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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Sasa Polyester Sanayi A.Ş.;

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Sasa Polyester Sanayi A. Ş. (the "Company") and its Subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2016 and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and explanatory notes.

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

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

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

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

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

Other Matter
The consolidated financial statements of Sasa Polyester Sanayi A.Ş. for the year ended 31 December 2015, were audited by another auditor who expressed an unmodified opinion on those statements on 29 February 2016.

Other Responsibilities Arising From Regulatory Requirements
• In accordance with subparagraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 16 February 2017.

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

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

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Murat Sancar, SMMM
Partner

İstanbul, 16 February 2017

SASA POLYESTER SANAYİ A.Ş.

CONSOLIDATED BALANCE SHEETS AT 1 JANUARY - 31 DECEMBER 2016 AND 2015
(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

	Notes	31 December 2016	31 December 2015
ASSETS			
Current Assets		**772.432**	**480.881**
Cash and Cash Equivalents	3	7.479	34.456
Trade Receivables	5	413.624	228.620
- Trade Receivables to Third Parties	*5*	*401.951*	*228.233*
- Trade Receivables from Related Parties	*27*	*11.673*	*387*
Other Receivables	7	152.970	1.062
- Other Receivables to Third Parties	*7*	*3.061*	*1.062*
- Other Receivables from Related Parties	*7*	*149.909*	-
Inventory	8	177.158	202.662
Prepaid Expenses	9	2.758	352
Other Current Assets	17	12.894	7.896
Assets Held for Sale	13	5.549	5.833
Non-Current Assets		**259.755**	**218.680**
Trade Receivables	5	-	320
- Trade Receivables from Third Parties		-	320
Other Receivables	7	77	60
Investment Properties	10	672	850
Tangible Assets	11	175.955	141.604
Intangible Assets	12	1.509	2.068
Prepaid Expenses	9	55.072	1.577
Deferred Tax Assets	25	3.737	8.398
Otner Non-Current Assets	17	22.733	63.803
TOTAL ASSETS		**1.032.187**	**699.561**
LIABILITIES			
Current Liabilities		**298.859**	**284.811**
Short-Term Borrowings	4	165.458	151.952
- Short-Term Borrowings	*4*	*157.214*	*147.837*
- Bank Loans	*4*	*157.214*	*147.837*
- Short term portion of the Long-Term Borrowings	*4*	*8.244*	*4.115*
- Bank loans	*4*	*8.244*	*4.115*
Trade Payables	5	114.746	120.964
- Trade Payables to Third Parties	*5*	*114.746*	*120.964*
Liabilitis for Employee Benefit	6	4.453	3.677
Other Payables	7	865	497
- Other Payables to Third Parties	*7*	*865*	*497*
Deferred Income	7	403	2.768
Provision for Corporate Tax	25	10.248	1.389
Short-Term Provisions		2.686	3.564
- Other Short-Term Provisions	*14*	*1.186*	*1.064*
- Short-Term Provisions for Employee Benefits	*16*	*1.500*	*2.500*
Non-Current Liabities		**205.213**	**23.683**
Long-Term Borrowings	4	177.251	-
- Long-Term Borrowings	*4*	*177.251*	-
- Bank loans	*4*	*177.251*	-
Other Payables	7	452	-
Long-Term Provisions	16	27.510	23.683
- Long-Term Provisions for Employee Benefits	*16*	*27.510*	*23.683*
EQUITY		**528.115**	**391.067**
Share Capital	18	366.300	216.300
Share Capital Inflation Adjustments	18	46.213	196.213
Restricted Reserves	18	10.099	5.963
Other comprehensive income / (expense) not to be reclassified to profit or loss	18	(2.073)	(2.073)
- Remeasurement losses of defined benefit pension plans	*18*	*(2.073)*	*(2.073)*
Accumulated Losses	18	(29.472)	(96.067)
Net Profit for the Period		137.048	70.731
TOTAL LIABILITIES		**1.032.187**	**699.561**
Contingent asset, liability and commitments	14,15		

The accompanying policies and explanatory notes form an integral part of these financial statement.

SASA POLYESTER SANAYİ A.Ş.

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

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

		Current Period	Prior Period
		(Audited)	(Audited)
	Notes	31 December 2016	31 December 2015
PROFIT OR LOSS			
Revenue (Net)	19	1.182.909	1.111.408
Cost of Sales (-)	19	(986.337)	(964.672)
GROSS PROFIT		**196.572**	**146.736**
General Administrative Expenses (-)	20	(16.983)	(17.595)
Marketing Expenses (-)	20	(54.928)	(50.972)
Research and Development Expenses (-)	20	(1.554)	(1.834)
Other Operating Income	22	142.634	105.187
Other Operating Expenses (-)	22	(78.483)	(75.780)
OPERATING PROFIT		**187.258**	**105.742**
Income From Investing Activities	21	1.206	191
Expenses From Investing Activities (-)	21	(3)	(48)
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		**188.461**	**105.885**
Financial Income	23	18.250	8.950
Financial Expenses (-)	24	(49.029)	(42.721)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**157.682**	**72.114**
Tax expense from continued operations (-)		**(20.634)**	**(1.383)**
- Current Tax Expense (-)	25	(15.973)	(4.087)
- Deferred Tax (Expense) / Income (-)	25	(4.661)	2.704
PROFIT FOR THE PERIOD		**137.048**	**70.731**
Other Comprehensive Income			
Funds for actuarial gain/ (loss) on employee termination benefits		-	-
TOTAL COMPREHENSIVE INCOME		**137.048**	**70.731**
Attributable to			
Non-controlling interest		-	-
Equity holders of the parent		137.048	70.731
Earnings per share (*)	26	0.3741	0.3270

(*) Issued capital of Sasa Polyester Sanayi A.Ş. which is one of the Group Companies, has been increased to TRY 366,300 by increasing TRY 50,000 at 20 July 2016 and TRY 100,000 at 20 October 2016.

The accompanying policies and explanatory notes form an integral part of these financial statement.

SASA POLYESTER SANAYİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016 AND 2015
(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

					Other comprehensive income / (expense) not to be reclassified to profit or loss			
	Notes	Paid in Capital	Inflation Adjustment to Shareholders Equity	Restricted Reserves	Remeasurement losses of defined benefit pension plans	Net profit for the year	Accumulated Losses	Total
Balance at 1 January 2015	**18**	**216.300**	**196.213**	**5.356**	**(2.073)**	**71.380**	**(166.840)**	**320.336**
Transfers		-	-	607	-	(71.380)	70.773	-
Total Comprehensive Income		-	-	-	-	70.731	-	70.731
Balance at 31 December 2015	**18**	**216.300**	**196.213**	**5.963**	**(2.073)**	**70.731**	**(96.067)**	**391.067**
Balance at 1 January 2016	**18**	**216.300**	**196.213**	**5.963**	**(2.073)**	**70.731**	**(96.067)**	**391.067**
Transfers		150.000	(150.000)	4.136	-	(70.731)	66.595	-
Total Comprehensive Income		-	-	-	-	137.048	-	137.048
Balance at 31 December 2016	**18**	**366.300**	**46.213**	**10.099**	**(2.073)**	**137.048**	**(29.472)**	**528.115**

The accompanying policies and explanatory notes form an integral part of these financial statement.

SASA POLYESTER SANAYİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

	Notes	31 December 2016	31 December 2015
Profit before taxation		**157.682**	**72.114**
Cash Flows from operating activities:			
Depreciation and amortization expense	10,11,12,13	11.737	13.201
Interest expense	24	8.936	9.454
Loss on sale of fixed assets	21	(1.203)	(143)
Provision for impairment fixed assets	11,22	-	6.195
Change in provision for employee benefits	14,16	7.722	6.941
Change in debt provisions	14,16	-	359
Deposit interest income	23	(3.574)	(548)
Rediscount interest income (net)	5	(417)	451
Provision for doubtful receivable	5	27	309
Employee provision	16	1.500	1.247
Cancelled Premium provision	16	(1.264)	-
Provision for impairment inventories-net	8	(8.763)	3.752
Operating cash flows provided before changes in working capital:		**172.383**	**113.332**
Changes in operating assets and liabilities:			
Changes in trade receivable	5	(173.425)	6.290
Changes in due from related parties	5	(11.286)	(60)
Changes in inventories	8	34.267	(23.327)
Changes in other receivables	7	(2.016)	2.115
Changes in prepaid expenses	9	(55.901)	(834)
Changes in other current assets	17	(4.998)	4.438
Changes in other non-current assets	17	41.070	(4.037)
Changes in trade payables	5	(6.218)	17.484
Changes in other payables	7	820	-
Changes in prepaid expenses	7	(2.365)	-
Changes in due to related parties	27	-	(9.384)
Changes in debt for employee termination benefits	6	776	488
Changes in other short term liabilities	7	52	1.578
Net cash (used)/ generated by operating activities:		**(6.841)**	**108.083**
Employment termination benefits paid	14,16	(3.773)	(3.171)
Changes in premium provision	16	(1.236)	(1.247)
Changes in corporate tax	25	(5.713)	(2.698)
Net cash (used)/ generated in operating activities		**(17.563)**	**100.967**
Investing activities:			
Purchase of property, plant and equipment and intangible assets	11,12	(45.102)	(19.853)
Proceeds from sale of property, plant and equipment	11,13	1.209	612
Net cash used in investing activities		**(43.893)**	**(19.241)**
Financing activities:			
Bank loans received	4	380.420	249.815
Interest paid	4,24	(6.996)	(11.864)
Interest received	23	3.574	548
Change in due from related party	27	(149.909)	-
Repayment of borrowings	4	(192.610)	(299.755)
Net cash generated by financing activities		**34.479**	**(61.256)**
Net (decrease) / Increase in cash and cash equivalents	3	(26.977)	20.470
Cash and cash equivalents at the beginning of the period	3	34.456	13.986
Cash and cash equivalents at the end of the period	**3**	**7.479**	**34.456**

The accompanying policies and explanatory notes form an integral part of these financial statement.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Sasa Polyester Sanayi A.Ş. ("Group") was incorporated on 8 November 1966 in Adana. The Group is mainly engaged in the production and marketing of polyester fibre, yarns and related products and polyester chips. The Group is a subsidiary of Erdemoğlu Holding A.Ş. ("Erdemoğlu Holding") and accordingly its ultimate parent company is Erdemoğlu Holding.(*) Shares of Sasa Polyester Sanayi A.Ş. are quoted on the Borsa Istanbul A.Ş.

The address of the registered office is Yolgeçen Mahallesi Turhan Cemal Beriker Bulvarı No:559 01355 Seyhan/Adana.

As of 31 December 2016, number of employees of the Group is 1.241 (31 December 2015: 1.078).

(*) Hacı Ömer Sabancı Holding A.Ş. has sold all the shares in SASA Polyester Sanayi A.Ş with a nominal value of 110.313.001,18 TL corresponding to 51 % of the total share capital of Sasa Polyester Sanayi A.Ş. to Erdemoğlu Holding to USD 104.189.990 at 30 April 2015.

Subsidiaries

The Company has founded, Sasa Dis Ticaret A.Ş. with TL 2.000 paid in capital owning 100% of shares, ("the Subsidiary"), in accordance with the Board of Directors decision numbered 24 and dated 27 August 2015, in order to gain an effective structure to the Company's export operations. Sasa and its subsidiary, together will be referred to as the "Group".

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

Basis of Preparation of Financial Statements and Significant Accounting Policies

The financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Reporting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/ Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

According to decision which was made by CMB on 17 March 2005, from the date of 1 January 2005 there is no need for inflation accounting application for the listed companies in Turkey. The Group has prepared the financial statements according to this decision.

Functional and presentation currency of the Group is TL.

The Company and its subsidiaries maintains its accounting records and prepares its 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 consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion in TRY. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the CMB's resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards (including the application of TFRS) are not subject to inflation accounting effective from 1 January 2005. Therefore, as of 1 January 2005, IAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Going Concern

The consolidated financial statements including the accounts of the parent company and its subsidiaries have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

Comparatives and Restatement of Prior Periods' Financial Statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements.

Statement of Compliance to TAS

The Group prepared the accompanying consolidated financial statements as of 31 December 2016 in accordance with Communiqué Serial II, No:14.1 and the related announcements. The accompanying consolidated financial statements and explanatory notes were disclosed in compliant with reporting formats recommended by CMB, including the compulsory explanations.

Changes in the Accounting Policies

Material changes in accounting policies are corrected, retrospectively; by restating the prior periods' consolidated financial statements. The accounting policies used in the preparation of these consolidated financial statements for the year ended 31 December 2016 are consistent with those used in the preparation of financial statements for the year ended 31 December 2015.

Basis of the consolidation

Consolidated financial statements consist the parent company's and subsidiary's financials-from the beginning of parent company's control on subsidiary till the end. All the adjustments and reclasifications has been applied on the financial statements and legal records of subsidiaries which has been included on consaolidation in accordance to announcement of compliance procedures of TMS/ TFRS with the serial number II.14.1. have been constituted by AASA (Accounting and Auditing Standards Authority) and Groups acconting policy about presentation.

Subsidiaries are all entities (including structured entities) over which the Company has control. The Group controls an entity when the Company exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiaries' assets, liabilities, equity, income and expense balances and cash flow transactions are fully consolidated to the Group's financial statements. Net book value of the Company and its subsidiaries' shares are eliminated with related equity items. Inter-company balances and transactions between group companies are eliminated during consolidation.

The table below sets out all consolidated subsidiaries and shows the proportion of ownership interest and effective interest of the Group in these subsidiaries at 31 December 2016 and 2015:

The details of subsidiary, in terms of total shares owned and effective ownership rate is as follows:

	31 December 2016	31 December 2015
Sasa Dış Ticaret A.Ş.	100,00	100,00

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Restatement and Errors in the Accounting Policies and Estimates

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates used in the preparation of these consolidated financial statements for the year ended 31 December 2016 are consistent with those used in the preparation of financial statements for the year ended 31 December 2015. Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements.

The consolidated financial statements were authorised for issue on behalf of the board of directors on 16 February 2017. Owners have the power to amend the consolidated financial statements after issue.

2.2 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.

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Group‘s financial position and performance have been disclosed in the related paragraphs.

a) Standards, amendments and interpretations applicable as at 31 December 2016

- TFRS 14 ‘Regulatory deferral accounts‘, effective from annual periods beginning on or after 1 January 2016. TFRS 14, ‘Regulatory deferral accounts‘ permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
    - TFRS 5, ‘Non-current assets held for sale and discontinued operations‘ regarding methods of disposal.
    - TFRS 7, ‘Financial instruments: Disclosures‘, (with consequential amendments to TFRS 1) regarding servicing contracts.
    - TAS 19, ‘Employee benefits‘ regarding discount rates.
    - TAS 34, ‘Interim financial reporting‘ regarding disclosure of information.

- Amendment to TFRS 11, ‘Joint arrangements’ on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 The new standards, amendments and interpretations (Continued)

a) Standards, amendments and interpretations applicable as at 31 December 2016 (Continued)

- Amendments to TAS 16 'Property, plant and equipment', and TAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- Amendments to TAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendment to TFRS 10 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- Amendment to TAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improvepresentation and disclosure in financial reports

b) Standards, amendments and interpretations effective after 31 December 2016

- Amendments to TAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments TAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- Amendments to TFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 The new standards, amendments and interpretations (Continued)

b) Standards, amendments and interpretations effective after 31 December 2016 (Continued)

- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to TFRS 15, 'Revenue from contracts with customers', effective from annual periods begining on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- TFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Amendments to TFRS 4, 'Insurance contracts' regarding the implementation of TFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

• give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and

• give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard - TAS 39.

- Amendment to TAS 40, Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 The new standards, amendments and interpretations (Continued)

b) Standards, amendments and interpretations effective after 31 December 2016 (Continued)

- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:

  • TFRS 1,‘ First-time adoption of TFRS‘, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.

  • TFRS 12,‘Disclosure of interests in other entities‘ regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

  • TAS 28,‘Investments in associates and joint ventures‘ regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- TFRS 22,’ Foreign currency transactions and advance consideration’, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

2.6 Significant Accounting Estimations and Decisions

Preparation of consolidated financial statements necessitates the usage of estimates and assumptions that can affect the amounts of reported assets and liabilities as at statement of financial position date, the explanation for the contingent assets and liabilities and the income and expenses reported during the accounting period. Although these estimates and assumptions are based on the Group management‘s best estimates related with the current conditions and transactions, actual results may differ than these estimates.

Net realizable value of inventory

Inventories are stated at the lower of cost and net realizable value. The Group management has determined that the cost of inventories is higher than the realizable value as of the reporting date. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TFRS purposes and financial statements prepared in accordance with the tax legislation. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could increase taxable income in the future.

VAT Receivable

The Group has reclassified VAT amount which is estimated to not use in short term period under current assets.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Significant Accounting Estimations and Decisions (Continued)

Retirement benefit obligations

Retirement benefit obligations‘ present value is determined through using certain assumptions under actuarial basis. These assumptions are also used in determining severance compensation‘s net expense and include the discount ratio. Any change in such assumptions affects the value of the registered retirement benefit obligation. All actuarial gains and losses are recognized under the fund of actuarial loss/earnings fund for employee termination benefits under equity.

At the end of each year, the Group determines the appropriate discount ratio. This ratio is used to calculate for the fulfilment of obligations for severance compensation‘s present value of estimated future cash outflows (Note 16).

2.7 Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the financial statements are summarized below:

Revenue

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

Sale of good

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

• Transformation the significant risks and benefits of ownership to the buyer by the Group.

• The absence of Group‘s continuing managerial involvement associated with ownership and effective control over the goods sold,

• The amount of revenue can be measured reliably,

• It is probable that the economic benefits associated with the transaction will flow to the entity and,

• The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other Revenues are recognized in accordance with following;

Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers of the Group. The chief operating decision makers, who are responsible for allocation resources and assessing performance of the operating segments, have been identified as the senior management that makes strategic decisions.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

The senior management of the Group makes strategic decisions as a whole over the operations of the Group as the Group operates in a single industry and operations outside Turkey do not present an important portion in overall operations. Based on those reasons, there is a single reportable segment in accordance with the provisions in TFRS 8 and segment reporting is not applicable.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

Tangible Assets

Tangible assets are carried at cost less accumulated depreciation and impairment loss if exists. Depreciation is provided over adjusted costs on a straight-line basis over the economic useful lives. The depreciation periods for property, plant and equipment, which approximate the economic useful lives (year) of such assets, are as follows:

	YEAR
Land Improvements	15-25
Buildings	18-40
Machinery and equipment	15-25
Motor vehicles	5
Furniture and fixtures	5-10

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of net selling price or value in use. Net selling price is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit plus the residual value.

Gains or losses on disposals of property, plant and equipment are included in the related income and expense accounts, as appropriate.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

Leasing

Leasing – the Group as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of minimum lease payments. The corresponding liability to the lesser is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit to loss, unless they are directly attributable to qualifying assets in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. Contingent leases recognized as an expense as incurred.

Assets Held For Sale

According to the Group management, assets which are held for sale, which the sale accounting has been completed within 1 year from the statement of financial position date and which there is no active intention of holding the asset are valued with minimum of the book value and the fair value. The recovery of the book value doesn`t depend on the usage of the relevant tangible asset but the sale of the tangible asset. For the tangible assets classified under current assets held for sale, the depreciation provision is stopped as of the date of the classification date.

Intangible Assets

Intangible assets comprise of acquired intellectual property and computer software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amounts of any intangible assets including goodwill are assessed and written down immediately to their recoverable amount.

Research and Development Costs

Research costs are expensed as incurred, costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Receivables

Trade receivables, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortized cost using the effective interest method less any impairment.

Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred (Note 4).

Impairment of financial assets

Financial assets are reviewed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying value.

The fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables are estimated to be their fair values due to the elimination of the credit finance income.

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Monetary liabilities

Fair value of bank loans and other monetary liabilities approximates to their carrying amount since they are short term liabilities. Fair value of items denominated in foreign currencies and translated at the rates prevailing at the balance sheet date approximates to their carrying amount.Trade payables are stated at fair value.

Effects of changes in foreign currency

The Group's financial statements are presented in the currency of primary economic environment (its functional currency) in which it operates. The Group's financial condition and operating results, the Group's functional currency and presentation currency for financial statements are expressed in TL.

During the preparation of financial statements, transactions on foreign currency (currencies other than TL) are recorded on the base of currencies on transaction date. Monetary assets and liabilities denominated in foreign currencies on balance sheet translated into Turkish Lira using exchange rates prevailing on the statement of financial position date. None-monetary items carried at fair value that is being monitored are denominated in foreign currency, are retranslated into TL at the rates prevailing on the date fair value determined. None-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences, except as specified below, are recognized in profit or loss in the period in which:

• Foreign exchange gain/losses related to assets under construction for future productive use, and included as an adjustment to interest costs and added on cost of those assets,

• Hedging transaction foreign currency risks (hedging accounting policies are described below),

• Foreign exchange differences forming part of the foreign operation net investment, accounted under reserves, associated with profit or loss on sale of the net investment, arising from international activity debt and receivables without intention or possibility of any payment.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

The Group's assets and liabilities of foreign operations are expressed in TRY using exchange rates prevailing on the statement of financial position date in the financial statements. Income and expense items, unless exchange rates fluctuates significantly at the dates of the transactions in the period (in case of major fluctuations, exchange rates at the transaction date is used) , are translated using average exchange rates during the period. Exchange differences are recognized in other comprehensive income and accumulated equity in a separate component.

Earnings per Share

Earnings per share disclosed in the accompanying statement of income are determined by dividing net income by the weighted average number of shares in existence during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ('bonus shares') to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them a retroactive effect for the period in which they were issued and each previous year.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

A possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group have not been recognized in the accompanying financial statements and treated as contingent liabilities and contingent assets.

Government Incentives and Grants

Government grants, intended to meet the costs of these incentives are reflected as an expense in profit or loss in a systematic manner throughout the periods. The government grants as a financing tool, rather than being accounted as a net off item profit or loss, should be associated with the statement of financial position (balance sheet) as unearned income, should be reflected in a systematic manner in profit or loss during the economic life of the related assets.

Government incentives given in order to meet expenses or losses previously realized and to provide emergency financial support without any cost in the future are recognized in profit or loss when it becomes liveable.

Loans obtained from the state lower than market interest rate, is considered to be government grants. Benefit from lower interest rates is calculated as the difference between the initial carrying amount and the gains of the loan during the period.

The Group benefits from research and development ('R&D') grants within the scope of the Communiqué No: 98/10 of The Scientific and Technological Research Council of Turkey ('TÜBİTAK') and Money Credit and Coordination Board related to R&D grants for its research and development projects given that such projects satisfy specific criteria with respect to the evaluation of TÜBİTAK Technology Monitoring and Evaluation Board.

The government grants are recognized when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. The portion of government grants associated to previously capitalize intangible assets is deducted from the cost of the intangible asset, whereas the other government grants are recognized as income in the period which they are incurred.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

Investment Property

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method. The cost of a self-constructed investment property is determined as its cost at the date when the construction or development is complete. On that date the subject asset qualifies as an investment property and thus transferred to investment properties class. The useful life estimation for the buildings within investment properties is between 18-40 years.

Provision for Employment Termination Benefits

Severance Payments:

Under the Turkish law and union agreements, lump sum payments are made to employees in retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) 'Employee Benefits' ('TAS 19').

The liability for employment termination benefits recognized in the financial statements was calculated according to the current net value of the liability amounts expected to occur in the future due to retirement of employees and was reflected on the financial statements. All calculated actuarial gains and losses are reflected on the fund of gains/losses due to employee termination benefits under equity.

Liabilities arising from unused leave rights defined as 'long-term provisions regarding employee benefits' are accrued in the period in which the right is gained and recognized after being discounted if their impact is material.

Taxation and Deferred Taxes

Tax expense consists of total current tax and deferred tax benefit / (expense).

Current tax

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

Deferred Taxes

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

The current tax or the deferred tax for the current year is accounted as expense or income under the income table.

Share Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity by deducting from retained earnings in the year in which they are declared.

Restricted Reserves

Restricted reserves are allocated from profit of previous year due to obligation arising from law or the Group's articles or objects excluding profit distribution (etc. tax advantage for gain on sale of subsidiaries). These reserves are carried at their statutory amounts.

Reporting of cash flows

In the statements of cash flows, cash flows are classified and reported according to their operating, investing and financing activities.

Subsequent events

Post period-end events that provide additional information about the Group's position at the balance sheet date (adjusting events), are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 3- CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash on hand	10	14
Banks	7.469	34.442
- Demand Deposits	3.325	4.459
- Time Deposits (*)	4.144	29.983
	7.479	**34.456**

(*) The details of time deposits of financial statements at 31 December 2016 and 2015 is as follows:

Currency	Interest rate (%)	Due	31 December 2016
TL	9,85	2 January 2017	100
Euro	0,25	2 January 2017	4.044
			4.144

Currency	Interest rate (%)	Due	31 December 2015
TL	11,18	4 January 2016	10.870
USD	1,00	4 January 2016	11.805
Euro	1,00	4 January 2016	7.308
			29.983

As of 31 December 2016 and 2015 there is no restricted cash of Group's deposits.

NOTE 4 – BORROWINGS

Short-Term Financial Borrowings

	31 December 2016	31 December 2015
Short-Term Bank Borrowings	157.214	147.837
Current Portion of Long-Term Financial Borrowings	8.244	4.115
	165.458	**151.952**

Long-Term Financial Borrowings

	31 December 2016	31 December 2015
Long-Term Bank Borrowings	177.251	-
	177.251	**-**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 4 – BORROWINGS (Continued)

Foreign currency denominated bank borrowings and corresponding interest expense accruals as at 31 December 2016 and 31 December 2015 are as follows:

Principal	**31 December 2016**			**31 December 2015**		
Original Currency	**Weighted Effective Average Interest Rates %**	**Original Amount**	**TL**	**Weighted Effective Average Interest Rates %**	**Original Amount**	**TL**
TL	0,00	-	-	9,72	-	41.428
USD	2,46	9 .500	33.057	1,75	22.000	63.966
EUR	3,78	82.000	304.212	1,30	13.550	43.058
			337.269			**148.452**
Accrued Interest						
TL		-	-		-	3.500
EUR		1.466	5.440		-	-
			342.709			**151.952**

The redemption schedule of the Group's long-term borrowings is as follows:

	31 December 2016	**31 December 2015**
Within 1 year	165.458	151.952
Within 1-2 year	31.074	-
Within 2-3 year	31.074	-
Within 3-4 year	31.074	-
Within 4-5 year	26.952	-
Later than five years	57.077	-
	342.709	**151.952**

NOTE 5 - TRADE RECEIVABLES AND TRADE PAYABLES

Trade Receivables

	31 December 2016	**31 December 2015**
Trade receivables (*)	94.602	174.727
Cheques received (**)	312.481	58.226
Deferred financing income (-)	(1.514)	(1.129)
Provision for doubtful receivables	(3.618)	(3.591)
	401.951	**228.233**
Trade receivables from related parties (Note 27)	11.673	387
	413.624	**228.620**

(*) As of 31 December 2016 trade receivables are discounted by using monthly 0,84% for TL, 0,13% for USD, 0,13% for EUR. (As of 31 December 2015 0,84% for TL, 0,13% for USD, 0,13% for EUR).

(**) Cheques received constitute the cheques obtained from customers and kept in portfolio as a result of trade activities and consist of TL 78.579 with maturities of less than three months (31 December 2015: TL 28.312).

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 5 - TRADE RECEIVABLES AND TRADE PAYABLES (Continued)

Non-current trade receivables

Trade Receivables

	31 December 2016	31 December 2015
Trade Receivables	-	320
	-	**320**

As of 31 December 2016 and 31 December 2015, past due but not impaired trade receivables are as follows:

Overdue Period	31 December 2016	31 December 2015
Up to 1 month	21.758	15.279
1 - 3 months	1.463	1.269
Over 3 months	239	399
Total	**23.460**	**16.947**

As of 31 December 2016 and 31 December 2015, due to existence of receivable insurance, bank guarantee, mortgage and other guarantees (i.e. cheques), the Group has not recorded any provision relation to trade receivables that were past due but not impaired.

The movements of the provision for doubtful receivables during the period are as follows:

Over Period	31 December 2016	31 December 2015
Up to 3 month	-	259
Over 6 months	3.618	3.332
Total	**3.618**	**3.591**

The movements of the provision for doubtful receivables during the period are as follows:

	1 January-31 December 2016	1 January-31 December 2015
Balance at 1 January	**(3.591)**	**(3.282)**
Charged for the period (Note 22)	(27)	(309)
Balance at 31 December	**(3.618)**	**(3.591)**

Trade Payables

	31 December 2016	31 December 2015
Trade Payables	114.746	120.964
	114.746	**120.964**

As of 31 December 2016 trade payables are discounted by using monthly 0,84% for TL, 0,13% for USD, 0,13% for EUR.(As of 31 December 2015 0,84% for TL, 0,13% for USD, 0,13% for EUR).

As of 31 December, 2016 average turnover for trade receivables and trade payables are 57 days and 58 days, respectively (31 December 2015: 79 days and 82 days respectively).

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 6 - LIABILITIES FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	31 December 2016	31 December 2015
Social security and taxes payable	2.864	2.664
Due to personnel	1.589	1.013
	4.453	**3.677**

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

	31 December 2016	31 December 2015
Job advance	466	204
Receivables from insurance indemnity	408	539
Deposits and guarantees	2	-
Other receivables	2.185	319
	3.061	**1.062**
Receivables Due from related parties (Note 27)	149.909	-
	152.970	**1.062**

Other Non-Current Receivables

	31 December 2016	31 December 2015
Deposits and guarantees	77	60
	77	**60**

Other payables

	31 December 2016	31 December 2015
Taxes payables	524	478
Cancellation of VAT	316	-
Other	25	19
	865	**497**

Deferred income

	31 December 2016	31 December 2015
Advances taken	403	2.768
	403	**2.768**

Other non-current liabilities

	31 December 2016	31 December 2015
Cancellation of VAT	452	-
	452	**-**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 8 - INVENTORIES

	31 December 2016	31 December 2015
Raw materials and supplies	98.726	82.444
Intermediate goods	53.535	92.587
Finished goods	17.372	27.002
By-products (*)	1.194	3.844
Semi-finished goods	3.479	3.475
Spare parts	4.040	3.500
Other	3.336	3.097
Less: Impairment in value of inventories (**)	**(4.524)**	**(13.287)**
	177.158	**202.662**

(*) By-products are not subject to impairment since they are taken to inventories with the lower of cost or the selling prices.

(**) Impairment has been allocated to finished goods, intermediate goods and other inventories.

Movement of Provision for Impairment of Inventories

	1 January - 31 December 2016	1 January - 31 December 2015
Balance at 1 January	**(13.287)**	**(9.535)**
Charged for the period (Note 19)	8.763	(3.752)
Balance at 31 December	**(4.524)**	**(13.287)**

The Group has decreased TL 8.763 of its provision for impairment of inventories which was amounting TL 13.287 and therefore realized allowance for impairment in current year for TL 4.524.
As of 31 December 2016, total inventory accounted with net realizable value is TL 75.431 (31 December 2015: TL 130.361).

NOTE 9 - PREPAID EXPENSES

Prepaid Expenses (Short-term)

	31 December 2016	31 December 2015
Prepaid insurance expenses	2.483	4
Other prepaid expenses	275	348
	2.758	**352**

Prepaid Expenses (Long-term)

	31 December 2016	31 December 2015
Advance for construction in progress (*)	55.072	1.537
Long-term prepaid expenses	-	40
	55.072	**1.577**

(*) Advance given is related with the new fibre facility projects.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 10 - INVESTMENT PROPERTIES

The movement schedules of investment properties and related accumulated depreciation for the years ended 31 December 2016 and 2015 are as follows:

	1 January 2016	Additions	31 December 2016
Cost:			
Land	5	-	5
Buildings	3.780	-	3.780
	3.785	**-**	**3.785**
Accumulated depreciatiaon			
Building	2.935	178	3.113
Net Book Value	**850**		**672**

As of December 31, 2016 the Group has leased properties with the net book value of TL 672 (31 December 2015: TL 850) to the third parties through lease agreements.

The Group has generated rent income of TL 499 (31 December 2015: TL 463) throughout the period resulting from these lease agreements. The fair value of factory building was carried out according to the discounted cash flow and has been calculated TL 5.427 (31 December 2015: TL 4.672) with 5,1% inflation rate and 10,02% rediscount rates.

	1 January 2015	Additions	31 December 2015
Cost:			
Land	5	-	5
Buildings	3.780	-	3.780
	3.785	**-**	**3.785**
Accumulated depreciatiaon			
Building	2.746	189	2.935
Net Book Value	**1.039**		**850**

The total depreciation for the year ended 31 December 2016 and 2015 is presented in Note 11.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement schedules of property, plant and equipment and related accumulated depreciation for 31 December 2016 and 2015 are as follows;

	1 January 2016	Additions	Transfers	Disposals	31 December 2016
Cost					
Land	25.764	-	-	-	25.764
Land Improvements	7.193	-	-	-	7.193
Buildings	62.328	-	1.422	-	63.750
Machinery and equipment	396.821	6.123	19.750	(98)	422.595
Motor vehicles	1.790	388	-	-	2.178
Furniture and fixtures	5.910	319	-	(112)	6.117
Construction in progress	2.532	37.968	(17.593)	-	22.907
	502.338	**44.798**	**3.579**	**(210)**	**550.504**
Accumulated depreciation					
Land Improvements	6.178	78	-	-	6.256
Buildings	43.087	3.065	-	-	46.152
Machinery and equipment	305.475	7.100	3.323	(98)	315.800
Motor vehicles	1.708	43	-	-	1.751
Furniture and fixtures	4.286	410	-	(106)	4.590
	360.734	**10.696**	**3.323**	**(204)**	**374.549**
Net book value	**141.604**				**175.955**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (continued)

	1 January 2015	Additions	Transfers	Impairment	Disposals	31 December 2015
Cost						
Land	15.537	10.227	-	-	-	25.764
Land Improvements	7.179	14	-	-	-	7.193
Buildings	59.829	2.499	-	-	-	62.328
Machinery and equipment (*)	401.772	1.440	3.391	(8.909)	(873)	396.821
Motor vehicles	1.785	5	-	-	-	1.790
Furniture and fixtures	5.083	829	-	-	(2)	5.910
Construction in progress	1.832	4.091	(3.391)	-	-	2.532
	493.017	**19.105**	**-**	**(8.909)**	**(875)**	**502.338**
Accumulated depreciation						
Land Improvements	5.772	406	-	-	-	6.178
Buildings	40.061	3.026	-	-	-	43.087
Machinery and equipment	300.752	8.067	-	(2.714)	(630)	305.475
Motor vehicles	1.684	24	-	-	-	1.708
Furniture and fixtures	3.900	386	-	-	-	4.286
	352.169	**11.909**	**-**	**(2.714)**	**(630)**	**360.734**
Net book value	**140.848**					**141.604**

(*) The Group has made an evaluation for spare parts presented in inventory and recognised as an expense when used and transferred to tangible assets amounting to TL 8.909 as of January 1, 2014. Impairment calculation has been made for these spare parts and recognised as an expense in other operating expense (Note 22) net amounting TL 6.195 for the reporting period.

All ongoing investments as of 31 December 2016 are new fibre facility projects.

As of 31 December 2016, there is a mortgage on Property plant and equipment amount of TRY 523,600. (2015:0)

As of periods ended 31 December 2016, there is TRY 864 amount of borrowing cost was capitalized. (2015: None)

As of 31 December 2016 and 2015, total depreciation and amortization charges for the period between and the related income statement accounts are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Production costs	8.814	9.691
Research and development expenses (Note 20)	1.103	1.417
General administrative expenses (Note 20)	1.256	1.528
Marketing expenses (Note 20)	564	565
	11.737	**13.201**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 12 - INTANGIBLE ASSETS

The movement schedules of intangible assets and related accumulated depreciation for the year ended 31 December 2016 and 2015 are as follows:

	1 January 2016	Additions	31 December 2016
Cost			
Rights	6.676	304	6.980
Development costs	7.600	-	7.600
	14.276	**304**	**14.580**
Accumulated amortisation			
Rights	5.169	570	5.739
Development costs	7.039	293	7.332
	12.208	**863**	**13.071**
Net book value	**2.068**		**1.509**

	1 January 2015	Additions	31 December 2015
Cost			
Rights	5.928	748	6.676
Development costs	7.600	-	7.600
	13.528	**748**	**14.276**
Accumulated amortisation			
Rights	4.662	507	5.169
Development costs	6.443	596	7.039
	11.105	**1.103**	**12.208**
Net book value	**2.423**		**2.068**

The total amortization for the year ended 31 December 2016 and 2015 is presented in Note 11.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 13 – ASSET HELD FOR SALE

The movement schedules of asset held for sale and related accumulated depreciation for the year ended 31 December 2016 and 2015 are as follows:

	1 January 2016	Additions	Transfers to tangible assets	Disposals	31 December 2016
Cost					
Land	14	-	-	-	14
Land Improvements	1.045	-	-	-	1.045
Buildings	6.538	-	-	-	6.538
Machinery and equipment	12.196	-	(3.608)	-	8.588
Motor vehicles	224	-	-	-	224
Furniture and fixtures	290	-	-	-	290
	20.307	**-**	**(3.608)**	**-**	**16.699**
Accumulated depreciation					
Land Improvements	819	-	-	-	819
Buildings	4.154	-	-	-	4.154
Machinery and equipment	9.001	-	(3.323)	-	5.678
Motor vehicles	224	-	-	-	224
Furniture and fixtures	276	-	-	-	276
	14.474	**-**	**(3.323)**	**-**	**11.151**
Net book value	**5.833**				**5.549**

The management continue to disposal activities on asset held for sale.

	1 January 2015	Additions	Transfers to tangible assets	Disposals	31 December 2015
Cost					
Land	14	-	-	-	14
Land Improvements	1.045	-	-	-	1.045
Buildings	6.538	-	-	-	6.538
Machinery and equipment	13.595	-	-	(1.399)	12.196
Motor vehicles	224	-	-	-	224
Furniture and fixtures	290	-	-	-	290
	21.706	**-**	**-**	**(1.399)**	**20.307**
Accumulated depreciation					
Land Improvements	819	-	-	-	819
Buildings	4.154	-	-	-	4.154
Machinery and equipment	10.176	-	-	(1.175)	9.001
Motor vehicles	224	-	-	-	224
Furniture and fixtures	276	-	-	-	276
	15.649	**-**	**-**	**(1.175)**	**14.474**
Net book value	**6.057**				**5.833**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 14- PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
Provision for restructing and demand of other receivables (*)	1.186	1.064
	1.186	**1.064**

(*) Provision for restructuring and demand of other receivables are consisting of reinstatements lawsuits which were filed by ex-workers against to the Group due to changes of business organizations and possible expenses of other receivables lawsuits. Such lawsuits are pending as of balance sheet date.

Provision for restructuring expenses and other receivables

	1 January - 31 December 2016	1 January - 31 December 2015
Balance at 1 January	**1.064**	**675**
Charged for the period (Note 22)	325	609
Allowance released	(203)	(220)
Balance at 31 December	**1.186**	**1.064**

NOTE 15 - COMMITMENTS

Commitments and contingencies, which are not included in the liabilities at 31 December 2016 and 31 December 2015, are as follows:

Commitments based on export incentive certificates

	31 December 2016	31 December 2015
The total amount of export commitment of documents stored in the document	3.407.353	2.496.047
The amount mentioned include commitments based on export incentivecertificate which are presently fullfilled but the closing transactions are not concluded yet	2.901.544	1.815.683
Total amount of open export incentives	505.809	680.364
Open export incentives	121.256	234.055

	31 December 2016	31 December 2015
Open import credits	32.106	26.912

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 15 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages 'CPM' given by the Group

	31 December 2016				31 December 2015			
	TRY Equivalent	TRY	USD	EUR	TRY Equivalent	TRY	USD	EUR
A. CPMs given in the name of its own legal personality	567.608	545.811	4.080	2.000	142.752	34.299	22.000	14.000
B. CPMs given on behalf of the fully consolidated companies	-	-	-	-	-	-	-	
C. CPMS given on behalf of third parties for ordinary course of	-	-	-	-	-	-	-	
D. Total amount of other CPMs given								
- Total amount of CPMs given on behalf of the majority shareholder	-	-	-	-	-	-	-	
- Total amount of CPMs given on behalf of other group companies whichare not in scope of B and C	-	-	-	-	-	-	-	
- Total amount of CPMs given on behalf of third parties which are not inscope of C	-	-	-	-	-	-	-	
Total CPM Amount	**567.608**	**545.811**	**4.080**	**2.000**	**142.752**	**34.299**	**22.000**	**14.000**

As of 31 December 2016 the percentage of the other CPM`s given by the Group to the total equity is 0% (31 December 2015: 0%).

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 15 - COMMITMENTS (Continued)

Mortgages and guarantees taken at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Letters of guarentees taken	8.002	10.032
Cheques and notes of guarentees taken	1.719	1.719
Mortgages taken	234	234
Total	**9.955**	**11.985**

NOTE 16 - EMPLOYEE BENEFITS

Short term employee benefits

	31 December 2016	31 December 2015
Provision for premiums	1.500	2.500
	1.500	**2.500**

Long term employee benefits

	31 December 2016	31 December 2015
Provision for employment termination benefits	25.083	21.620
Unused vacation allowance	2.427	2.063
	27.510	**23.683**

Unused Vacation Allowance

The Group provides annual pay vacation to each employee who has completed one year of service.

Movements of unused vacation allowances at 31 December 2016 and 31 December 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Balance of 1 January	**2.063**	**1.856**
Charge for the period (Note 22)	675	336
Allowance released	(311)	(129)
Balance at 31 December	**2.427**	**2.063**

Movements of premiums for senior management are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Balance of 1 January	**2.500**	**2.500**
Charge for the period	1.500	1.247
Allowance cancelled	(1.264)	-
Allowance released	(1.236)	(1.247)
Balance at 31 December	**1.500**	**2.500**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for employment termination benefits

There are no agreements for pension commitments other than the legal requirement as explained below.

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause excluding 25/2 article of labor law, is called up for military service or dies. As of 8 September 1999 related labor law was changed and retirement requirements made gradual. The amount payable consist of one gross wage for each year of service limited to maximum termination indemnity for non-union employees and 47 days gross wage for each year of service limited to maximum termination indemnity for union employees. Same payment is done for days remaining from 1 year.

The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

TFRS requires actuarial valuation methods to be developed to estimate the enterprise‘s obligation under defined benefit plans. Accordingly following actuarial assumptions were used in the calculation of the total liability.

	31 December 2016	31 December 2015
Discount rate (%)	3,81	3,81
Retention rate to estimate the probability of retire	98	98

Discount rate is derived upon the difference of long-term interest‘s rates in TL and the expected inflation rate.

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 4.43 (1 January 2016: TL 4.09), which is expected to be effective from 1 January 2017, has been taken into consideration in calculating the provision for employment termination benefits of the Group.

Movements in the reserve for employment termination benefits are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Balance of 1 January	**21.620**	**18.446**
Charge for the period	7.033	6.125
Paid during the period	(3.570)	(2.951)
Balance at 31 December	**25.083**	**21.620**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 17 - OTHER ASSETS AND LIABILITIES

Other Current Assets

	31 December 2016	31 December 2015
VAT receivables due to export	12.397	7.483
Deferred special consumption tax	497	413
	12.894	**7.896**

(*) The Group applied for a VAT refund amounting to TRY 2,154 before 31 December 2016 and expects to collect it in cash in the next few months (31 December 2015: TRY 679).

Other Non-Current Assets

	31 December 2016	31 December 2015
Deferred VAT (**)	22.733	63.803
	22.733	**63.803**

(**) The Group has reclassified VAT amount which is estimated to not use in short term period under current assets.

NOTE 18 - SHAREHOLDERS' EQUITY

Sasa Polyester Sanayi A.Ş fully paid and issued capital each Kr 1 nominal value of 36.630.000.000 shares (31 December 2015: 21.630.000.000). The shareholders and shareholding structure of the Group at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016		31 December 2015	
	Share Amount (TRY)	Share (%)	Share Amount (TRY)	Share (%)
Erdemoğlu Holding A.Ş.	310.636	84,80	183.431	84,80
Other	55.664	15,20	32.869	15,20
Total capital	**366.300**	**100**	**216.300**	**100**
Adjustment to share capital (**)	46.213		196.213	
Total paid-in capital	**412.513**		**412.513**	

(*) The total capital of the Company is increased to TRY 366,300,000 (full TRY) through bonus issues amounting to TR 50,000,000 (full TRY) on 20 July 2016 and to TRY 100,000,000 (full TRY) on 20 October 2016.

(**) Adjustment to share capital represents the restatement effect of cash contributions to share capital at yearend equivalent purchasing power after netting of prior year losses.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 18 - SHAREHOLDERS' EQUITY (Continued)

Shareholders' equity items of company as at 31 December 2016 and 31 December 2015 prepared in accordance with the Communiqué No: XI-29 are as follows:

	31 December 2016	31 December 2015
Share capital	366.300	216.300
Adjustment to share capital	46.213	196.213
Restricted reserves	10.099	5.963
Accumulated loss	(29.472)	(96.067)
Actuarial loss	(2.073)	(2.073)
Total comprehensive income	137.048	70.731
Total share capital	**528.115**	**391.067**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the Group's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital.

In accordance with the CMB's requirements which were effective until 1 January 2008, the amount generated from first-time application of inflation adjustments on financial statements, and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital issue premiums", "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss offsetting.

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences as part of TAS/TFRS shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital";

- if the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings".

There is no other usage other than the addition of capital adjustment differences to the capital.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 18 - SHAREHOLDERS' EQUITY (Continued)

Dividend Distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board's Communiqué on Dividends II-19.1 which is effective from February 1, 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has been determined as 50% of profit available for distribution according to dated 2013 Ordinary General Assembly decision which occurred in March 24, 2014.

The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the financial statements.

In accordance with the Turkish Commercial Code (TCC), no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of a usufruct right certificate, to the members of the board of directors or to the employees unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the Group are set aside; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

NOTE 19 - SALES AND COST OF SALES

Sales Revenue

	1 January - 31 December 2016	1 January - 31 December 2015
Domestic sales	675.134	615.700
Foreign sales	500.627	502.841
Other sales	21.746	7.014
Sales return	(2.526)	(8.219)
Sales discounts	(12.049)	(5.741)
Other discounts	(23)	(187)
Sales Revenues	**1.182.909**	**1.111.408**

Cost of Sales

	1 January - 31 December 2016	1 January - 31 December 2015
Direct first raw material and supplies expenses	758.204	725.842
Energy expenses	103.138	111.757
Labour expenses	63.523	56.940
Spare parts and maintenance expenses	11.872	8.400
Amortization	7.264	7.758
Insurance expenses	2.216	1.994
Usage of semi-finished goods	(4)	1.217
Other expenses	13.830	18.454
Production cost for the year	**960.043**	**932.362**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 19 - SALES AND COST OF SALES (Continued)

	1 January - 31 December 2016	1 January - 31 December 2015
Usage of WIP and finished goods	19.667	810
Cost of waste goods sold	7.698	5.178
Other idle time expenses	5.999	9.372
Cost of trade good sold	588	-
Idle time type amortization	1.550	1.933
Cost adjustment to unrealised sales	-	11.918
Provision for impairment inventories - net	(8.763)	3.752
Stock count differences	(445)	(653)
Cost of good sold during the year	**986.337**	**964.672**

NOTE 20 - OPERATING EXPENSES

General Administrative Expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	9.277	9.331
Seniority notice indemnity	1.500	1.247
Severance and notice pay	1.302	1.062
Amortization expenses	1.256	1.528
Consultancy expenses	1.028	1.019
Insurance expenses	524	600
Supplies, repair and maintenance expenses	438	610
Energy expenses	248	224
Auxiliary expenses	236	435
Other expenses	1.174	1.539
	16.983	**17.595**

Selling, Marketing and Distribution Expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Export expenses	42.025	39.783
Personnel expenses	6.554	5.619
Taxes and duties expenses	2.425	1.871
Insurance expenses	856	964
Energy expenses	596	626
Amortization expenses	564	565
Rent expenses	28	18
Other expenses	1.880	1.526
	54.928	**50.972**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 20 - OPERATING EXPENSES (Continued)

Research and Development Expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Amortization expenses	1.103	1.417
Maintenance expenses	80	63
First raw material and supplies expenses	21	17
Other expenses	350	337
	1.554	**1.834**

NOTE 21 - INCOME FROM INVESTING OPERATIONS

	1 January - 31 December 2016	1 January - 31 December 2015
Gain on sales of tangible assets (*)	1.206	191
Loss on sales of fixed assets	(3)	(48)
	1.203	**143**

(*) Includes the sale of various machines and equipment which are idle in the group and whose book value is zero.

NOTE 22- OTHER OPERATING INCOME / EXPENSE

Other Operating Income

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange gain from trade receivables/payables	118.831	77.336
Miscallaneous sales income	8.615	18.583
Provision no longer required	2.821	129
Financial income from credit sales	2.241	3.932
Other income	10.126	5.207
	142.634	**105.187**

Other Operating Expense

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange loss from trade receivables / payables	57.894	50.349
Miscallaneous sales expense	12.706	16.202
Taxes and duties paid	2.579	1.507
Provision for unused vacation	675	336
Provision for restructuring expenses	325	609
Provision for doubtful receivable expense	27	309
Provision for impairment of fixed asset	-	6.195
Other expenses	4 .277	273
	78.483	**75.780**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 23 - FINANCIAL INCOME

	1 January-31 December 2016	1 January-31 December 2015
Foreign exchange income	14.676	8.402
Interest income	3.574	548
	18.250	**8.950**

NOTE 24 - FINANCIAL EXPENSES

	1 January-31 December 2016	1 January-31 December 2015
Foreign exchange losses	40.093	33.267
Interest expense	8.936	9.454
	49.029	**42.721**

NOTE 25 - TAX ASSETS AND LIABILITIES

Deferred income taxes

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Accounting Standards and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for International Financial Reporting Standards and tax purposes.

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2016 and 31 December 2015 using the enacted tax rates are as follows:

	Cumulative temporary difference		Deferred income tax asset / (liabilities)	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Net difference between the tax base and carrying value of tangible and intangible assets	(28.764)	(8.571)	(5.753)	(1.714)
Retirement pay provision	25.083	21.620	5.017	4.324
Net difference between the tax base and carrying value of inventories	19.061	15.451	3.812	3.090
Correction of the sale that are not realize	(4.349)	4.330	(870)	866
Provision for accumulated unpaid vacation	2.427	2.063	485	413
Held for sale asset's net difference between the book value and tax value	(834)	(753)	(167)	(151)
Provision for restruction expense	1.186	1.064	237	213
Provision for restructuring asset for investment's net difference between the book value and tax value	615	488	123	98
Provision for doubtful receivable	1.370	1.354	274	271
Provision of export expense	3	1.475	1	295
Adjustment for not accrued financial expenses	(126)	(159)	(25)	(33)
Adjustment for not accrued financial income	1.514	1.129	303	226
Provision for Premium	1.500	2.500	300	500
Deferred income tax assets			9.682	10.296
Deferred income tax liabilities			(5.945)	(1.898)
Deferred income tax asset			**3.737**	**8.398**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Movements in deferred taxes can be analyzed as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Balance of 1 January	**8.398**	**5.694**
Deferred tax (expense)/income of the term	(4.661)	2.704
Balance at 31 December	**3.737**	**8.398**

Tax provision reconciliation

	31 December 2016	31 December 2015
Profit before tax from operations	**157.682**	**72.114**
Expected taxation (20%)	(31.536)	(14.423)
Tax effects of:		
- Revenue that is exempt from taxation	130	506
- Expenses that are not deductible in determining taxable profit	(235)	(87)
- Effect of discounted corporate tax	12.478	1.125
- Effect of using investment incentives that deferred tax asset has not been recognized previously	-	11.555
- Other adjustments	(1.471)	(59)
Income tax recognized in loss	**(20.634)**	**(1.383)**

In addition, while applying reduced corporate income tax, the Group benefitted from TRY 12.478 investment support of the TRY 17.836 which is the total investment support. Investment amount of the investment incentive certificate is revised on 19 August 2016 by applying to Ministry of Economy upon 17th Article of the Council of Ministers' Decision numbered 2012/3305. After this revision, investment support amount is increased by TRY 12.300.

Corporate Income Tax Law has been changed with the law numbered 5520 which was published at 13 June 2006. Most of the rules of the new Corporate Income Tax Law are applicable from 1 January 2006 According to this; corporate tax rate applicable for the year 2016 is 20% (2015: 20%).

Corporate tax rate is applied to the taxable profit which is calculated by adding non-taxable expenses and deducting some exemptions taken place in tax laws (exemptions for participation revenues, exemptions for investment incentives) and discounts (R&D discount) from accounting profit of the Group. No additional taxes are paid unless profit is distributed (except 19,8% withholding tax paid over used investment incentives according to the GVK temporary article).

The Constitutional Court abolished the provisions of Temporary Article 69 of the Income Tax Law regarding the time limitation to the investment allowance in its meeting held on 15 October 2009, and published the minutes of the relevant meeting on its website in October 2009. The decision of the Constitutional Court on the cancellation of the time limitation for investment allowance for the years 2006, 2007 and 2008 came into force with its promulgation in the Official Gazette, dated 8 January 2010, and thereby the time limitation regarding investment allowance was removed, however it has also been stated that balance regarding the calculation of the tax bases could not exceed 25% percent of the relevant income and the remaining balance after the investment allowance should be subject to 20% of corporate tax.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of 5 years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to tax office which they relate. However, tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Total taxes payable for 31 December 2016 and 2015 have been reconciled to the current year tax charge as follows:

	1 January - 31 December 2016	**1 January - 31 December 2015**
Current period tax expense	(15.973)	(4.087)
Deferred tax expense / (İncome)	(4.661)	2.704
Total tax expense	**(20.634)**	**(1.383)**

Corporate tax rate actualized on the basis of taxable profit of the Group is calculated from remaining tax assesment after addition of non deductible expenses and deduction of tax exempt earnings, tax free income and other incentive (accumulated prior year losses and invenstment incentive).

Corporate Tax

	1 January - 31 December 2016	**1 January - 31 December 2015**
Corporate tax to be paid	15.961	1.389
Prepaid taxes	(5.713)	-
Balance at 31 December	**10.248**	**1.389**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 26 - EARNINGS PER SHARE

	1 January- 31 December 2016	1 January- 31 December 2015
Net gain attributable to shareholders	137.048	70.731
Number of ordinary shares	36.630.000.000	21.630.000.000
Earnings per share in full TL hundreds of ordinary shares	0,3741	0,3270

NOTE 27 - RELATED PARTY DISCLOSURES

a) Due from related companies:

	31 December 2016	31 December 2015
Özerdem Mensucat San. Tic. A.Ş.	9.996	85
Merinos Halı San. Tic. A.Ş.	1.454	235
Dinarsu İmalat ve Ticaret T. A.Ş.	-	7
Merinos Mobilya Tekstil San. Tic. A.Ş.	223	60
Total	**11.673**	**387**

b) Other receivables from related companies:

	31 December 2016	31 December 2015
Dinarsu İmalat ve Ticaret T. A.Ş.	78.266	-
Merinos Halı San. Tic. A.Ş.	71.643	-
Total	**149.909**	**-**

It is the amount valued in group companies to make use of the Company's excessive funds in the most optimal way. Average maturity of the other receivables from related parties is 278 days on 31 December 2016.

c) Sales to related parties:

	1 January- 31 December 2016	1 January- 31 December 2015
	Product	**Product**
Özerdem Mensucat San. Tic. A.Ş.	20.233	380
Merinos Halı San. Tic. A.Ş.	8.657	271
Dinarsu İmalat ve Ticaret T. A.Ş.	552	6
Merinos Mobilya Tekstil San. Tic. A.Ş.	391	136
Total	**29.833**	**793**

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

d) Purchases from related parties:

	1 January - 31 December 2016	1 January - 31 December 2015
	Product	**Product**
Merinos Mobilya Tekstil San. Tic. A.Ş.	288	-
Merinos Halı San. Tic. A.Ş.	14	-
Total	**302**	**-**

e) Financial income from related parties:

	1 January - 31 December 2016	1 January - 31 December 2015
Merinos Halı San. Tic. A.Ş.	4.919	-
Dinarsu İmalat ve Ticaret T. A.Ş.	304	-
Erdemoğlu Holding A.Ş.	479	-
Total (*)	**5.702**	**-**

(*) It includes the interest numbers calculated by the Company. The weighted Euro foreign exchange interest rate of the average interest used in 2016 for other receivables from related parties is 4.20%.

f) As of 31 December 2016 and 2015 remuneration of directors and key management personnel amounts are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Short-term benefits provided to key management	2.286	1.978
Total	**2.286**	**1.978**

NOTE 28 - FINANCIAL RISK MANAGEMENT

Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

The Group's risk management is implemented by the Group's Treasury Department according to approved policies by Board of Directors. Treasury Department detects and evaluates financial risks and relieve of a risk through close relations with other departments of the Group.

Market risk

Foreign exchange risk

The Group is subject to foreign exchange risk due to foreign currency denominated liabilities and assets' translation to Turkish Lira. Foreign exchange risk is traced and minimized through the analysis of foreign currency position.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign Currency Position Table

Assets and liabilities denominated in foreign currencies at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016			
	TRY Equivalent	**USD**	**EUR**	**GBP**
Trade receivables (including other receivables)	425.809	89.347	29.964	50
Monetary financial assets (including cash and banks)	6.947	502	1.313	72
Other	153.009	78	41.161	8
Current Asset	**585.765**	**89.926**	**72.438**	**129**
Total Asset	**585.765**	**89.926**	**72.438**	**129**
Trade payables (including other payables)	88.471	7.271	16.928	19
Financial liabilities	168.638	9.500	36.444	-
Other	5.439	-	1.466	-
Short-Term Liabilities	**262.548**	**16.771**	**54.838**	**19**
Financial liabilities	177.251	-	47.778	-
Long-Term Liabilities	**177.251**	**-**	**47.778**	**-**
Total Liabilities	**439.799**	**16.771**	**102.616**	**19**
Net Foreign Currency Position	**145.966**	**73.155**	**(30.178)**	**110**
Export	377.833	11.470	137.599	844
Import	728.211	30.902	195.589	2

	31 December 2015			
	TRY Equivalent	**USD**	**EUR**	**GBP**
Trade receivables (including other receivables)	221.013	56.619	17.589	115
Monetary financial assets		-	-	-
(including cash and banks)	23.195	4.761	2.856	64
Other	57	-	8	8
Current Asset	**244.265**	**61.380**	**20.453**	**187**
Total Asset	**244.265**	**61.380**	**20.453**	**187**
Trade payables (including other payables)	96.080	3.880	26.670	12
Financial liabilities	107.024	22.000	13.550	-
Other	-	-	0	-
Short-Term Liabilities	**203.104**	**25.880**	**40.220**	**12**
Financial liabilities	-	-	-	-
Long-Term Liabilities	**-**	**-**	**-**	**-**
Total Liabilities	**203.104**	**25.880**	**40.220**	**12**
Net Foreign Currency Position	**41.161**	**35.500**	**(19.767)**	**175**
Export	505.356	12.068	143.277	439
Import	624.215	29.999	178.987	-

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

Foreign Currency Sensitivity Analysis

	Profit / (Loss)	
As of 31 December 2016	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**
10% change in US Dollar/TRY Parity:		
US Dollar net asset	25.745	(25.745)
US Dollar net hedged amount	-	-
US Dollar Net Effect	**25.745**	**(25.745)**
10% change in Euro/TRY Parity:		
Euro net asset	(11.196)	11.196
Euro net hedged amount	-	-
Euro Net Effect	**(11.196)**	**11.196**
10% change in GBP/TRY Parity:		
GBP net asset	48	(48)
GBP net hedged amount	-	-
GBP Net Effect	**48**	**(48)**
Total	**14.597**	**(14.597)**

	Profit / (Loss)	
As of 31 December 2015	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**
10% change in US Dollar/TRY Parity:		
US Dollar net asset	10.344	(10.344)
US Dollar net hedged amount	-	-
US Dollar Net Effect	**10.344**	**(10.344)**
10% change in Euro/TRY Parity:		
Euro net asset	(6.281)	6.281
Euro net hedged amount	-	-
Euro Net Effect	**(6.281)**	**6.281**
10% change in GBP/TRY Parity:		
GBP net asset	75	(75)
GBP net hedged amount	-	-
GBP Net Effect	**75**	**(75)**
Total	**4.138**	**(4.138)**

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The Group manages its not used cash on hand by time deposits. Income, other than not used cash on hand, and cash flows from operations are considerably free from market interest rate changes. The interest risk of the Group arises from fixed rate short term borrowings.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (continued)

To keep this exposure at a minimum level, the Group tries to borrow at the most suitable rates.

Interest Rate Position Table

	31 December 2016	31 December 2015
Fixed interest rate financial instruments		
Principle	337.269	148.452
Interest	5.440	3.500
Total fixed financial liabilities	**342.709**	**151.952**

Credit risk

Credit risk consists of cash and cash equivalents, deposits at banks, customers subject to credit risk due to uncollected receivables.

Receivables

The Group implements Credit Control procedure approved by the Board of Directors in order to manage credit risk due to receivables from customers. According to the procedure, the Group determine a risk limit for every single customer (except related parties) by taking into consideration receivable insurance, bank guarantee, mortgage and other guarantees and sales are conducted without exceeding customer risk limits. In circumstances where these guarantees do not exist or it is required to exceed the guarantees, sales are conducted through determined internal limits which are specified in the procedure.

Credit Risk Exposure according to Financial Instruments Types

	Receivables				
	Trade Receivables		Other Receivables		Time
31 December 2016	Related Party	Other	Related Party	Other	Deposit
- Maximum credit risk exposure as of balance sheet date	11.673	401.951	149.909	3.138	7.469
- Guaranteed maximum risk by commitment or etc (*)	-	295.963	-	-	-
- Net book value of non-overdue of unimpaired financial asset	11.673	378.491	149.909	3.138	7.469
- Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-	-
- Net book value of overdue assets that are not impaired	-	23.460	-	-	-
- The part that is guaranteed by commitment or etc	-	15.813	-	-	-
- Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	3.618	-	-	-
- Impairment		(3.618)	-	-	-

(*) Guarantees include receivable insurance, bank collateral, mortgages, and customer checks.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure according to Financial Instruments Types (continued)

	Receivables				
	Trade Receivables		Other Receivables		Time
31 December 2015	Related Party	Other	Related Party	Other	Deposit
- Maximum credit risk exposure as of balance sheet date	387	228.553	-	1.122	34.442
- Guaranteed maximum risk by commitment or etc (*)	-	178.689	-	-	-
- Net book value of non-overdue of unimpaired financial asset	387	211.606	-	1.112	34.442
- Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-	-
- Net book value of overdue assets that are not impaired	-	16.947	-	-	-
- The part that is guaranteed by commitment or etc	-	11.553	-	-	-
- Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	3.591	-	-	-
- Impairment		(3.591	-	-	-

(*) Guarantees include receivable insurance, bank collateral, mortgages, and customer checks.

As of 31 December 2016 and 31 December 2015 net book value of overdue assets that not impaired is as follows:

Trade Receivables	31 December 2016	31 December 2015
Overdue 1-30 days	21.758	15.279
Overdue 1-3 months	1.463	1.269
Overdue 3-12 months	239	399
Total	**23.460**	**16.947**
Portion under the guarantee of collaterals, etc (*)	15.813	11.553

(*) Guarantees include receivable insurance, bank collateral, mortgages, and customer checks.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (continued)

As of 31 December 2016;

Contractual maturities

	Financial Liabilities Other than Derivatives					
	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years	More than 5 years
Bank borrowings	342.709	358.218	97.968	63.478	127.860	68.912
Trade payables	10.509	10.509	10.509	-	-	-

Expected maturities

	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years	More than 5 years
Trade payables	104.237	104.363	95.066	9.297	-	-
Other payables	865	865	865	-	-	-

As of 31 December 2015;

Contractual maturities

	Financial Liabilities Other than Derivatives					
	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years	More than 5 years
Bank borrowings	151.952	153.493	74.530	78.963	-	-
Trade payables	9.714	9.714	9.714	-	-	-

Expected maturities

	Book Value	Total Cash Outflow Due to Contracts	3 months	3-12 months	1-5 years	More than 5 years
Trade payables	111.250	109.804	68.739	41.065	-	-
Other payables	497	497	497	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TRY"), unless otherwise indicated.)

NOTE 28 - FINANCIAL RISK MANAGEMENT (continued)

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequately committed funding lines from high quality lenders.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net debt/ (shareholders' equity + net debt) ratio. Net debt is calculated as total borrowings (including borrowings, trade and other payables as shown in the balance sheet) less cash and cash equivalents and deferred tax liability.

As of 31 December 2016 and 31 December 2015 net debt/ (shareholders' equity + net debt) ratio is as follows:

	31 December 2016	31 December 2015
Total liabilities	504.072	308.494
Cash and cash equivalents	(7.479)	(34.456)
Deferred tax liabilities	3.737	8.398
Net debt	500.330	282.436
Shareholder's equity	528.115	391.067
Shareholder's equity+net debt	1.028.445	673.503
Net debt / (Shareholders' equity+net debt) ratio	49%	42%

NOTE 29 - SUBSEQUENT EVENT

None.

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