SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 AND INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

Deloitte.

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(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SASA Polyester Sanayi A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of SASA Polyester Sanayi A.Ş. ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2) Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How the matter was addressed in the audit**
Revaluation and Impairment of Property, Plant and Equipment As stated in Note 2 and Note 11, the Group accounts for its lands by revaluation method. As of 31 December 2017, the fair value of the lands, amounting to TL 611 million in the consolidated financial statements, was determined by independent valuation companies; and details are disclosed in Note 11. The fair value measurement of lands in the current year are considered as a key audit matter since these lands constitute a significant portion of the total assets of the Company, and the valuation methods applied consist of significant estimates and assumptions.	Through our audit, following audit procedures were performed regarding the fair value measurement of land. The qualifications, competencies and independency of the property valuation experts appointed by the management were assessed. In our audit, the appropriateness and accuracy of the data provided to the property valuation experts was inspected. It was also assessed whether the valuation methods used by valuation experts in the valuation reports for lands are appropriate and within an acceptable range. The external valuation experts of our Company, within our corporate network, were included for the review of the legal statuses and for the observation of market data used by valuation specialists in the valuation reports. The consistency of the values of lands presented in financial statements was checked and agreed with the valuation report prepared by valuation experts was inspected. The Consistency of the estimated market value of lands appraised by the valuation experts were assessed with the sale price of recently sold lands closed to Group's lands. In addition, the adequacy and appropriateness of the disclosures in Note 11 Property, Plant and Equipment were assessed within the scope of TAS 16.

3) Key Audit Matters (cont'd)

Revenue Recognition Revenue is recognized when significant risks and rewards of ownership are transferred to the Buyer. Due to the nature of the Group's operations, there are undelivered goods which have been manufactured, have been invoiced to the customer or for which a sale amount has been collected. These goods under such circumstances are in the stockyard of the Group or in transit as of the reporting date. As per the contractual conditions, the ownership rights and risks of these undelivered goods may be transferred to the customer (Note 19). According to the aforementioned explanations, as a part of cut-off principle the matter of whether the sale of goods under such circumstances are recognized at the correct period or not is considered as a key audit matter. The Group's revenue related accounting policies and financial information are disclosed in Note 2.5 and Note 19.	Through our audit, following audit procedures were performed regarding the revenue recognition: The design and implementation of the controls applied by the Management considering the risk involved in the recognition of revenue at the correct period were tested. The Group's sales and delivery procedures have been analyzed. Conditions regarding the terms of trade and delivery in the contracts made with customers were reviewed and the timings of revenue recognition in the financial statements for the different delivery arrangements have been assessed. The assessment of the circumstances where revenue is invoiced but not earned was concentrated upon in substantive testing procedure. The customers with the longest delivery periods were identified among all customers of the Group, a date range was determined and sales lists were provided from the relevant departments. The tests were completed to check the completeness and accuracy of these lists. Additionally, the adequacy of the Revenue disclosures in Note 19 were assessed within the scope of TAS 18.

4) Other Matters

The consolidated statements of the Group for the year ended 31 December 2016, were audited by another independent audit firm whose audit report dated 16 February 2017 expressed an unqualified opinion.

5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with TAS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 15 February 2018.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2017 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Ali Çiçekli.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Ali Çiçekli, SMMM
Partner

İstanbul, 15 February 2018

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SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

(Amounts expressed in thousand Turkish Lira (TL))

	Notes	Current Period (Audited) 31 December 2017	Prior Period (Audited) 31 December 2016
ASSETS			
Current Assets		**1,118,264**	**772,432**
Cash and Cash Equivalents	3	84,933	7,479
Financial Investments	4	5,132	-
Trade Receivables	5	381,496	413,624
- Trade Receivables From Third Parties	5	*349,221*	*401,951*
- Trade Receivables From Related Parties	28	*32,275*	*11,673*
Other Receivables	7	325,540	152,970
- Other Receivables From Third Parties	7	*2,078*	*3,061*
- Other Receivables From Related Parties	28	*323,462*	*149,909*
Inventories	8	266,416	177,158
Prepaid Expenses	9	3,392	2,758
Other Current Assets	17	51,355	12,894
Non - Current Assets Classified For Sale	13	-	5,549
Non - Current Assets		**1,259,731**	**259,755**
Other Receivables	7	79	77
Investment Properties	10	5,917	672
Property, Plant and Equipment	11	1,106,217	175,955
Intangible Assets	12	830	1,509
Prepaid Expenses	9	146,688	55,072
Deferred Tax Asset	26	-	3,737
Other Non - Current Assets	17	-	22,733
TOTAL ASSETS		**2,377,995**	**1,032,187**
LIABILITIES			
Current Liabilities		**585,552**	**299,311**
Short - Term Borrowings	4	311,310	157,214
Short - Term Portion of Long - Term Borrowings	4	41,976	8,244
Trade Payables	5	198,987	114,746
- Trade Payables to Third Parties	5	*198,987*	*114,746*
Payables Related to Employee Benefits	6	4,932	4,453
Other Payables	7	3,210	1,317
- Other Payables to Third Parties	7	*3,210*	*1,317*
Deferred Income	7	5,349	403
Current Tax Liabilities	26	17,328	10,248
Short - Term Provisions		2,460	2,686
-Other Short - Term Provisions	*14*	*2,453*	*1,186*
-Short - Term Provisions for Employee Benefits	*16*	*7*	*1,500*
Non - Current Liabilities		**654,619**	**204,761**
Long - Term Borrowings	4	567,517	177,251
Long - Term Provisions	16	34,748	27,510
-Long - Term Provisions for Employee Benefits	*16*	*34,748*	*27,510*
Deferred Tax Liability	26	52,354	-
EQUITY		**1,137,824**	**528,115**
Share Capital	18	412,500	366,300
Adjustments to Share Capital	18	13	46,213
Treasury Shares	18	(1,594)	-
Restricted Reserves Appropriated from Profit	18	21,243	10,099
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss	18	508,483	(2,073)
-Remeasurement Losses on Defined Benefit Plans	18	*(4,109)*	*(2,073)*
-Revaluation Gain on Property, Plant and Equipment	18	*512,592*	-
Accumulated Losses	18	(6,387)	(29,472)
Net Profit for the Year	18	203,566	137,048
TOTAL LIABILITIES		**2,377,995**	**1,032,187**

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2017

(Amounts expressed in thousand Turkish Lira (TL))

	Notes	(Audited) 1 January - 31 December 2017	(Audited) 1 January - 31 December 2016
Revenue	19	1,655,205	1,182,909
Cost of Sales (-)	19	(1,335,919)	(986,895)
GROSS PROFIT		**319,286**	**196,014**
General Administrative Expenses (-)	20	(19,448)	(17,415)
Marketing Expenses (-)	20	(57,078)	(54,965)
Research and Development Expenses (-)	20	(1,618)	(1,554)
Other Income from Operating Activities	22	143,881	142,135
Other Expenses from Operating Activities (-)	22	(74,369)	(77,456)
OPERATING PROFIT		**310,654**	**186,759**
Income from Investing Activities	21	4,291	1,705
Expenses from Investing Activities (-)	21	(3,535)	(3)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)		**311,410**	**188,461**
Finance Income	23	28,857	18,250
Finance Expenses (-)	24	(89,977)	(49,029)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**250,290**	**157,682**
Tax Expense from Continuing Operations (-)		**(46,724)**	**(20,634)**
- Current Tax Expense (-)	26	(47,080)	(15,973)
- Deferred Tax Income / (Expense) (-)	26	356	(4,661)
PROFIT FOR THE YEAR		**203,566**	**137,048**
Profit for the Year Attributable to:			
Owners of the Company		203,566	137,048
Non - Controlling Interests		-	-
Earnings Per Share	27	0.4937	0.3322
Other Comprehensive Income / Expense		**510,556**	-
Items That Will Not Be Reclassified to Profit or Loss		510,556	-
Gains on Revaluation of Property, Plant and Equipment	11	569,547	-
Revaluation Gains on Property, Plant and Equipment Tax Effect (-)	25	(56,955)	-
Remeasurement Loss on Defined Benefit Plans	16	(2,544)	-
Remeasurement Loss on Defined Benefit Plans Tax Effect	25	508	
TOTAL COMPREHENSIVE INCOME		**714,122**	**137,048**
Total Comprehensive Income Attributable to:			
Owners of the Company		714,122	137,048
Non - Controlling Interests		-	-

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2017

(Amounts expressed in thousand Turkish Lira (TL))

					Accumulated Other Comprehensive Income or Expenses That Will Not Be Reclassified Subsequently to Profit or Loss			Accumulated Profit		
	Notes	Share Capital	Share Capital Inflation Adjustments	Treasury Shares	Accumulated Gain on Revaluation of Property, Plant and Equipment	Accumulated Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Accumulated losses	Net Profit for the Year	Total
Balances at 1 January 2016	**18**	**216,300**	**196,213**	-	-	**(2,073)**	**5,963**	**(96,067)**	**70,731**	**391,067**
Transfers		150,000	(150,000)	-	-	-	4,136	66,595	(70,731)	-
Total Comprehensive Income		-	-	-	-	-	-	-	137,048	137,048
Balances at 31 December 2016	**18**	**366,300**	**46,213**	-	-	**(2,073)**	**10,099**	**(29,472)**	**137,048**	**528,115**
Balances at 1 January 2017	**18**	**366,300**	**46,213**	-	-	**(2,073)**	**10,099**	**(29,472)**	**137,048**	**528,115**
Transfers		46,200	(46,200)	-	-		11,144	125,904	(137,048)	-
Dividend		-	-	-	-	-	-	(93,881)	-	(93,881)
Total Comprehensive Income		-	-	-	512,592	(2,036)	-	-	203,566	714,122
Decrease From Repurchase of Treasury Shares	18	-	-	(1,594)	-	-	-	(8,938)	-	(10,532)
Balances at 31 December 2017	**18**	**412,500**	**13**	**(1,594)**	**512,592**	**(4,109)**	**21,243**	**(6,387)**	**203,566**	**1,137,824**

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2017

(Amounts expressed in thousand Turkish Lira (TL))

	Notes	Current Period (Audited) 1 January - 31 December 2017	Prior Period (Audited) 1 January - 31 December 2016
Cash Flows From Operating Activities:			
Profit For The Year Before Tax from Continuing Operations		**250,290**	**157,682**
Adjustments Related To Amortization and Depreciation	10,11,12	12,641	11,737
Adjustments Related to Interest Expense	24	14,568	8,936
Adjustments Related to Loss / (Gain) on Disposal of Property, Plant and Equipment	21	(384)	(1,203)
Adjustments Related to Disposal of Assets Held for Sale	21	70	-
Adjustments Related to Provisions for Employee Benefits	16	11,050	7,722
Adjustments Related to General Provisions for Possible Risks	14	1,367	325
Adjustments Related to Interest Income	23	(13,843)	(3,574)
Unearned Finance Income Related to Credit Sales		3,244	(417)
Adjustments Related to Impairment Loss (Reversed) Recognised on Trade Receivables	5	(518)	27
Adjustments Related to Unrealized Foreign Exchange Losses	4	80,925	36,618
Adjustments Related to Other Provisions (Reversal)	16	-	(89)
Adjustments Related to Reversal of Impairment Loss on Inventories	8	(4,524)	(8,763)
Operating Cash Flows Provided Before Changes in Working Capital		**354,886**	**209,001**
Changes in Working Capital			
Decrease (Increase) in Trade Receivables from Third Parties		47,049	(173,425)
Decrease in Trade Receivables from Related Parties		(20,602)	(11,286)
Adjustments Related to (Increase) Decrease in Inventories		(84,734)	34,267
Changes in Other Receivables		981	(2,016)
Increase in Prepaid Expenses		(634)	(55,901)
Changes in Other Current Asset		(15,728)	(4,998)
Changes in Other Non - Current Assets		-	41,070
Increase (Decrease) in Trade Payables to Third Parties		87,196	(6,218)
Changes in Other Payables		1,893	820
Increase (Decrease) in Deferred Income		4,946	(2,365)
Increase (Decrease) in Debt for Employee Termination Benefits		479	776
Changes in Other Current Liabilities		-	52
Net Cash (Used) / Generated After Changes in Working Capital		**375,732**	**29,777**
Payments Related to Provisions of Employee Termination Benefits	14.16	(6,449)	(3,773)
Payments Related to Other Provisions	16	(1,500)	(1,236)
Taxes paid	26	(40,000)	(5,713)
Net Cash Generated from Operating Activities		**327,783**	**19,055**
Investing Activities:			
Payments for Purchase of Property, Plant and Equipment		(465,801)	(45,102)
Proceeds From Sale of Property, Plant and Equipment		1,988	1,209
Proceeds from Sale of Non - Current Assets Held for Sale	13	138	-
Net Cash Used in Investing Activities		**(463,675)**	**(43,893)**
Financing Activities:			
Proceeds from Bank Loans	4	690,347	343,802
Other Payments	4	(5,132)	-
Interest Paid		(3,964)	(6,996)
Interest Received	23	13,843	3,574
Dividends Paid	18	(93,881)	-
Net (Increase)/Decrease in Other Receivables from Related Party	28	(173,553)	(149,909)
Net Cash Outflow on Repayment Of Bank Loans	4	(203,782)	(192,610)
Net Cash Outflow for the Acquisition of Own Shares and Other Equity Instruments	18	(10,532)	-
Net Cash Generated From Financing Activities		**213,346**	**(2,139)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		77,454	(26,977)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3	7,479	34,456
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	**84,933**	**7,479**

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

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE GROUP

Sasa Polyester Sanayi A.Ş. ("the Company) 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 2017, number of employees of the Group is 1,289 (31 December 2016: 1,241).

Subsidiary

The Company has founded, Sasa Dış Ticaret A.Ş. ("the Subsidiary"), with TL 2,000 paid in capital owning 100% of shares 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".

Approval of Consolidated Financial Statements

Board of Directors has approved the condensed consolidated financial statements and delegated authority for publishing it on 15 February 2018. General shareholders' meeting has the authority to modify the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance in TAS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the "illustrations of financial statements and application guidance".

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 consolidated financial statements have been prepared on the historical cost basis *except for certain properties and financial instruments that are measured at revalued amounts or fair values.* The consolidated financial statements have been prepared with all necessary adjustments and reclassifications for the fair presentation as per TAS/TFRS reflected on the legal records that are prepared on historical cost basis.

Preparation of Financial Statements in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 " Financial reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

(Amounts expressed in thousand Turkish Lira (TL))

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

2.1 Basis of Presentation (cont'd)

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current year, the Group has also made some reclassifications in the prior year's consolidated financial statements. The nature, reason and the amounts of reclassification are described below:

- In 2016, The Group recognized the "rental income" amounting to TL 499 thousand in Other Income From Operating Activities. In the current year, The Group's management reclassified these income to "Income from Investing Activities".
- In 2016, The Group recognized the "tax liabilities split into installments" amounting to TL 452 thousand in other non – current borrowing. In the current year, The Group management reclassified this borrowing to "Other Borrowings".
- In 2016, The Group recognized the "provision for doubtful receivable expense" amounting to TL 27 thousand and "provision for restructure expense" amounting to TL 325 thousand in "other expense from operating activities". In the current year, The Group's management reclassified these income to "General Administrative Expense".
- In 2016, The Group recognized the "provision for unused vacation" amounting to TL 325 thousand in "other expense from operating activities". In the current year, The Group's management reclassified TL 80 thousand, TL 558 thousand and TL 37 thousand as "General Administrative Expense", "Cost of Sales" and "Marketing Expenses" respectively.

These reclassifications do not have any effect on the profit for the year.

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 period ended 31 December 2017 are consistent with those used in the preparation of financial statements for the year ended 31 December 2016.

Basis of the Consolidation

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

	31 December 2017	31 December 2016
Sasa Dış Ticaret A.Ş.	100%	100%

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

2.1 Basis of Presentation (cont'd)

Basis of the Consolidation (cont'd)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Change in the Accounting Policies and Errors

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 2017 are consistent with those used in the preparation of financial statements for the year ended 31 December 2017. Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements.

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.

(Amounts expressed in thousand Turkish Lira (TL))

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

2.3 New and Revised Turkish Accounting Standards

a) Amendments to TFRSs that are mandatorily effective for the current year

Amendments to TAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses* [1]
Amendments to TAS 7	*Disclosure Intiative* [1]
Annual Improvements to TFRS Standards 2014–2016 Cycle	*TFRS 12* [1]

[1] Effective for annual periods beginning on or after 1 January 2017.

Amendments to TAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Amendments to TAS 7 *Disclosure Intiative*

This amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings (note 4) and certain other financial liabilities (note 4). A reconciliation between the opening and closing balances of these items is provided in note 4. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 4, the application of these amendments has had no impact on the Group's consolidated financial statements.

Annual Improvements to TFRS Standards 2014–2016 Cycle

TFRS 12: TFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of TFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

(Amounts expressed in thousand Turkish Lira (TL))

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

2.3 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the consolidated financial statements

The Group has not applied the following new and revised TAS that have been issued but are not yet effective:

TFRS 9	*Financial Instruments* [1]
TFRS 15	*Revenue from Contracts with Customers* [1]
Amendments to TFRS 10 and TAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to TFRS 2	*Classification and Measurement of Share-Based Payment Transactions* [1]
TFRIC 22	*Foreign Currency Transactions and Advance Consideration* [1]
Amendments to TAS 40	*Transfers of Investment Property* [1]
Annual Improvements to TFRS Standards 2014–2016 Cycle	*TFRS 1* [1], *TAS 28* [1]
Amendments to TAS 28	*Long-term Interests in Associates and Joint Ventures* [2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.

TFRS 9 *Financial Instruments*

TFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of TFRS 9:

- all recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

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

2.3 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the consolidated financial statements (cont'd)

TFRS 9 *Financial Instruments (cont'd)*

Key requirements of TFRS 9 (cont'd):

- in relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of TFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement

Bills of exchange and debentures classified as held-to-maturity investments and loans carried at amortized cost as disclosed in Note 5: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortized cost upon the application of TFRS 9;

All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under TAS 39.

Impairment

Financial assets measured at amortized cost will be subject to the impairment provisions of TFRS 9.

In general, the directors anticipate that the application of the expected credit loss model of TFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognized for these items.

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

2.3 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the consolidated financial statements (cont'd)

TFRS 9 Financial Instruments *(cont'd)*

Hedge Accounting

The directors of the Company do not anticipate that the application of TFRS 9 hedge accounting provisions will have a significant impact on the financial statements of the Company.

IFRS 15 *Revenue from Contracts with Customers*

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 *Revenue*, TAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by TFRS 15.

In April 2016, *Clarifications to TFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance:

The Group recognizes revenue from the following major sources:

- *Sale of leisure goods and electronic equipment, including the related loyalty programme 'Maxi-Points Scheme' as disclosed in Note N, servicing fees included in the price of products sold, as well as warranties granted under local legislation as disclosed in Note O;*
- *Installation of computer software for specialized business applications; and*
- *Construction of residential properties.*

Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of TFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

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

2.3 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the consolidated financial statements (cont'd)

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

This amendment clarifies that gains or losses resulting from the sale or contribution of assets from an investor to its associate or joint venture shall be accounted by the investor.

Amendments to TFRS 2 *Classification and Measurement of Share-Based Payment Transactions*

In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted.

TFRS Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Amendments to TAS 40 *Transfers of Investment Property*

The amendments to TAS 40 Investment Property:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to TFRS Standards 2014–2016 Cycle

- **TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

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

2.3 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the consolidated financial statements (cont'd)

Annual Improvements to TFRS Standards 2014–2016 Cycle (cont'd)

- **TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Amendments to TAS 28 *Long-term Interests in Associates and Joint Ventures*

This amendment clarifies that an entity applies TFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements, apart from the effects of TFRS 15 and TFRS 9 as explained above.

2.4 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.

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).

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

2.5 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, commissions and sales discounts are deducted. Income is derived from sales of fibre, chips, POY,DTY and MTR directly to the consumers in domestic and foreign market.

Sale of goods

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.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

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 Parties

For the purpose of these financial statements, related parties considered as shareholders, top management (general manager, group presidents, vice general managers, vice group presidents) and board members, their families and has joint control over the entity and has significant influence over the entity.

Property, Plant and Equipment

Land

Land held for manufacture, or rendering of goods or services, or for administrative purposes are carried at their revalued amounts. The revalued amount is the fair value determined at the revaluation date less the accumulated depreciation and impairment from subsequent periods. Revaluations are carried out at regular intervals, such that the fair value to be determined at the balance sheet date does not differ materially from the carrying amount.

The increase arising from the revaluation of the aforementioned land is recognized at the revaluation fund in equity. In the event that there is an impairment loss previously recognized in the statement of profit or loss regarding to the property, plant and equipment, the revaluation increase is recorded in the statement of profit or loss at the rate of the aforementioned property, plant and equipment. The decrease in the carrying value arising from the revaluation of the aforementioned land and parcels is recognized in the statement of profit or loss if it exceeds the balance amount in the revaluation fund related to the revaluation of the aforementioned asset.

When the revalued property is sold or withdrawn from service, the balance remaining in the revaluation fund is transferred directly to the undistributed profits. Unless the asset is derecognized, it is not transferred from the revaluation fund to undistributed profits.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Other Property, Plant and Equipment

Property, Plant and Equipment 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 and Land Improvements	15-25
Buildings	18-40
Machine, Plant and Equipment	15-25
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.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income / expense from investing activities.

Leases

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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale

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

2.5 Summary of Significant Accounting Policies (cont'd)

Borrowing Costs (cont'd)

When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

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

Property, Plant and Equipment Held for Sale

According to the Group management, assets which are held for sale, which the sale accounting has been completed within one 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. Property, plant and equipment held for sale were not accounted for as a completed sale within one year and are classified as investment property in the current year.

Intangible Assets

Intangible assets considered as acquired rights, information systems and computer softwares. 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.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized in statement of profit or loss in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

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

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets (cont'd)

Internally-generated intangible assets – research and development expenditure (cont'd)

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Financial Instruments

Financial Assets

Apart from the financial assets as at fair value through profit or loss, and financial assets measured at their fair value, financial investments are carried at fair market value less the transaction costs that are directly attributable to the acquisition. Investments are recognized and derecognized at the contractual transaction dates determined within a contract which imposes the condition that the investment instruments are delivered within a time period determined by the relevant market.

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'.

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.

Bank Loans

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).

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

2.5 Summary of Significant Accounting Policies (cont'd)

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. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, 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.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

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.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Provisions, Contingent Assets and Liabilities (cont'd)

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 are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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 and Innovation Grant Programs Directorate ("TEYDEB").

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.

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.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Provision for Employment Termination Benefits

Termination and retirement benefits:

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 TAS 19 (revised) Employee Benefits.

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.

Income Taxes

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

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

Current tax

The 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 Tax

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.

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.

NOTE 2 – BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Income Taxes (cont'd)

Deferred Tax (cont'd)

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

Deferred tax assets and 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

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

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 thousand Turkish Lira (TL))

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash on hand	2	10
Cash at banks	84,931	7,469
-Demand Deposits	84,931	3,325
-Time Deposits	-	4,144
	84,933	**7,479**

The details of time deposits of financial statements at 31 December 2016 is as follows:

Currency	Interest Rate (%)	Maturity	31 December 2016
TL	9.85	2 January 2017	100
Euro	0.25	2 January 2017	4,044
			4,144

NOTE 4 - FINANCIAL INSTRUMENTS

Short - Term Financial Investments	31 December 2017	31 December 2016
Blocked deposits with maturity after 3 months (*)	5,132	-
	5,132	-

(*)As of 31 December 2017, the Group has blocked bank deposit amounting to TL 5,132 which derived from Türk Eximbank loans (31 Aralık 2016: None).

Short - Term Financial Borrowings

	31 December 2017	31 December 2016
Short - term bank loans	311,310	157,214
Current portion of the long - term financial borrowings	41,976	8,244
	353,286	**165,458**

Long - Term Financial Borrowings

	31 December 2017	31 December 2016
Long - term bank loans	567,517	177,251
	567,517	**177,251**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 4 - FINANCIAL INSTRUMENTS (cont'd)

Foreign currency denominated bank loans and corresponding interest expense accruals as at 31 December 2017 and 2016 are as follows:

Principal	**31 December 2017**			**31 December 2016**		
Original Curreny	**Weighted Average Effective Interest Rate (%)**	**Original Amount**	**TL**	**Weighted Average Effective Interest Rate (%)**	**Original Amount**	**TL**
TL	-	-	3,546	-	-	-
US Dollar	-	-	-	2.46	9,500	33,057
Euro	3.85	198,698	897,221	3.78	82,000	304,212
			900,767			**337,269**
Accrued Interest						
Euro		4,425	20,036		1,466	5,440
			920,803			**342,709**

The redemption schedule of the Group's financial borrowings is as follows:

	31 December 2017	**31 December 2016**
Within 1 year	353,286	165,458
Within 1 - 2 year	93,547	31,074
Within 2 - 3 year	107,321	31,074
Within 3 - 4 year	102,304	31,074
Within 4 - 5 year	93,132	26,952
Later than 5 years	171,213	57,077
	920,803	**342,709**

Reconciliation of the liabilities arising from financial activities

Cash and noncash changes regarding the liabilities arising from financing activities of the Group is given below. Liabilities arising from financial activities are the cash flows that is recognized or will be recognized under the cash flows from financing activities at the consolidated statement of cashflow of the Group.

			Noncash changes		
	1 January 2017	**Cash flows from funding activities**	**Interest expense**	**Movements of foreign exchange difference**	**31 December 2017**
Bank loans	342,709	482,601	14,568	80,925	920,803
	342,709	**482,601**	**14,568**	**80,925**	**920,803**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 5 - TRADE RECEIVABLES AND TRADE PAYABLES

Trade Receivables

	31 December 2017	31 December 2016
Trade receivables (*)	235,747	242,997
Cheques received (**)	116,574	162,572
Provision for doubtful receivables	(3,100)	(3,618)
	349,221	**401,951**
Receivables from related parties (Note 28)	32,275	11,673
	381,496	**413,624**

(*) As of 31 December 2017 trade receivables are discounted by using monthly 1.25% for TL, 0.46% for USD, 0.32% for EUR. (As of 31 December 2016: 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 55,548 with maturities of less than three months (31 December 2016: TL 78,579).

Overdue period	31 December 2017	31 December 2016
Up to 1 month	29,793	21,758
1 - 3 months	1,097	1,463
Over 3 months	266	239
	31,156	**23,460**

As of 31 December 2017 and 2016, due to existence of receivable insurance, bank guarantee, mortgage and other guarantees (i.e. cheques), the Group has not allocated any provision relation to trade receivables that were past due but not impaired.

The analysis of overdue receivables and provision for doubtful receivables as follows:

Overdue period	31 December 2017	31 December 2016
Over 6 months	3,100	3,618
	3,100	**3,618**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 5 - TRADE RECEIVABLES AND TRADE PAYABLES (cont'd)

Trade Receivables (cont'd)

As of 31 December 2017, provision for doubtful receivables has been provided for trade receivables amounting to TL 3,100 (2016: TL 3,618).

Allowances for doubtful receivables are recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty.

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

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at 1 January	**(3,618)**	**(3,591)**
Provision for the period	-	(27)
Provision closed during the period	518	-
Balance 31 December	**(3,100)**	**(3,618)**

Trade Payables

	31 December 2017	31 December 2016
Trade payables	198,987	114,746
	198,987	**114,746**

As of 31 December 2017 trade payables are discounted by using monthly 1.25% for TL, 0.46% for USD, 0.32% for EUR (31 December 2016: 0.84% for TL, 0.13% for USD, 0.13% for EUR).

As of 31 December, 2017 average turnover for trade receivables and trade payables are 59 days and 47 days, respectively (31 December 2016: 57 days and 58 days respectively).

NOTE 6 – PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2017	31 December 2016
Social security premiums payable	3,422	2,864
Due to personnel	1,510	1,589
	4,932	**4,453**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 7 – OTHER RECEIVABLES, PAYABLES AND DEFERRED INCOME

Other Current Receivables

	31 December 2017	31 December 2016
Job and service advances	950	466
Receivables from insurance indemnity	258	408
Deposits and guarantees given	30	2
Other receivables	840	2,185
	2,078	**3,061**
Other receivables from related parties (Note 28)	323,462	149,909
	325,540	**152,970**

Other Non Current Receivables

	31 December 2017	31 December 2016
Deposits and guarantees given	79	77
	79	**77**

Other Payables

	31 December 2017	31 December 2016
Taxes and funds payable	3,208	524
Tax liabilities split into installments	-	768
Other	2	25
	3,210	**1,317**

Deferred Income

	31 December 2017	31 December 2016
Order advances received	5,349	403
	5,349	**403**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 8 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials and supplies	158,257	98,726
Work in process	50,998	53,535
Finished goods	44,473	17,372
Spare parts	5,143	4,040
Semi - finished goods	3,602	3,479
Production residuals (*)	348	1,194
Other	3,595	3,336
Impairment in value of inventories (**)	-	(4,524)
	266,416	**177,158**

(*) Due to production residuals are recognized in inventories with the lower of cost or the selling prices, these inventories are not impaired.

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

Movement of Provision for Impairment on Inventories

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at 1 January	(4,524)	(13,287)
Charge for the year (Note 19)	4,524	8,763
Balance 31 December	-	(4,524)

The Group reversed TL 4,524 of a previous inventory write-down in current year. The amount reversed has been included in 'cost of sales' in the statement of income/ (loss). Previous write-downs of inventory have been reversed as a result of increased sale prices for certain inventory items in certain markets.

NOTE 9 - PREPAID EXPENSES

Prepaid Expenses (Short-term)

	31 December 2017	31 December 2016
Prepaid insurance expenses	3,037	2,483
Other prepaid expenses	355	275
	3,392	**2,758**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 9 - PREPAID EXPENSES (cont'd)

Prepaid Expenses (Long-term)

	31 December 2017	31 December 2016
Fixed asset advance (*)	146,688	55,072
	146,688	**55,072**

(*) Given advance is related to advance paid for fibre, chips, POY,DTY and MTR investments of the group.

NOTE 10 - INVESTMENT PROPERTIES

The movement schedules of investment properties and related accumulated depreciation for the years ended 31 December 2017 and 2016 are as follows:

	1 January 2017	Additions	Transfers (*)	Disposals	31 December 2017
Cost					
Land	5	-	14	-	19
Buildings	3,780	-	6,539	-	10,319
Land and land improvements	-	-	1,045	-	1,045
Machine, plant and equipment	-	-	7,587	-	7,587
Vehicles	-		224		224
Furniture and fixtures	-	-	277	-	277
	3,785	-	15,686	-	19,471
Accumulated depreciation					
Buildings	3,113	96	4,154	-	7,363
Land and land improvements	-	-	819	-	819
Machine, plant and equipment	-	-	4,885	-	4,885
Vehicles	-	-	224	-	224
Furniture and fixtures	-	-	263	-	263
Net book value	672				5,917

(*) Property, plant and equipment held for sale could not accounted for as a completed sale within one year and are classified as investment property in the current year.

As of 31 December 2017 the Group has leased properties with the net book value of TL 576 (31 December 2016: TL 672) to the third parties through lease agreements. The Group has generated rent income of TL 442 (31 December 2016: TL 499) throughout the period resulting from these lease agreements.

As of 31 December 2017, the fair values of the investment properties and properties transferred from the held-for-sale property, plant and equipment, have been measured by the independent valuation company İdeal Gayrimenkul Değerleme ve Danışmanlık A.Ş. Authorized by the Capital Markets Board (CMB), İdeal Gayrimenkul Değerleme ve Danışmanlık A.Ş. provides real estate valuation services in accordance with the capital market legislations and has sufficient experience and qualification to measure fair value of real estates in the relevant regions. The fair value of the land owned, is determined according to the market comparative approach, which indicates the current transaction prices for similar properties. The net carrying value of investment properties is considered to reflect the fair value.

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 10 - INVESTMENT PROPERTIES (cont'd)

	1 January 2016	Additions	Transfers (*)	Disposals	31 December 2016
Cost:					
Land	5	-	-	-	5
Buildings	3,780	-	-	-	3,780
	3,785	-	-	-	**3,785**
Accumulated depreciation					
Buildings	2,935	178	-	-	3,113
Net book value	**850**				**672**

The total depreciation for the years ended 31 December 2017 and 2016 is presented in Note 11.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement schedules of property, plant and equipment and related accumulated depreciation for 31 December 2017 and 2016 are as follows:

	1 January 2017	Additions	Transfers	Revaluation	Disposals	31 December 2017
Cost						
Land	25,764	15,918	-	569,547	-	611,229
Land and land improvements	7,193	232	-	-	-	7,425
Buildings	63,750	-	-	-	(4,330)	59,420
Machine, plant and equipment	422,596	10,979	775	-	(4,488)	429,862
Vehicles	2,178	316	-	-	(110)	2,384
Furniture and fixtures	6,117	460	-	-	(59)	6,518
Investments in progress	22,907	346,187	(775)	-	-	368,319
	550,505	**374,092**	-	**569,547**	**(8,987)**	**1,485,157**
Accumulated depreciation						
Land and land improvements	6,257	79	-	-	-	6,336
Buildings	46,152	3,070	-	-	(4,065)	45,157
Machine, plant and equipment	315,800	7,929	-	-	(3,149)	320,580
Vehicles	1,751	695	-	-	(110)	2,336
Furniture and fixtures	4,590	-	-	-	(59)	4,531
	374,550	**11,773**	-	-	**(7,383)**	**378,940**
Net book value	**175,955**					**1,106,217**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

	1 January 2016	Additions	Transfers	Disposals	31 December 2016
Cost					
Land	25,764	-	-	-	25,764
Land and land improvements	7,193	-	-	-	7,193
Buildings	62,328	-	1,422	-	63,750
Machine, plant and equipment	396,821	6,123	19,750	(98)	422,596
Vehicles	1,790	388	-	-	2,178
Furniture and fixtures	5,910	319	-	(112)	6,117
Investments in progress	2,532	37,968	(17,593)	-	22,907
	502,338	**44,798**	**3,579**	**(210)**	**550,505**
Accumulated depreciation					
Land and land improvements	6,178	79	-	-	6,257
Buildings	43,087	3,065	-	-	46,152
Machine, plant and equipment	305,475	7,100	3,323	(98)	315,800
Vehicles	1,708	43	-	-	1,751
Furniture and fixtures	4,286	410	-	(106)	4,590
	360,734	**10,697**	**3,323**	**(204)**	**374,550**
Net book value	**141,604**				**175,955**

As of 31 December 2017, construction in process consists of fibre, chips, POY, DTY and MTR investments of the group.

For the years ended 31 December 2017 and 2016, there is TL 52,777 amount of borrowing cost was capitalized (31 December 2016: TL 8,924).

As of 31 December 2017, there is a mortgage on property plant and equipment amounting to TL 571,440 (31 December 2016: TL 523,600). There is no debt related to property, plant and equipment purchased by finance lease.

Fair value measurement of the Group's freehold land and buildings

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 31 December 2017 were performed by İdeal Gayrimenkul Değerleme ve Danışmanlık A.Ş., which is authorized by Capital Markets Board and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

Details of the Group's freehold land and information about the fair value hierarchy as at 31 December 2017 are as follows:

		Fair value hierarchy as of reporting date		
	31 December 2017	**Level 1**	**Level 2**	**Level 3**
Land	611.229	-	611.229	-
	611.229	**-**	**611.229**	**-**

There were no transfers between Level 1 and Level 2 during the year.

Income statement accounts related to depreciation and amortization of total (property plant and equipment, intangible assets, investment property) for the years ended 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Production cost (Note: 19)	9,754	8,814
General administrative expenses (Note: 20)	1,217	1,256
Research expenses (Note: 20)	1,064	1,103
Marketing, sales and distribution expenses (Note: 20)	606	564
	12,641	**11,737**

NOTE 12 - INTANGIBLE ASSETS

The movement schedules of intangible assets and related accumulated amortization for the year ended 31 December 2017 and 2016 are as follows:

	1 January 2017	**Additions**	**Disposals**	**31 December 2017**
Cost				
Rights	6,980	52	-	7,032
Development costs	7,600	41	-	7,641
	14,580	**93**	**-**	**14,673**
Accumulated amortization				
Rights	5,739	493	-	6,232
Development costs	7,332	279	-	7,611
	13,071	**772**	**-**	**13,843**
Net book value	**1,509**			**830**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 12 - INTANGIBLE ASSETS (cont'd)

	1 January 2016	Additions	Disposals	31 December 2016
Cost				
Rights	6,676	304	-	6,980
Development costs	7,600	-	-	7,600
	14,276	**304**	**-**	**14,580**
Accumulated amortization				
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**

The total amortization for the year ended 31 December 2017 and 2016 is presented in Note 1 1.

NOTE 13 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

	1 January 2017	Additions	Transfers (*)	Disposals	31 December 2017
Cost					
Land	14	-	(14)	-	-
Land and land improvements	1,045	-	(1,045)	-	-
Buildings	6,538	-	(6,538)	-	-
Machine, plant and equipment	8,589	-	(7,588)	(1,001)	-
Vehicles	224	-	(224)	-	-
Furniture and fixtures	290	-	(277)	(13)	-
Net book value	**16,700**	**-**	**(15,686)**	**(1,014)**	**-**
Accumulated depreciation					
Land and land improvements	819	-	(819)	-	-
Buildings	4,154	-	(4,154)	-	-
Machine, plant and equipment	5,678	-	(4,885)	(793)	-
Vehicles	224	-	(224)	-	-
Furniture and fixtures	276	-	(263)	(13)	-
	11,151	**-**	**(10,345)**	**(806)**	**-**
Net book value	**5,549**				**-**

(*) Property, plant and equipment held-for-sale could not be recognized as completed sale transactions within a year, and are classified to investment properties.

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 13 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)

	1 January 2016	Additions	Transfers	Disposals	31 December 2016
Cost					
Land	14	-	-	-	14
Land and land improvements	1,045	-	-	-	1,045
Buildings	6,538	-	-	-	6,538
Machine, plant and equipment	12,197	-	(3,608)	-	8,589
Vehicles	224	-	-	-	224
Furniture and fixtures	290	-	-	-	290
	20,308	-	**(3,608)**	-	**16,700**
Accumulated depreciation					
Land and land improvements	819	-	-	-	819
Buildings	4,154	-	-	-	4,154
Machine, plant and equipment	9,001	-	(3,323)	-	5,678
Vehicles	224	-	-	-	224
Furniture and fixtures	276	-	-	-	276
	14,474	-	**(3,323)**	-	**11,151**
Net book value	**5,834**				**5,549**

NOTE 14- PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for restructuring and demand of other receivables

	31 December 2017	31 December 2016
Provision for restructuring and demand of other receivables (*)	2,453	1,186
	2,453	**1,186**

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

	31 December 2017	31 December 2016
Balance at 1 January	**1,186**	**1,064**
Charge for the year (Note 20)	1,367	325
Released provisions for the year	(100)	(203)
Balance at 31 December	**2,453**	**1,186**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 15 - COMMITMENTS

Commitments, which are not included in the liabilities at 31 December 2017 and 2016 are as follows:

Commitments based on export incentive certificates

	31 December 2017	31 December 2016
Total amount of export commitment of documents recorded	3,644,101	3,407,353
Total amount of export commitment of documents which are presently fulfilled but the closing transactions are not concluded yet	3,198,584	2,901,544
Total amount of open export incentives	445,517	505,809
Open export incentives	55,840	121,256

	31 December 2017	31 December 2016
Open letter of credits	246,403	32,106

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

	31 December 2017				31 December 2016			
	TL Equivalent	TL	USD	Euro	TL Equivalent	TL	USD	Euro
A.Total amounts of CPM given on behalf of its own legal entity (*)	975,098	619,488	4,080	75,345	567,608	545,811	4,080	2,000
B.Total amounts of CPM given on behalf of subsidiaries that are included in full consolidation	-	-	-	-	-	-		-
C.Total amounts of CPM given in order to guarantee third parties debts for routine trade operations (*)	-	-	-	-	-	-		-
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 which are not in scope of B and C	-	-	-	-	-	-		-
- Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-	-	-	-	-		-
Total CPM Amount	**975,098**	**619,488**	**4,080**	**75,345**	**567,608**	**545,811**	**4,080**	**2,000**

(*) USD and EUR are expressed as USD 1,000 and EUR 1,000.

As of 31 December 2017 the percentage of the other CPM`s given by the Group to the total equity is 0% (31 December 2016: 0%).

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 15 - COMMITMENTS (cont'd)

Mortgages and guarantees taken at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Letter of guarantees taken	52,134	8,002
Cheques and notes of guarantees taken	1,719	1,719
Mortgages taken	234	234
	54,087	**9,955**

NOTE 16 - PROVISION FOR EMPLOYEE TERMINATION BENEFITS

Short term employee benefits

	31 December 2017	31 December 2016
Provisions for premiums	-	1,500
Provision for personnel expense	7	-
	7	**1,500**

Long term employee benefits

	31 December 2017	31 December 2016
Provision for employment termination benefits	31,826	25,083
Unused vacation provision	2,922	2,427
	34,748	**27,510**

Unused Vacation Provision

The Group grants paid annual leave to its employees on condition that they have worked for at least one year from the day they start to work, including the trial period.

Movements of unused vacation allowances at 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at 1 January	**2,427**	**2,063**
Charge for the year	874	675
Provision released	(379)	(311)
Balance at 31 December	**2,922**	**2,427**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 16 - PROVISION FOR EMPLOYEE TERMINATION BENEFITS (cont'd)

Movements of premiums are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at 1 January	**1,500**	**2,500**
Charge for the year	-	1,500
Provision released	-	(1,264)
Provision paid	(1,500)	(1,236)
Balance at 31 December	-	1,500

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 2017	31 December 2016
Discount rate (%)	4.72	3.81
Retention rate to estimate the probability of retirement (%)	98	98

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 16 - PROVISION FOR EMPLOYEE TERMINATION BENEFITS (cont'd)

Provision for employment termination benefits (cont'd)

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 5.00 (1 January 2017: TL 4.43), which is expected to be effective from 1 January 2018, has been taken into consideration in calculating the provision for employment termination benefits of the Group.

Movements of provision for employment termination benefits:

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at 1 January	**25,083**	**21,620**
Charge for the year	10,548	7,033
Paid during the year	(6,349)	(3,570)
Actuarial gain / loss	2,544	-
Balance at 31 December	**31,826**	**25,083**

NOTE 17 - OTHER ASSETS AND LIABILITIES

Other Current Assets

	31 December 2017	31 December 2016
Deferred VAT	30,025	-
VAT return receivables from export and domestic market sales (*)	19,875	12,397
Deferred special consumption tax	1,455	497
	51,355	**12,894**

(*) The Group applied for a VAT refund amounting to TL 2,629 before 31 December 2017 and expects to collect it in cash in the next few months (31 December 2016: TL 2,154).

Other Non-Current Assets

	31 December 2017	31 December
VAT receivable	-	22,733
	-	**22,733**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 18 - SHAREHOLDERS' EQUITY

Sasa Polyester Sanayi A.Ş fully paid and issued capital each Kr 1 nominal value of 41,250,000,000 shares (31 December 2016: 36,630,000,000). The shareholders and shareholding structure of the Group at 31 December 2017 and 2016 are as follows:

	31 December 2017		31 December 2016	
	Share Amount (TL)	Share (%)	Share Amount (TL)	Share (%)
Erdemoğlu Holding A.Ş.	349,816	84.80	310,636	84.80
Other	62,684	15.20	55,664	15.20
Share Capital (*)	**412,500**	**100**	**366,300**	**100**
Adjustments to share capital (**)	13		46,213	
Total Capital	**412,513**		**412,513**	

(*) The total capital of the Group is increased to TL 412,500,000 (full TL) through bonus issues amounting to TL 46,200,000 (full TL) on 26 April 2017.

(**) Adjustment to share capital represents the diffence between offset off amount of adjusted share capital amount of the Group and accumulated loss, and share capital amount before adjustments.

Shareholders' equity items of company as at 31 December 2017 and 2016 prepared in accordance with the Communiqué No: XI-29 are as follows:

	31 December 2017	31 December 2016
Share Capital (*)	412,500	366,300
Adjustments to Share Capital	13	46,213
Treasury Shares	(1,594)	-
Restricted Reserves Appropriated from Profit	21,243	10,099
Accumulated Loss	(6,387)	(29,472)
Remeasurement Losses on Defined Benefit Plans	(4,109)	(2,073)
Gain on Revaluation of Property, Plant and Equipment	512,592	-
Net Profit for the Year	203,566	137,048
Total Share Capital	**1,137,824**	**528,115**

(*) TL 46,200 of capital increase by bonus issue (at the rate of 12.61261%) was approved by CMB on 14 April 2017 and dividend distribution was made on 24 April 2017. As a result, share capital of the Group has reached to TL 412,500.

Between 24 November 2017 and 29 November 2017, the Company has repurchased a total of 159,388,400 shares within a price range of TL 6.40 - TL 6.69 (TL-Exact) with the total transaction amounting exactly to 10,532,055. The average purchase price of the repurchased shares is TL 6.6068 and the ratio of total shares acquired as a result of the purchase transactions between 24 November 2017 – 29 November 2017 to the total number of shares is 0.38%.

NOTE 18 - SHAREHOLDERS' EQUITY (cont'd)

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 (inflation adjustment) shall be disclosed as follows:

- if the difference is arising due to "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 "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.

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.

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 18 - SHAREHOLDERS' EQUITY (cont'd)

Dividends shall be distributed to all existing shares equally, as soon as possible, regardless of their issuance and acquisition dates. In addition to the aforementioned, dividends shall be distributed to the shareholders on the date determined by the General Assembly following the approval of the General Assembly within the specified legal periods. Distiribution of advance dividends to the shareholders is also possible by the decision of the Board of Directors, if the General Assembly authorizes, in accordance with the Group's Articles of Association.

Resources that may be subject to profit distribution:

Profit for the year after deduction of accumulated deficit of the Group and total amount of the resources that may be subject to profit distribution is TL 197,179 (31 December 2016: TL 107,576).

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.

As part as the resolution of General Assembly on 30 March 2017, dividend distribution amounting to TL 93,881 was approved and paid on 14 April 2017.

NOTE 19 - REVENUE AND COST OF SALES

Sales Income

	1 January - 31 December 2017	1 January - 31 December 2016
Domestic sales	975,013	700,692
Foreign sales	635,349	475,069
Other sales	69,635	21,746
Sales return	(4,915)	(2,526)
Sales discounts	(19,875)	(12,049)
Other discounts	(2)	(23)
Revenue	**1,655,205**	**1,182,909**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 19 - REVENUE AND COST OF SALES (cont'd)

Cost of Sales

	1 January - 31 December 2017	1 January - 31 December 2016
Raw materials used	1,075,743	758,204
Energy expenses	106,780	103,138
Labour expenses	76,294	64,081
Spare parts and maintenance expenses	16,197	11,872
Depreciation and amortization expenses (Note 11)	8,038	7,264
Usage of semi-finished goods	(123)	(4)
Insurance expensses	2,469	2,216
Other expenses	15,650	13,830
Production Cost for the Year	**1,301,048**	**960,601**
Usage of WIP and finished goods	(32,389)	19,667
Cost of waste goods sold	5,646	7,698
Other idle period expense	7,757	5,999
Depreciation and amortization of idle period (Note 11)	1,716	1,550
Cost of trade goods sold	57,404	588
Provision / (cancellation) for impairment on inventory	(4,524)	(8,763)
Inventory count differences	(739)	(445)
Cost of Goods Sold During the Year	**1,335,919**	**986,895**

NOTE 20 - MARKETING, GENERAL ADMINISTRATIVE AND RESEARCH AND DEVELOPMENT EXPENSES

General Administrative Expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	10,480	9,357
Severance and notice pay	1,721	1,302
Consultancy expenses	1,378	1,028
Restructing provision expense (Note 14)	1,367	325
Depreciation and amortization expenses (Note 11)	1,217	1,256
Insurance expenses	525	524
Supplies, repair and maintanence expenses	467	438
Assisted services expenses	245	236
Energy expenses	324	248
Premium provision for top management	-	1,500
Other expenses	1,724	1,201
	19,448	**17,415**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 20 - MARKETING, GENERAL ADMINISTRATIVE AND RESEARCH AND DEVELOPMENT EXPENSES (cont'd)

Marketing Expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Export and freight expenses	41,932	42,025
Personnel expenses	5,313	6,591
Taxes and duties expenses	4,641	2,425
Insurance expenses	1,119	856
Depreciation and amortization expenses (Note 11)	606	564
Energy expenses	139	596
Rent expenses	77	28
Other expenses	3,251	1,880
	57,078	**54,965**

Research and Development Expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Depreciation and amortization expenses (Note 11)	1,064	1,103
Repair and maintenance expenses	111	80
Raw material and expenses	57	21
Other expenses	386	350
	1,618	**1,554**

NOTE 21 – INCOME / EXPENSE FROM INVESTING OPERATIONS

	1 January - 31 December 2017	1 January - 31 December 2016
Gain on sales of property, plant and equipment (*)	3,849	1,206
Rent income	442	499
Loss on sales of property, plant and equipment	(3,535)	(3)
	756	**1,702**

(*) The amount is related to sales of residual machinery and equipment of the Group.

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 22- OTHER OPERATING INCOME / EXPENSE

Other Operating Income

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange income from trade receivables/payables	118,465	118,831
Miscellaneous sales income	9,113	8,615
Provision no longer required	1,874	2,821
Interest income from receivables	1,228	2,241
Other income	13,201	9,627
	143,881	**142,135**

Other Operating Expense

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange expense from trade receivables/payables	61,065	57,894
Taxes and duties paid	1,497	2,579
Cost of miscellaneous sales	712	12,706
Other expenses	11,095	4,277
	74,369	**77,456**

NOTE 23 - FINANCIAL INCOME

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange income	15,014	14,676
Interest income	13,843	3,574
	28,857	**18,250**

NOTE 24 - FINANCIAL EXPENSES

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange expenses	75,409	40,093
Interest expenses	14,568	8,936
	89,977	**49,029**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 25 – ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	31 December 2017	31 December 2016
Property, plant and equipment revaluation reserve	512,592	-
Remeasurement gain on defined benefit plans	(2,036)	-
Total	**510,556**	**-**

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at the beginning of the year	-	-
Increase arising from revalueation of property, plant and equipment	569,547	-
Deferred tax liability arising on revaluation	(56,955)	
Balance at the end of the year	**512,592**	**-**

Remeasurement gain on defined benefit plans

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at the beginning of the year	(2,073)	(2,073)
Increase during the year	(2,544)	-
Deferred tax effect	508	-
Balance at the end of the year	**(4,109)**	**(2,073)**

NOTE 26 - TAX ASSETS AND LIABILITIES

Deferred 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.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2016: 20%).

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)

Deferred taxes (cont'd)

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2017 and 2016 using the enacted tax rates are as follows:

	Cumulative temporary difference		Deferred tax asset / (liabilities)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Net difference between the tax base and carrying value of property, plant and equipment and intangible assets	(29,801)	(28,764)	(5,960)	(5,753)
Revaluation differences of property, plant and equipment	(569,546)	-	(56,955)	-
Provision for employee termination benefits	31,826	25,083	6,365	5,017
Valuation differences of inventories	7,794	19,061	1,714	3,812
Correction of the sale that are not realized	(200)	(4,349)	(44)	(870)
Provision for accumulated unused vacation	2,922	2,427	643	485
Provision for litigation	2,453	1,186	540	237
Revaluation differences of investment properties	-	615	-	123
Net difference between the tax base and carrying value of assets held for sale	-	(834)	-	(167)
Provision for doubtful receivable	1,370	1,370	301	274
Provision for export expense	1,493	3	328	1
Adjustment for not accrued financial expenses	(2,955)	(126)	(650)	(25)
Adjustment for not accrued financial income	6,199	1,514	1,364	303
Provision for premium	-	1,500	-	300
Deferred tax assets			11,255	9,682
Deferred tax liabilities			(63,609)	(5,945)
Deferred tax assets / (liabilities)			**(52,354)**	**3,737**

Movements in deferred taxes can be analyzed as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at 1 January	**3,737**	**8,398**
Deferred tax income / (expense) for the year	356	(4,661)
Deferred tax expense recognized at equity	(56,447)	-
Balance at 31 December	**(52,354)**	**3,737**

NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2017 is 20% (2016: 20%) for the Group.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated December 5, 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

In addition, the amount of TL 3,560 comprised in reduction allowance from the reduced corporate tax application amounting to a total of TL 5,376, was deducted from the financial profit. The Group has remaining tax reduction allowance of TL 1,798 to be used in subsequent periods.

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).

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.

The Group makes advance tax calculations at the rate of 20% on its quarterly financial income and declares on 14th day of the second month after period and pays till 17 April (including Income Tax Law No. 5615, which was enacted on April 4, 2007 and the law related to amendments on the Laws, and declarations must be given related to March 2007).

The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated over corporate tax declaration. If advance tax amount that is paid remains in spite of the deduction, this amount can be returned in cash or offset to any other financial debt.

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 26 - TAX ASSETS AND LIABILITIES (cont'd)

Corporate Tax (cont'd)

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 income for 31 December 2017 and 2016 have been reconciled to the current year tax income as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Current year tax expense	(47,080)	(15,973)
Deferred tax income / (expense)	356	(4,661)
Total tax expense	**(46,724)**	**(20,634)**

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

	31 December 2017	31 December 2016
Corporate tax to be paid	47,080	15,961
Prepaid taxes	(29,752)	(5,713)
Current tax provision	**17,328**	**10,248**

NOTE 27 - EARNINGS PER SHARE

	1 January - 31 December2017	1 January - 31 December 2016
Net profit	203,566	137,048
Weighted average number of shares:		
Weighted average number of ordinary shares (*)	41,236,717,633	41,250,000,000
Earnings per share with a nominal value of 1 TL (uncut TL)	0.4937	0.3322

(*) Between 24 November 2017 and 29 November 2017, the Company has repurchased a total of 159,388,400 shares within a price range of TL 6.40 - TL 6.69 (TL-Exact) with the total transaction amounting exactly to 10,532,055. (Note 18)

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 28 - RELATED PARTY DISCLOSURES

a) Receivables from related parties:

	31 December 2017	31 December 2016
Özerdem Mensucat San. Tic. A.Ş. (*)	30,502	9,996
Merinos Halı San. Tic. A.Ş.	1,744	1,454
Merinos Mobilya Tekstil San. Tic. A.Ş.	29	223
	32,275	11,673

(*) Relevant balance consists of the poy sales from Company to Özerdem Mensucat San. Tic. A.Ş.

b) Other receivables from related parties:

	31 December 2017	31 December 2016
Merinos Halı San. Tic. A.Ş. (**)	232,036	71,643
Dinarsu İmalat ve Ticaret T.A.Ş. (**)	91,426	78,266
	323,462	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 161 days on 31 December 2017. The weighted Euro foreign exchange interest rate of the average interest used in 2017 for other receivables from related parties is 4.20%.

c) Sales to related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
	Product	Product
Özerdem Mensucat San. Tic. A.Ş.	63,629	20,233
Merinos Halı San. Tic. A.Ş.	18,602	8,657
Zeki Mensucat Sanayi ve Tic. A.Ş.	400	-
Merinos Mobilya Tekstil San. Tic. A.Ş.	117	391
Dinarsu İmalat ve Ticaret T. A.Ş.	11	552
	82,759	29,833

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 28 - RELATED PARTY DISCLOSURES (cont'd)

d) Purchases from related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
	Product	**Product**
Merinos Mobilya Tekstil San. Tic. A.Ş.	38	288
Merinos Halı San. Tic. A.Ş.	-	14
	38	**302**

e) Interest income from related parties;

	1 January - 31 December 2017	1 January - 31 December 2016
Merinos Halı San. Tic. A.Ş. (*)	6,347	4,919
Dinarsu İmalat ve Ticaret T. A.Ş. (*)	3,820	304
Erdemoğlu Holding A.Ş.	-	479
	10,167	**5,702**

(*) It includes the interest numbers calculated by the Company. The weighted Euro foreign exchange interest rate of the average interest used in 2017 for other receivables from related parties is 4.20%.

f) Financial foreign exchange income from related parties;

	1 January - 31 December 2017	1 January - 31 December 2016
Merinos Halı San. Tic. A.Ş.	27,467	3,437
Dinarsu İmalat ve Ticaret T. A.Ş.	11,436	10
Özerdem Mensucat San. Tic. A.Ş.	1,143	753
Merinos Mobilya Tekstil San. Tic. A.Ş.	30	-
Erdemoğlu Holding A.Ş.	-	58
	40,076	**4,258**

g) Remuneration of directors and key management personnel amounts

As of 31 December 2017 and 2016 remuneration of directors and key management personnel amounts are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Short-term benefits provided to key management	1,638	2,286
	1,638	**2,286**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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.

Foreign Currency Position Table

Assets and liabilities denominated in foreign currencies at 31 December 2017 and 2016 are as follows:

	31 December 2017			
	TL Equivalent	**USD**	**Euro**	**GBP**
Trade receivables	357,970	66,913	17,861	-
Monetary financial assets (Including cash and banks)	83,088	1,640	17,026	4
Other	528,862	4,389	118,976	-
Current assets	**969,920**	**72,942**	**153,863**	**4**
Total assets	**969,920**	**72,942**	**153,863**	**4**
Trade payables (Including other payables)	181,600	3,432	37,342	7
Financial liabilities	329,704	-	73,016	-
Other	21,168	315	4,425	-
Short-term liabilities	**532,472**	**3,747**	**114,783**	**7**
Financial liabilities	567,517	-	125,682	-
Long-term liabilities	**567,517**	**-**	**125,682**	**-**
Total liabilities	**1,099,989**	**3,747**	**240,465**	**7**
Net foreign currency position	**(130,069)**	**69,195**	**(86,602)**	**(3)**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

	31 December 2016			
	TL Equivalent	**USD**	**Euro**	**GBP**
Trade 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 assets	**585,765**	**89,927**	**72,438**	**130**
Total assets	**585,765**	**89,927**	**72,438**	**130**
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**	**73,156**	**(30,178)**	**111**

Foreign Currency Sensitivity Analysis

	Profit / (Loss)	
As of 31 December 2017;	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change in US Dollar /TL parity:		
US Dollar net asset	26,100	(26,100)
US Dollar net hedged amount	-	-
US Dollar net effect	**26,100**	**(26,100)**
10% change in EUR /TL parity:		
EUR net asset	(39,105)	39,105
EUR net hedged amount	-	-
EUR net effect	**(39,105)**	**39,105**
10% change in GBP /TL parity:		
GBP net asset	(2)	2
GBP net hedged amount	-	-
GBP net effect	**(2)**	**2**
Total	**(13,007)**	**13,007**

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign Currency Sensitivity Analysis (cont'd)

	Profit / (Loss)	
As of 31 December 2016;	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change in US Dollar /TL 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 EUR /TL parity:		
EUR net asset	(11,196)	11,196
EUR net hedged amount	-	-
EUR net effect	**(11,196)**	**11,196**
10% change in GBP /TL parity:		
GBP net asset	48	(48)
GBP net hedged amount	-	-
GBP net effect	**48**	**(48)**
Total	**14,597**	**(14,597)**

Fair value of financial instruments:

Financial assets and liabilities are also considered to reflect their fair values.

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.

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

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk (cont'd)

Interest Rate Position Table

Fixed interest rate financial instrument	31 December 2017	31 December 2016
Principle	630,412	337,269
Interest	19,319	5,440
Total fixed financial liabilities	**649,731**	**342,709**

Floating interest financial instrument	31 December 2017	31 December 2016
Principle	270,209	-
Interest	865	-
Total floating financial liabilities	**271,074**	-

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.

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit Risk Exposure according to Financial Instruments Types

	Receivables			
	Trade Receivables		Other Receivables	
31 December 2017	Related Party	Third Party	Related Party	Third Party
Maximum credit risk exposure as of balance sheet date	32,275	349,221	323,462	2,078
- Guaranteed maximum risk by commitment or etc (*)	-	300,276	-	-
Net book-value of non-overdue of unimpaired financial asset	32,275	322,110	323,462	2,078
Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-
Net book value of overdue assets that are not impaired	-	31,156	-	-
- The part that is guaranteed by commitment or etc	-	22,838	-	-
Net book value of impaired assets	-	-	-	-
- Overdue (gross book value)	-	3,100	-	-
- Impairment		(3,100)	-	-

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

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit Risk Exposure according to Financial Instruments Types (cont'd)

	Receivables			
	Trade Receivables		Other Receivables	
31 December 2016	Related Party	Third Party	Related Party	Third Party
Maximum credit risk exposure as of balance sheet date	11,673	401,951	149,909	3,138
- 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
Net book value of financial assets that would be overdue or impaired unless restricted	-	-	-	-
Net book value of overdue assets that are not impaired	-	18,431	-	-
- The part that is guaranteed by commitment or etc		11,553	-	-
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.

As of 31 December 2017 and 2016 net book value of overdue assets that not impaired is as follows:

Trade receivables	31 December 2017	31 December 2016
Overdue 1- 30 days	29,793	15,021
Overdue 1 - 3 months	1,097	1,991
Overdue 3 - 12 months	266	1,419
Total	**31,156**	**18,431**
Portion under the guarantee of collaterals, etc. (*)	22,838	11,553

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

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

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 abi lity 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.

As of 31 December 2017;

Contractual maturities

Financial Liabilities Other Than Derivatives

	Book value	Total cash outflow	Less than 3 months	3-12 months	1-5 years	5-10 years
Bank loans	920,803	1,001,502	82,662	277,533	459,073	182,234
Trade payables	69,210	71,700	14,521	57,179	-	-

Expected maturities

	Book value	Total cash outflow	Less than 3 months	3-12 months	1-5 years	5-10 years
Trade payables	132,280	132,280	91,218	41,062	-	-
Other payables	3,210	3,210	3,210	-	-	-

As of 31 December 2016;

Contractual maturities

Financial Liabilities Other Than Derivatives

	Book value	Total cash outflow	Less than 3 months	3-12 months	1-5 years	5-10 years
Bank loans	342,709	358,218	97,968	63,478	127,860	-
Trade payables	10,509	10,509	10,509	-	-	-

Expected maturities

	Book value	Total cash outflow	Less than 3 months	3-12 months	1-5 years	5-10 years
Trade payables	104,237	104,363	95,066	9,297	-	-
Other payables	865	865	865	-	-	-

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 29 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

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.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. As of 31 December 2017 and 2016, the gearing ratio is as follows:

	31 December 2017	31 December 2016
Financial borrowings	920,803	342,709
Less: Cash and cash equivalents	(90,065)	(7,479)
Net debt	830,738	335,230
Total equity	1,137,824	528,115
Total capital	1,968,562	863,345
Net debt/total capital ratio	42%	39%

(Amounts expressed in thousand Turkish Lira (TL))

NOTE 30 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

Fair value of financial instruments

31 December 2017	Loans and receivables (including cash and cash equivalents)	Financial assets held for sale	Financial liabilities at amortized cost	Book value	Note
Financial assets					
Cash and cash equivalents	84,933	-	-	84,933	3
Trade receivables	349,221	-	-	349,221	5
Receivables from related parties	32,275	-	-	32,275	5
Other financial assets	376,974	-	-	376,974	7-17
Financial liabilities					
Financial borrowings	-	-	920,803	920,803	4
Trade payables	-	-	198,987	198,987	5
Other financial liabilities	-	-	3,210	3,210	7

31 December 2016	Loans and receivables (including cash and cash equivalents)	Financial assets held for sale	Financial liabilities at amortized cost	Book value	Note
Financial assets					
Cash and cash equivalents	7,479	-	-	7,479	3
Trade receivables	401,951	-	-	401,951	5
Receivables from related parties	11,673	-	-	11,673	5
Other financial assets	165,941	-	-	165,941	7-17
Financial liabilities					
Financial borrowings	-	-	342,709	342,709	4
Trade payables	-	-	114,746	114,746	5
Other financial liabilities	-	-	1,317	1,317	7

NOTE 30 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

NOTE 31 - EVENTS AFTER THE BALANCE SHEET DATE

As of 2 February 2018, transactions for the purchase of the land covering 303,943 m^2, adjacent to the existing plots of the headquarter of the Group in Adana, which was previously announced to the public, were finalized with a cost of TL 101,000.