A.Ş.	--	--	--	1.978	--	595
Zorlu Yapı Yatırım A.Ş.	1.152	2.354.163	--	--	--	--
Zorlu Gayrimenkul Geliştirme ve Yatırım A.Ş.	--	186.578	--	1.963	--	--
Meta Nikel Kobalt Madencilik Sanayi ve Ticaret A.Ş.	1.806	557.288	--	--	--	--
Sichuan Zorluteks Yinhua Co. Ltd.	--	--	--	21.971	--	--
Passtel Gıda ve İhtiyaç Maddeleri Pazarlama İnşaat Mühendislik Turizm Sanayi ve Ticaret A.Ş.	--	36.409	--	--	--	--
Zorlu Gayrimenkul Otelcilik İnşaat Taahhüt ve Turizm A.Ş.	--	116.851	--	38	--	--
Dorad Energy Ltd.	--	67.175	--	--	--	--
Edeltech Ltd.	--	22.960	--	--	--	--
Edelcom Ltd.	--	9.788	--	--	--	--
Zorlu OM Pakistan Ltd.	8.092	1.897	--	--	--	--
UTS- United Technical Services, Spol S.R.O.	9.025	--	--	--	--	--
Vestel Elektronika S.R.L.	12.226	--	--	--	--	--
Other related parties	28.174	57.410	--	8.741	656	862
	132.017	3.410.519	--	34.691	656	1.457
Unearned interest (-)	(631)	--	--	(204)	--	--
	131.386	3.410.519	--	34.487	656	1.457
Non-current						
Edeltech Ltd.	--	57.339	--	--	--	--
Dorad Energy Ltd.	--	32.704	--	--	--	--
Ezotech Ltd.	--	80.516	--	--	--	--
ZFS Financial Services Ireland Limited	--	45.877	--	--	--	--
Solad Energy Ltd.	--	6.705	--	--	--	--
Zorlu Enerji ve İnşaat Sanayi ve Ticaret A.Ş.	1.018	--	--	--	--	1.508
Other related parties	--	--	--	--	--	166.407
	1.018	223.141	--	--	--	167.915
Unearned interest (-)	(14)	--	--	--	--	--
	1.004	223.141	--	--	--	167.915

Key management includes directors, the Chairman of Board of Directors, general managers and assistant general managers. The compensation paid to key management for the year ended 31.12.2016 TL 62.275 (31.12.2015: TL 57.314).

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31. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result both from its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimizing the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized at the balance sheet date.

Credit risk concerns the risk that a loss will be suffered by a party due to the reason that the other party to the transaction is unable to meet its obligations.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group management considers that all the financial assets shown above under paragraph liquidity risk that are not impaired for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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As of financial position dates, the Group's exposure to credit risk is as summarised below:

31.12.2016	Receivables				Factoring receivables	Bank amounts	Derivative instruments	Other
	Trade receivables		Other receivables					
	Related Parties	Third parties	Related parties	Third parties				
Secured portion of maximum credit risk with collateral	--	--	--	--	--	--	--	--
A. Carrying amount of financial assets that are not overdue and not impaired	311.271	2.694.509	4.706.774	304.482	177.670	3.446.738	173.506	366.478
B. Financial assets with renegotiated conditions	--	128.776	--	--	--	--	--	--
C. Carrying amount of assets that are overdue but not impaired	--	482.164	--	--	--	--	--	--
- Carrying amount secured with collateral	--	155.873	--	--	--	--	--	--
D. Carrying amount of assets that are impaired	--	--	--	--	--	--	--	--
-Overdue (gross carrying amount)	--	243.562	--	89.376	11.600	--	--	--
-Impairment	--	(230.984)	--	(89.376)	(11.600)	--	--	--
-Carrying amount secured with collateral	--	12.578	--	--	--	--	--	--
Total risk as of 31.12.2016	311.271	3.305.449	4.706.774	304.482	177.670	3.446.738	173.506	366.478

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31.12.2015	Receivables								
	Trade receivables		Other receivables		Factoring receivables	Bank amounts	Derivative instruments	Other	
	Related Parties	Third parties	Related parties	Third parties					
Secured portion of maximum credit risk with collateral	--	--	--	--	--	--	--	--	--
A. Carrying amount of financial assets that are not overdue and not impaired	132.390	3.112.133	3.633.660	406.480	167.217	1.067.881	77.692	68.499	
B. Financial assets with renegotiated conditions	--	119.680	--	--	112	--	--	--	--
C. Carrying amount of assets that are overdue but not impaired	--	352.681	--	--	--	--	--	--	--
- Carrying amount secured with collateral	--	352.681	--	--	--	--	--	--	--
D. Carrying amount of assets that are impaired	--	--	--	--	--	--	--	--	--
-Overdue (gross carrying amount)	--	270.416	--	89.376	9.888	--	--	--	--
-Impairment	--	(259.251)	--	(89.376)	(9.888)	--	--	--	--
-Carrying amount secured with collateral	--	11.165	--	--	--	--	--	--	--
Total risk as of 31.12.2015	132.390	3.584.494	3.633.660	406.480	167.329	1.067.881	77.692	68.499	

While measuring the maximum credit risk exposed, guarantees which increase the credibility of the Group are not taken into consideration.

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As of the financial position dates, aging of overdue trade receivables is given below:

	31.12.2016	31.12.2015
	Trade receivables	Trade receivables
Not more than 30 days	176.670	82.204
Within 1 month to 3 months	103.964	132.533
Within 3 months to 12 months	110.906	101.436
Within 1 year to 5 years	89.448	34.980
More than 5 years	1.176	1.528
Total	482.164	352.681

Foreign currency risk

The majority of the Group's transactions are carried out in Euros and US Dollars. Exposure to currency exchange rates arise from the Group's bank loans and due to related parties which are primarily denominated in US Dollars and Euros.

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group manages its currency exposure risk by organizing a balanced distribution between its foreign currency assets and commitments and by matching off the liabilities and receivables and its net currency position.

The net currency position of the Group as of 31.12.2016 and 31.12.2015 are shown below:

2016	USD	EUR	GBP	CHF	Other currencies TL equivalent	Total TL equivalent
Cash and cash equivalents	945.928	10.462	8	77.642	54.618	3.689.883
Investment securities	174.314	--	--	1.319.950	--	5.161.202
Trade receivables and other assets	1.360.510	303.150	1.088	3.023	313.047	6.240.724
Total foreign currency assets	2.480.752	313.612	1.096	1.400.615	367.665	15.091.809
Trade payables and other liabilities	1.043.810	84.186	17	12.342	16.117	4.044.411
Current borrowings	1.549.602	235.321	--	--	4.928	6.331.305
Non-current borrowings	1.713.112	281.728	--	--	28.790	7.102.756
Total foreign currency liabilities	4.306.524	601.235	17	12.342	49.835	17.478.472
Derivatives						
Assets	1.296.145	398.335	49.227	178.366	87.935	6.954.259
Liabilities	(1.016.871)	(536.456)	(83.445)	(178.600)	(141.067)	(6.685.576)
	279.274	(138.121)	(34.218)	(234)	(53.132)	268.683
Net foreign currency position	(1.546.498)	(425.744)	(33.139)	1.388.039	264.698	(2.117.980)
Import	1.481.160	191.287	1	278	1.078	5.135.394
Export	775.204	1.099.274	7.182	1.138	250.356	7.009.262

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2015	USD	EUR	GBP	CHF	Other currencies TL equivalent	Total TL equivalent
Cash and cash equivalents	161.449	6.055	47	35.681	51.585	644.923
Investment securities	511.233	--	--	1.319.950	--	5.351.011
Trade receivables and other assets	1.838.196	386.379	1.305	697	318.040	6.898.190
Total foreign currency assets	2.510.878	392.434	1.352	1.356.328	369.625	12.894.124
Trade payables and other liabilities	1.550.586	78.215	135	14.069	38.762	4.837.554
Current borrowings	1.449.161	123.782	--	693	3.953	4.612.892
Non-current borrowings	1.620.591	285.228	--	--	26.280	5.644.653
Total foreign currency liabilities	4.620.338	487.225	135	14.762	68.995	15.095.099
Derivatives						
Assets	907.940	326.894	11.614	1.620	--	3.733.356
Liabilities	(739.208)	(589.057)	(39.097)	(2.297)	(6.793)	(4.202.771)
	168.732	(262.163)	(27.483)	(677)	(6.793)	(469.415)
Net foreign currency position	(1.940.728)	(356.954)	(26.266)	1.340.889	293.837	(2.670.390)
Import	1.991.292	196.466	5	109	1.087	6.010.746
Export	1.021.814	1.141.705	6.892	1.087	97.284	6.784.688

On basis of the above an increase of 10% in the foreign exchange rates against the Turkish Lira as of 31 December 2016 will amount to a loss of TL 211.798 (31.12.2015: TL 267.039) and a decrease will amount to profit of the same amount.

Interest rate risk

Interest rate risk arises because changes in interest rates may affect profitability as disclosed in financial statements.

The Group is subject to interest rate risk as a result of differences in balancing off the dates or timing differences related to assets and liabilities maturing or to be subjected to price revision. The Group manages its interest rate risk by applying risk management strategies whereby its strives to balance off the dates of changes in interest rates related to assets and liabilities.

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(All amounts in thousands of Turkish Lira ("TL") unless indicated otherwise.)

The Group's interest rate position is as follows:

	31.12.2016	31.12.2015
Fixed interest rate financial instruments		
Financial assets-time deposits		
- Time deposits	2.909.819	463.060
Financial liabilities		
- Borrowings	9.311.294	9.305.031
-Payables of factoring sector operations	246.195	252.458
Variable interest rate financial instruments		
Financial liabilities		
- Borrowings	8.896.828	4.409.112

As of balance sheet dates, the Group's annual effective interest rates are as follows:

2016 (%)	USD	EUR	GBP	TL
Assets				
Cash and cash equivalents	2,9%	0,3%	3,9%	10,3%
Trade receivables	0,2%	0,2%	--	10,5%
Liabilities				
Borrowings	6,1%	6,4%	--	12,9%
Trade payables	0,2%	--	--	10,5%
2015 (%)	USD	EUR	GBP	TL
Assets				
Cash and cash equivalents	1,1%	1,8%	--	11,5%
Trade receivables	0,4%	--	--	12,0%
Liabilities				
Borrowings	5,6%	6,5%	--	15,3%
Trade payables	0,4%	--	--	12,0%

As of 31.12.2016, if the variable interest rates of bank borrowing increased or decreased of +1% and -1% and if all other variables are held constant the result before tax would have been influenced favourably or unfavourably by TL 41.764 (31.12.2015: TL 17.401) for an increase and for a decrease in value of TL.

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Liquidity risk

Liquidity risk comprises the risk that the Group becomes unable to find its payment requirements.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30 day projection. Long-term liquidity needs for a 180 day and 360 day lookout period are identified monthly.

The breakdown of liabilities according to their contractual maturity is based on the maturity dates from the date of the balance sheet is given below:

31.12.2016	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
Bank loans	17.280.131	18.633.780	2.371.570	4.824.410	8.347.642	3.090.158
Bond issued	807.581	880.543	264.090	315.164	301.289	--
Finance sector operations	246.195	251.860	128.289	123.571	--	--
Financial lease liabilities	120.410	127.035	5.442	14.382	79.777	27.434
	18.454.317	19.893.218	2.769.391	5.277.527	8.728.708	3.117.592
Expected maturities						
Trade payables	5.082.458	5.089.578	3.183.915	1.905.663	--	--
Other payables	302.516	302.516	28.540	98.321	175.655	--
Other liabilities	415.463	415.463	220.168	--	195.295	--
	5.800.437	5.807.557	3.432.623	2.003.984	370.950	--
Derivative cash inflow	--	10.066.259	6.312.018	2.889.528	336.833	527.880
Derivative cash outflow	--	(10.147.887)	(6.376.027)	(2.891.349)	(352.631)	(527.880)
Derivative financial liabilities	196.652	(81.628)	(64.009)	(1.821)	(15.798)	--

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31.12.2015	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
Bank loans	12.867.522	14.321.523	1.794.770	4.941.741	6.195.746	1.389.266
Bond issued	794.488	794.488	--	379.292	415.196	--
Finance sector operations	252.458	252.508	128.937	123.571	--	--
Financial lease liabilities	52.133	56.057	2.478	7.425	38.968	7.186
	13.966.601	15.424.576	1.926.185	5.452.029	6.649.910	1.396.452
Expected maturities						
Trade payables	6.056.261	6.064.123	2.648.651	3.306.239	109.233	--
Other payables	181.732	181.732	12.259	--	169.473	--
Other liabilities	329.415	329.415	173.521	--	155.894	--
	6.567.408	6.575.270	2.834.431	3.306.239	434.600	--
Derivative cash inflow	--	6.436.088	2.127.293	3.146.517	1.028.172	134.106
Derivative cash outflow	--	(6.372.611)	(2.146.334)	(3.092.869)	(998.624)	(134.784)
Derivative financial liabilities	170.889	63.477	(19.041)	53.648	29.548	(678)

However expected maturities may differ from contractual liabilities in response to changes in term that may occur in the ordinary course of business.

Capital risk management

The Group's capital management objectives are:

- ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders,

by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity plus its total of current and non current borrowings (net debt) less cash and cash equivalents as presented on the face of the consolidated balance sheet.

The Group sets the amounts of capital in proportion to its overall financing structure i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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The Group's net debt to overall or financing ratio developed as follows:

	31.12.2016	31.12.2015
Total borrowings, note 17	18.208.122	13.714.143
Less: Cash and cash equivalents, note 5	(3.813.216)	(1.136.380)
Less : Investment securities	(616.170)	(2.079.721)
Net debt	13.778.736	10.498.042
Total equity	4.582.657	4.000.321
Overall financing	18.361.393	14.498.363
Net debt to overall financing ratio	75%	72%

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information, management's judgment and appropriate valuation methodologies. The following disclosure of the estimated fair value of financial instruments is made with the requirements of IAS 32. To the extent relevant and reliable information is available from the financial markets in Turkey; the fair value of the financial instruments of the Group is based on such market data. The fair values of the remaining financial instruments of the Group can only be estimated. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

Financial assets

Monetary assets for which fair value approximates carrying value:

-Balances denominated in foreign currencies are translated at year-end exchange rates. The fair value of certain financial assets carried at cost, including cash and due from banks, marketable securities plus the respective accrued interest are considered to approximate their respective carrying values.

-The carrying value of the trade receivables net of provisions for uncollectible are considered to approximate their fair values.

Financial liabilities

Monetary liabilities for which fair value approximates carrying value:

- The fair values of short-term bank loans and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.
- The fair values of long-term bank borrowings which are denominated in foreign currencies and translated at year-end exchange rates are considered to approximate their carrying values.

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32. POST BALANCE SHEET EVENTS

In accordance with the Board of Directors' decision dated 09 January 2017, Korteks, a subsidiary of the Group, decided to apply to Capital Market Board of Turkey in order to issue debt instrument denominated in Turkish Lira with various maturity dates, maximum 3 year, to institutional investors without public offer, amounting up to TL 400.000.

Pursuant to the material event disclosure dated 19 January 2017, an application was filed to the EMRA in order to amend, as a result of the technical negotiations, the installed capacities of Unit I and Unit II in the Kızıldere III Geothermal Power Plant project from 95.2 MW and 69.8 MW to 99.5 MW and 65.5 MW, respectively. EMRA approved this application on 27 February 2017. The said project which belongs to Zorlu Doğal, 100% owned subsidiary of the Zorlu Enerji Elektrik Üretim A.Ş., is still continuing and is composed of two units.

Pursuant to the material event disclosure dated 25 January 2017, the production licence of the combined cycle natural gas power plant of Zorlu Enerji Elektrik Üretim A.Ş. in Bursa Organised Industrial Zone was amended as the power plant's economic life ended and natural gas costs increased. The installed power included in the licence was decreased from 90 MWe to 34.3 MWe.

Pursuant to the material event disclosure dated 1 February 2017, it was decided to increase the current share capital of TL50.000, of Zorlu Osmangazi which is a 100% owned subsidiary of the Zorlu Enerji Elektrik Üretim A.Ş., to TL 1.150.050.000 with an entirely cash increase of TL 1.150.000.000. With the Zorlu Enerji Elektrik Üretim A.Ş.'s board of directors' decision No. 2017/3 dated 1 February 2017, it was decided to participate in the paid capital increase and to use all of the Zorlu Enerji Elektrik Üretim A.Ş.'s rights to acquire new shares, which correspond to TL 1.150.000.000 or 100% of the Zorlu Enerji Elektrik Üretim A.Ş.'s shares. Pursuant to the material event disclosure dated 6 March 2017, the capital increase processes have been completed and the new share capital was registered on 3 March 2017.

With the final protocol related to the share purchase contract signed on 2 February 2017, Zorlu Osmangazi, the 100% owned subsidiary of the Company, took over all of the shares of Osmangazi Elektrik Dağıtım A.Ş. and Osmangazi Elektrik Perakende Satış A.Ş. through cash and advance payment of the total acquisition fee of USD 360.000.000. With the final protocol signed by the parties, the transactions related to transfer of the said shares to Zorlu Osmangazi were completed on 2 February 2017.

Pursuant to the Zorlu Enerji Elektrik Üretim A.Ş.'s material event disclosure dated 13 February 2017, Zorlu Holding A.Ş. ("Zorlu Holding"), has a 62% share in the Zorlu Enerji Elektrik Üretim A.Ş., signed with First Solar, Inc. (First Solar), a cooperation agreement that covers exclusive distribution of the high performance thin film photovoltaic (PV) modules in 26 selected countries. Pursuant to the agreement to remain valid for five years, Zorlu Holding A.Ş. and its subsidiaries will be the sole authorised distributor of First Solar modules in totally 26 countries including Turkey, Albania, Bosnia-Herzegovina, Bulgaria, Cyprus, Georgia, Kosovo, Libya, Macedonia, Pakistan, Romania, Serbia, Turkmenistan, Ukraine and the Commonwealth of Independent States and will make use of the power of First Solar in the field of solar energy in the special projects they develop. US First Solar Inc. is the leading producer of the comprehensive photovoltaic solar systems worldwide, which uses the advanced module and system technology it produces.

Within the Zorlu Enerji Elektrik Üretim A.Ş.'s registered capital cap of TL 3.000.000.000, the issued capital of TL 750.000.000 was increased by TL 1.250.000.000 to TL 2.000.000.000 with payment. Upon practising pre-emptive rights, the sale transaction of the shares related to the unused rights has been completed as of 16 February 2017.

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Pursuant to the material event disclosure dated 17 February 2017, it was decided for the Zorlu Enerji Elektrik Üretim A.Ş. to participate in the company with the title "Zorlu Enerji Israil Ltd.", which will be established in Israel as the sole founder, as per the Israel Companies Law. Said company will be established with an initial capital of NIS10.000.

Pursuant to material event disclosure dated 7 February 2017, it was announced that the application for Zorlu Enerji Elektrik Üretim A.Ş.'s issuance of debt instruments by means of sale to qualified investors and/or private placement, without public offering in one or multiple times, domestically and in Turkish Liras with a maturity term from one to three years, on various dates within one year upon communication of the issuance document, with an upper limit of TL280.000.000 was approved. Accordingly, the sale of the floating rate bonds with a nominal value of TL 74.000.000 and TL11.000.000, a maturity term of 455 days and 730 days to qualified investors, without public offering, was completed on 22 February 2017.

Pursuant to material event disclosure dated 23 February 2017, Zorlu Enerji Elektrik Üretim A.Ş. signed a Letter of Intent with the Punjab State Government for a 200 MW solar power plant project, which will be developed in Punjab Province, Pakistan.

Pursuant to material event disclosure dated 21 February 2017, the Zorlu Enerji Elektrik Üretim A.Ş. applied on 6 March 2017 to the Capital Markets Board to amend the Article titled "The Capital of the Company" in its Articles of Association.

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