(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REVIEW REPORT AND THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

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

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the General Assembly of SASA Polyester Sanayi A.Ş.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of SASA Polyester Sanayi A.Ş. ("the Company") and its subsidiary (together referred as "the Group") as at 30 June 2018, and the condensed consolidated statement of profit or loss and comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes. Group management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, "Review of Interim Condensed Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim condensed consolidated financial information is substantially less in scope than an independent audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review of the interim condensed consolidated financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information does not present fairly, in all material respects, the financial position of SASA Polyester Sanayi A.Ş. and its subsidiary as of 30 June 2018, and of their financial performance and their cash flows for the six-month period then ended in accordance with Turkish Accounting Standards.

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

Osman Arslan
Partner

İstanbul, 27 July 2018

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SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

	Notes	Current Period (Reviewed) 30 June 2018	Prior Period (Audited) 31 December 2017
ASSETS			
Current Assets		**1,278,227**	**1,118,264**
Cash and Cash Equivalents	3	48,847	84,933
Financial Investments	4	15,745	5,132
Trade Receivables	5	441,571	381,496
- Trade Receivables from Third Parties	5	*413,750*	*349,221*
- Trade Receivables from Related Parties	27	*27,821*	*32,275*
Other Receivables	7	357,944	325,540
- Other Receivables from Third Parties	7	*2,322*	*2,078*
- Other Receivables from Related Parties	27	*355,622*	*323,462*
Derivative Instruments		3,952	-
Inventories	8	342,249	266,416
Prepaid Expenses	9	7,711	3,392
Other Current Assets	17	60,208	51,355
Non - Current Assets		**2,064,596**	**1,259,731**
Other Receivables	7	94	79
Investment Properties	10	4,050	5,917
Property, Plant and Equipment	11	1,677,650	1,106,217
Intangible Assets	12	1,000	830
Prepaid Expenses	9	295,392	146,688
Deferred Tax Asset	25	86,410	-
TOTAL ASSETS		**3,342,823**	**2,377,995**
LIABILITIES AND EQUITY			
Current Liabilities		**1,015,164**	**585,552**
Short - Term Borrowings	4	566,803	311,310
Short - Term Portion of Long - Term Borrowings	4	111,044	41,976
Trade Payables	5	317,255	198,987
- Trade Payables to Third Parties	5	*317,255*	*198,987*
Payables Related to Employee Benefits	6	9,951	4,932
Other Payables	7	2,745	3,210
- Other Payables to Third Parties	7	*2,745*	*3,210*
Deferred Income	7	3,631	5,349
Current Tax Liabilities	25	1,679	17,328
Short - Term Provisions		2,056	2,460
-Other Short - Term Provisions	*14*	*1,410*	*2,453*
-Short - Term Provisions for Employee Benefits	*16*	*646*	*7*
Non - Current Liabilities		**921,381**	**654,619**
Long - Term Borrowings	4	885,773	567,517
Long - Term Provisions	16	35,608	34,748
-Long - Term Provisions for Employee Benefits	*16*	*35,608*	*34,748*
Deferred Tax Liability	25	-	52,354
EQUITY		**1,406,278**	**1,137,824**
Share Capital	18	605,000	412,500
Adjustments to Share Capital	18	13	13
Repurchased Shares	18	(1,594)	(1,594)
Restricted Reserves Appropriated from Profit	18	28,306	21,243
Other Comprehensive Income (Expenses) that will not be Reclassified to Profit or Loss	18	508,483	508,483
-Losses on Remeasurement of Defined Benefit Plans	18	*(4,109)*	*(4,109)*
-Gain on Revaluation of Property, Plant and Equipment	18	*512,592*	512,592
Prior Years' Profits or Losses	18	(2,384)	(6,387)
Net Profit or Loss for the Period	18	268,454	203,566
TOTAL LIABILITIES AND EQUITY		**3,342,823**	**2,377,995**

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

	Notes	(Reviewed) 1 January - 30 June 2018	(Not Reviewed) 1 April - 30 June 2018	(Reviewed) 1 January - 30 June 2017	(Not Reviewed) 1 April - 30 June 2017
Revenue	19	953,761	534,024	815,978	406,724
Cost of Sales (-)	19	(744,249)	(401,448)	(657,307)	(345,377)
GROSS PROFIT		**209,512**	**132,576**	**158,671**	**61,347**
General Administrative Expenses (-)	20	(9,896)	(4,086)	(8,836)	(4,750)
Marketing Expenses (-)	20	(31,064)	(15,722)	(27,956)	(12,234)
Research and Development Expenses (-)	20	(597)	(396)	(824)	(428)
Other Income from Operating Activities	22	165,625	109,512	128,053	39,895
Other Expenses from Operating Activities (-)	22	(70,050)	(41,310)	(94,187)	(33,721)
OPERATING PROFIT		**263,530**	**180,574**	**154,921**	**50,109**
Income from Investing Activities	21	3,329	351	357	6
Expenses from Investing Activities (-)	21	(4,607)	(338)	(338)	-
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)		**262,252**	**180,587**	**154,940**	**50,115**
Finance Income	23	16,609	12,045	14,410	5,471
Finance Expenses (-)	24	(148,572)	(120,708)	(36,606)	(14,884)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**130,289**	**71,924**	**132,744**	**40,702**
Tax Expense from Continuing Operations (-)		**138,165**	**152,875**	**(22,629)**	**(8,599)**
- Current Tax Expense (-)	25	(662)	17,327	(21,931)	(7,608)
- Deferred Tax Income / Expense (-)	25	23,405	20,126	(698)	(991)
- Deferred Tax Income with Incentive Certificate	25	115,422	115,422	-	-
PROFIT FOR THE PERIOD		**268,454**	**224,799**	**110,115**	**32,103**
Profit for the Period Attributable to:					
Owners of the Company		268,454	224,799	110,115	32,103
Non - Controlling Interests		-	-	-	-
Earnings Per Share	26	0.5642	0.3048	0.2314	0.0675
Other comprehensive income / expense		-	-	**541,069**	-
Items That Will Not Be Reclassified to Profit or Loss		-	-	541,069	-
Gain on Revaluation of Property, Plant and Equipment	11	-	-	569,546	-
Tax Effect of Gain on Revaluation of Property, Plant and Equipment (-)	25	-	-	(28,477)	-
TOTAL COMPREHENSIVE INCOME		**268,454**	**224,799**	**651,184**	**32,103**

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

					Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			Retained Earning		
	Notes	**Share capital**	**Adjustments to share capital**	**Repurchased Shares**	**Gain on Revaluation of Property, Plant and Equipment**	**Loss on remeasurement of defined benefit plans**	**Restricted reserves appropriated from profit**	**Prior years' profit / losses**	**Net profit for the period**	**Total**
Balances as of 1 January 2017	**18**	**366,300**	**46,213**	-	-	**(2,073)**	**10,099**	**(29,472)**	**137,048**	**528,115**
Transfers		46,200	(46,200)	-	-	-	13,695	123,353	(137,048)	-
Dividend		-	-	-	-	-	-	(93,881)	-	(93,881)
Total Comprehensive Income		-	-	-	541,069	-	-	-	110,115	651,184
Balances as of 30 June 2017	**18**	**412,500**	**13**	-	**541,069**	**(2,073)**	**23,794**	-	**110,115**	**1,085,418**
Balances as of 1 January 2018	**18**	**412,500**	**13**	**(1,594)**	**512,592**	**(4,109)**	**21,243**	**(6,387)**	**203,566**	**1,137,824**
Transfers		192,500	-	-	-	-	7,063	4,003	(203,566)	-
Total Comprehensive Income		-	-	-	-	-	-	-	268,454	268,454
Balances as of 30 June 2018	**18**	**605,000**	**13**	**(1,594)**	**512,592**	**(4,109)**	**28,306**	**(2,384)**	**268,454**	**1,406,278**

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

SASA POLYESTER SANAYİ A.Ş. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

	Notes	Current Period (Reviewed) 1 January-30 June 2018	Prior Period (Reviewed) 1 January-30 June 2017
Cash Flows From Operating Activities:			
Profit For The Period Before Tax from Continuing Operations		**130,289**	**132,744**
Adjustments Related To Amortization and Depreciation	10,11,12	8,657	6,870
Adjustments Related to Interest Expenses		8,612	7,393
Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment	21	1,278	(21)
Adjustments Related to Loss on Disposal of Assets Held for Sale	21	-	2
Adjustments Related to Provisions for Employee Benefits	16	3,662	5,225
Adjustments Related to General Provisions for Possible Risks	14	(1,043)	1,306
Adjustments Related to Interest Income	23	(6,846)	(5,276)
Unearned Finance Income Related to Credit Sales		1,526	1,577
Adjustments Related to Impairment Loss / (Reversal) Recognised on Trade Receivables	5	-	(518)
Adjustments Related to Unrealized Foreign Exchange Translation Differences	4	87,699	-
Adjustments Related to Reversal of Impairment Loss on Inventories	8	-	(1,995)
Operating Cash Flows Provided Before Changes in Working Capital		**233,834**	**147,307**
Changes in Working Capital			
(Increase) / Decrease in Trade Receivables from Third Parties		(49,559)	58,075
Increase in Trade Receivables from Related Parties		(16,148)	(13,611)
Adjustments Related to Increase in Inventories		(75,832)	(53,695)
Changes in Other Receivables		(259)	(100,622)
Decrease in Prepaid Expenses		(5,755)	222
Changes in Other Current Asset		(12,795)	(3,111)
Increase in Trade Payables to Third Parties		122,374	67,002
Changes in Other Payables		174	484
Increase (Decrease) in Deferred Income		(1,718)	1,820
Increase (Decrease) in Debts for Employee Benefits		5,019	3,269
Net Cash Generated / (Used) After Changes in Working Capital		**199,335**	**107,140**
Payments Related to Provisions of Employee Benefits	16	(2,802)	(4,181)
Payments Related to Other Provisions	16	-	(1,500)
Tax Paid		(16,259)	(24,577)
Dividends Paid		-	(93,881)
Net Cash Used in / (Generated from) Operating Activities		**180,274**	**(16,999)**
Cash Flows Used in Investing Activities:			
Payments for Purchase of Property, Plant and Equipment	11,12	(687,376)	(111,545)
Proceeds from Disposal of Property, Plant and Equipment		4,972	275
Proceeds from Disposals of Non-Current Assets Held for Sale	13	-	57
Net Cash Used in Investing Activities		**(682,404)**	**(111,213)**
Net Cash Generated From Financing Activities:			
Proceeds from Bank Loans	4	871,298	326,362
Net Cash Outflow on Repayment Of Bank Loans	4	(342,633)	(93,427)
Other Payments	4	(10,613)	-
Interest Paid	4	(26,694)	(1,188)
Interest Received	23	6,846	5,276
Net Change Related to Increase / Decrease in Other Receivables from Related Parties	27	(32,160)	-
Net Cash Generated From Financing Activities		**466,044**	**237,023**
NET CHANGE IN CASH AND CASH EQUIVALENTS		(36,086)	108,811
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	84,933	7,479
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	**48,847**	**116,290**

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"). 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 30 June 2018, number of employees of the Company is 1,373 (31 December 2017: 1,289).

Subsidiary

The Company has founded its subsidiary, 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 27 July 2018. General shareholders' meeting has the authority to modify the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

<u>Basis of Presentation of Financial Statements and Significant Accounting Policies</u>

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 consolidated financial statements are prepared based on the Turkish Accounting Standards and / Turkish Financial Reporting Standards ("TAS/TFRS") and related attachments and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The Group has prepared its condensed consolidated financial statements for the interim ended 30 June 2018 according to the TAS 34 "Interim Financial Reporting" standard within the scope of CMB's Communiqué Serial II, No: 14.1 and announcements that account for the Communiqué. Interim condensed consolidated financial stataments and notes are presented according to the recommended formats by CMB, and by including necessary information.

Entities are allowed to prepare their interim financial statements as full set or condensed according to the TAS 34 standard. The Group has preferred to prepare condensed financial statements for interim periods. The Group's interim condensed consolidated financial statements do not include all disclosures and notes that are required for year-end consolidated financial statements and the financial statements must be evaluated together with the Group's financial statements as of 31 December 2017.

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

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.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

2.1 Basis of Presentation (cont'd)

Basis of Presentation of Financial Statements and Significant Accounting Policies (cont'd)

The consolidated financial statements have been prepared in Turkish Lira 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" ("IAS / TAS 29") was not applied.

Comparative Information and Reclassification of Prior Period 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 reclassed and significant changes are disclosed if necessary.

Changes in the Accounting Policies

Material changes in accounting policies are corrected, retrospectively; by restating the prior periods' financial statements. The accounting policies used in the preparation of these consolidated financial statements for the period ended 30 June 2018 are consistent with those used in the preparation of financial statements for the year ended 30 June 2017.

Basis of consolidation

As of 30 June 2018 and 31 December 2017, the details of the Company's subsidiaries are as follows:

	30 June 2018	31 December 2017
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.

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

2.1 Basis of Presentation (cont'd)

Basis of consolidation (cont'd)

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.

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.

Changes in Accounting Estimates 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 30 June 2018 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) unless otherwise stated)

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

2.3 New and Revised Turkish Accounting Standards

a) Amendments to TFRSs that are mandatorily effective as of 2018

TFRS 9	*Financial Instruments*
TFRS 15	*Revenue from Contracts with Customers*
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*
TFRS Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to TAS 40	*Transfers of Investment Property*
Annual Improvements to TFRS Standards 2014–2016 Cycle	*TFRS 1, TAS 28*

TFRS 9 *Financial Instruments*

TFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting, and supersedes the standard of TAS 39 Financial Instruments: Recognition and Measurement.
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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

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

a) Amendments to TFRSs that are mandatorily effective as of 2018 (cont'd)

TFRS 9 *Financial Instruments (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.

Based on an analysis of the Group's financial assets and financial liabilities as at 30 June 2018 on the basis of the facts and circumstances that exist at that date, it is assessed that TFRS 9 does not have a material effect on the Group's consolidated financial statements.

TFRS 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

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

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

a) Amendments and interpretations that are mandatorily effective as of 2018 (cont'd)

TFRS 15 ***Revenue from Contracts with Customers (cont'd)***

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.

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

The standard has not had a material effect on the Group's financial position and performance.

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 10 and TAS 28 no impact on the Group's consolidated financial statements.

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

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

The amendments to TFRS 2 have impact on the Group's consolidated financial statements.

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

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

a) Amendments and interpretations that are mandatorily effective as of 2018 (cont'd)

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.

The amendments to TAS 40 have not had any material effect on the Group's consolidated financial statements.

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.

- **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.

Annual Improvements to 2014-2016 cycle have no material effect on the Group's consolidated financial statements.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

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

b) New and revised standards in issue but not yet effective

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

TFRS 16	*Leases* [1]
Amendments to TAS 28	*Long-term Interests in Associates and Joint Ventures* [1]
TFRS Interpretation 23	*Uncertainty over Income Tax Treatments* [1]

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

TFRS 16 *Leases*

TFRS 16 clarifies recognition, measurement and disclosure of lease transactions in financial statements and will replace TAS 17 *Leases*. This standard proposes a single accounting method for lessees, except when the related asset is of low value or the lease period is shorter than 12 months. Lessors will continue to classify their leases as financial and operating leases as they are in the current standard, and TFRS 16 does not make any significant changes to the provisions of TAS 17 for lessors.

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.

TFRIC 23 *Uncertainty over Income Tax Treatments*

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

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.

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 3 - CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Cash on hand	27	2
Cash at banks	48,820	84,931
-Demand deposits	48,820	84,931
	48,847	**84,933**

NOTE 4 - FINANCIAL INSTRUMENTS

Short - Term Financial Investments	**30 June 2018**	**31 December 2017**
Blocked deposits with maturity longer than 3 months (*)	15,745	5,132
	15,745	**5,132**

(*) As of 30 June 2018, the Group has blocked bank deposit amounting to TL 15,745 which derived from Türk Eximbank loans (31 Aralık 2017: 5,132).

Short - Term Financial Borrowings

	30 June 2018	**31 December 2017**
Short - term bank loans	566,803	311,310
Short-term portion of the long-term financial borrowings	111,044	41,976
	677,847	**353,286**

Long - Term Financial Borrowings

	30 June 2018	**31 December 2017**
Long-term bank loans	885,773	567,517
	885,773	**567,517**

Foreign currency denominated bank loans and corresponding interest expense accruals as at 30 June 2018 and 31 December 2017 are as follows:

Principal	**30 June 2018**			**31 December 2017**		
Original currency	**Weighted average effective interest rate (%)**	**Original amount**	**TL**	**Weighted average effective interest rate (%)**	**Original amount**	**TL**
TL	22.77	-	70,862	-	-	3,546
Euro (*)	3.18	278,611	1,479,234	3.85	198,698	897,221
			1,550,096			**900,767**
Accrued interest						
Euro (*)		2,530	13,524		4,425	20,036
			1,563,620			**920,803**

(*) Amounts in US Dollar and Euro are expressed in thousand US Dollar and Euro.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 4 - FINANCIAL INSTRUMENTS (cont'd)

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

	30 June 2018	31 December 2017
Within 1 year	677,847	353,286
Within 1 - 2 year	160,155	93,547
Within 2 - 3 year	159,684	107,321
Within 3 - 4 year	147,885	102,304
Within 4 - 5 year	121,923	93,132
Later than 5 years	296,126	171,213
	1,563,620	**920,803**

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 2018	Cash flows from funding activities	Interest expense	Movements of foreign exchange difference	30 June 2018
Bank loans	920.803	522.885	13.524	106.408	1.563.620
	920,803	**522,885**	**13,524**	**106,408**	**1,563,620**

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

Trade Receivables

	30 June 2018	31 December 2017
Trade receivables (*)	309,959	235,747
Cheques received (**)	106,891	116,574
Provision for doubtful receivables	(3,100)	(3,100)
	413,750	**349,221**
Receivables from related parties (Note 27)	27,821	32,275
	441,571	**381,496**

(*) As of 30 June 2018, trade receivables are discounted by using monthly 1.54% for TL, 0.59% for US Dollar, 0.38% for Euro (As of 31 December 2017: 1.25% for TL, 0.46% for US Dollar, 0.32% for Euro).

(**) Cheques received constitute the cheques obtained from customers and kept in portfolio as a result of trade activities and consist of TL 77,093 with maturities of less than three months (31 December 2017: TL 55,548).

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

Trade Receivables (cont'd)

As of 30 June 2018 and 31 December 2017, trade receivables past due not impaired are as follows:

Overdue period	30 June 2018	31 December 2017
Up to 1 month	28,488	29,793
1 - 3 months	1,834	1,097
Over 3 months	314	266
	30,636	**31,156**

As of 30 June 2018 and 31 December 2017, due to existence of credit insurance, bank guarantee, mortgage and customer cheques, the Group has not allocated any provision in the consolidated financial statements 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	30 June 2018	31 December 2017
Over 6 months	3,100	3,100
	3,100	**3,100**

As of 30 June 2018, provision for doubtful receivables has been provided for trade receivables amounting to TL 3,100 (31 December 2017: TL 3,100).

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 - 30 June 2018	1 January - 30 June 2017
Balance at 1 January	**(3,100)**	**(3,618)**
Provision for the period	-	(12)
Provision closed during the period	-	530
Balance at 30 June	**(3,100)**	**(3,100)**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

Trade Payables

	30 June 2018	31 December 2017
Trade payables	267,032	198,987
Notes payable	50,223	-
	317,255	**198,987**

As of 30 June 2018, trade payables are discounted by using monthly 1.54% for TL, 0.59% for USD, 0.38% for EUR (31 December 2017: 1.25% for TL, 0.46% for USD, 0.32% for EUR).

As of 30 June 2018, average turnover for trade receivables and trade payables are 64 days and 53 days, respectively (31 December 2017: 59 days and 47 days, respectively).

NOTE 6 – PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables Related to Employee Benefits

	30 June 2018	31 December 2017
Social security premiums payable and income tax	6,788	3,422
Due to personnel	3,163	1,510
	9,951	**4,932**

NOTE 7 – OTHER RECEIVABLES, PAYABLES AND DEFERRED INCOME

Other Current Receivables

	30 June 2018	31 December 2017
Work and service advances	379	950
Receivables from insurance indemnity	86	258
Deposits and guarantees given	59	30
Other receivables	1,798	840
	2,322	**2,078**
Other receivables from related parties (Note :27)	355,622	323,462
	357,944	**325,540**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 7 – OTHER RECEIVABLES, PAYABLES AND DEFERRED INCOME (cont'd)

Other Non Current Receivables

	30 June 2018	31 December 2017
Deposits and guarantees given	94	79
	94	**79**

Other Payables

	30 June 2018	31 December 2017
Taxes and funds payable	2,741	3,208
Other	4	2
	2,745	**3,210**

Deferred Income

	30 June 2018	31 December 2017
Order advances received	3,631	5,349
	3,631	**5,349**

NOTE 8 - INVENTORIES

	30 June 2018	31 December 2017
Raw materials and supplies	215,713	158,257
Finished goods	67,462	44,473
Intermediate goods	44,362	50,998
Spare parts	5,601	5,143
Semi - finished goods	5,268	3,602
Scraps	602	348
Other	3,241	3,595
	342,249	**266,416**

Movement of Provision for Impairment on Inventories

	1 January - 30 June 2018	1 January 30 June 2017
Balance at 1 January	-	**(4,524)**
Charge for the period (Note 19)	-	1,995
Balance at 30 June	**-**	**(2,529)**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 9 - PREPAID EXPENSES

Prepaid Expenses (Short-term)

	30 June 2018	31 December 2017
Prepaid insurance expenses	1,003	3,037
Other prepaid expenses	6,708	355
	7,711	**3,392**

Prepaid Expenses (Long-term)

	30 June 2018	31 December 2017
Fixed asset advance (*)	293,956	146,688
Prepaid expenses	1,436	-
	295,392	**146,688**

(*) Advance payments related to the Group's new investment facilities for fibre, chips, poy-texturized, PET chips (MTR) and bright chips, FDY thread, bright poy.

NOTE 10 - INVESTMENT PROPERTIES

The movement of investment properties and related depreciation for the years ended 30 June 2018 and 2017 are as follows:

	1 January 2018	Additions	Transfers	Disposals	30 June 2018
Cost					
Land	19	-	-	-	19
Buildings	10.319	-	-	-	10.319
Land and land improvements	1.045	-	-	-	1.045
Machine, plant and equipment	7.587	-	-	(6.069)	1.518
Vehicles	224		-	(224)	-
Furniture and fixtures	277	-	-	(277)	-
	19.471	-	-	**(6.570)**	**12.901**
Accumulated depreciation					
Buildings	7.363	46	-	-	7.409
Land and land improvements	819	2	-	-	821
Machine, plant and equipment	4.885	89	-	(4.353)	621
Vehicles	224	-	-	(224)	-
Furniture and fixtures	263	-	-	(263)	-
Net book value	**5.917**	**137**	-	**(1.730)**	**4.050**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 10 - INVESTMENT PROPERTIES (cont'd)

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 2017.
As of 30 June 2018, the Group has leased properties with the net book value of TL 402 (31 December 2017: TL 576) to the third parties through lease agreements. The Group has generated rent income of TL 137 (31 December 2017: TL 442) throughout the period resulting from these lease agreements.

The fair values of the investment properties and properties transferred from the held-for-sale property, plant and equipment, have been measured according to the 5 June 2017 dated valuation report prepared 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.

	1 January 2017	Additions	Transfers	Disposals	30 June 2017
Cost:					
Land	5	-	-	-	5
Buildings	3.780	-	-	-	3.780
	3,785	-	-	-	**3,785**
Accumulated depreciation					
Buildings	3.113	89	-	-	3.202
Net book value	**672**				**583**

The statement of income accounts in which total depreciation expense for the periods ended 30 June 2018 and 2017 is recognized, are presented in Note 11.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and related accumulated depreciation for the accounting periods ended 30 June 2018 and 2017 is as follows:

	1 January 2018	Additions (*)	Transfers	Revaluation	Disposals	30 June 2018
Cost						
Land	611.229	103.032	-	-	-	714.261
Land and land improvements	7.425	34	-	-	-	7.459
Buildings	59.420	216	-	-	(7.018)	52.618
Machine, plant and equipment	429.862	30.849	-	-	(8.111)	452.600
Vehicles	2.384	751	-	-	-	3.135
Furniture and fixtures	6.518	1.016	-	-	-	7.534
Investments in progress	368.319	447.736	-	-	-	816.055
	1,485,157	**583,634**	**-**	**-**	**(15,129)**	**2,053,662**
Accumulated depreciation						
Land and land improvements	6.336	42	-	-	(3.208)	3.170
Buildings	45.157	1.370	-	-	(1.555)	44.972
Machine, plant and equipment	320.580	5.466	-	-	(5.846)	320.200
Vehicles	2.336	121	-	-	-	2.457
Furniture and fixtures	4.531	682	-	-	-	5.213
	378,940	**7,681**	**-**	**-**	**(10,609)**	**376,012**
Net book value	**1,106,217**				**(4,520)**	**1,677,650**

(*) In the statement of cash flows, acquisitions of fixed assets are amounting to TL 687,386. The amount is the remaining amount after exchange difference and interest capitalisations amounting to TL 44,535 thousand for the current period are deducted from the total amount of additions to property, plant and equipment and intangible assets amounting to TL 584,643 thousand and fixed asset advances given for investments amounting to TL 147,368 thousand for the current period.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

	1 January 2017	Additions	Revaluation	Disposals	30 June 2017
Cost					
Land	25.764	-	569.546	-	595.310
Land and land improvements	7.193	-	-	-	7.193
Buildings	63.750	-	-	-	63.750
Machine, plant and equipment	440.918	628	-	(1.133)	440.413
Vehicles	2.177	143	-	(110)	2.210
Furniture and fixtures	6.190	210	-	(59)	6.341
Investments in progress	22.907	63.315	-	-	86.222
	568,899	**64,296**	**569,546**	**(1,302)**	**1,201,439**
Accumulated depreciation					
Land and land improvements	6.256	39	-	-	6.295
Buildings	46.153	1.554	-	-	47.707
Machine, plant and equipment	334.152	3.909	-	(879)	337.182
Vehicles	1.752	57	-	(110)	1.699
Furniture and fixtures	4.631	194	-	(59)	4.766
	392,944	**5,753**	**-**	**(1,048)**	**397,649**
Net book value	**175,955**				**803,790**

All investments that are made as of 30 June 2018 comprise the investment facility projects for fibre, chips, poy-texturized, PET chips (MTR) and bright chips, FDY thread, bright poy.

As of 30 June 2018, there is TL 116,728 amount of borrowing cost was capitalized (31 December 2017: TL 52,777).

As of 30 June 2018, there is a mortgage on property, plant and equipment amounting to TL 571.440 (31 December 2017: TL 571,440). 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 were performed on 5 June 2017 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) unless otherwise stated)

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

Details of the Group's freehold land and information about the fair value hierarchy as at 30 June 2018 are as follows:

		Fair value hierarchy as of reporting date		
	30 June 2018	**Level 1**	**Level 2**	**Level 3**
Land	714,261	-	714,261	-
	714,261	**-**	**714,261**	**-**

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

Income statement accounts related to depreciation and amortization of total (property plant and equipment, intangible assets, investment property) during the periods ended 30 June 2018 and 2017 are as follows:

	1 January - 30 June 2018	**1 January - 30 June 2017**
Production cost (Note :19)	7,403	5,403
General administrative expenses (Note :20)	606	613
Research expenses (Note :20)	341	551
Marketing, sales and distribution expenses (Not :20)	307	303
	8,657	**6,870**

NOTE 12 - INTANGIBLE ASSETS

The movement of intangible assets and related accumulated amortization for the year ended 30 June 2018 and 2017 is as follows:

	1 January 2018	**Additions**	**Disposals**	**30 June 2018**
Cost				
Rights	7,032	1,009	(1)	8,040
Development costs	7,641	-	-	7,641
	14,673	**1,009**	**(1)**	**15,681**
Accumulated amortization				
Rights	6,232	839	(1)	7,070
Development costs	7,611	-	-	7,611
	13,843	**839**	**(1)**	**14,681**
Net book value	**830**			**1,000**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 12 - INTANGIBLE ASSETS (cont'd)

	1 January 2017	Additions	Disposals	30 June 2017
Cost				
Rights	6,980	654	-	7,634
Development costs	7,600	-	-	7,600
	14,580	**654**	**-**	**15,234**
Accumulated amortization				
Rights	5,739	882	-	6,621
Development costs	7,332	146	-	7,478
	13,071	**1,028**	**-**	**14,099**
Net book value	**1,509**			**1,135**

The statement of income accounts in which total amortization for the year ended 30 June 2018 and 2017 are recognized, is presented in Note 11.

NOTE 13 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group does not have assets held for sale as of 30 June 2018.

Movements of the accounting period ended 30 June 2017 are as follows:

	1 January 2017	Additions	Transfers	Disposals	30 June 2017
Cost					
Land	14	-	-	-	14
Land and land improvements	226	-	-	-	226
Buildings	2.384	-	-	-	2.384
Machine, plant and equipment	2.910	-	-	(58)	2.852
Furniture and fixtures	14	-	-	-	14
Net book value	**5,548**	**-**	**-**	**(58)**	**5,490**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 14- PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for Restructuring and Demand of Other Receivables

	30 June 2018	30 June 2017
Provision for restructuring and demand of other receivables (*)	1,410	2,492
	1,410	**2,492**

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

	1 January - 30 June 2018	1 January - 30 June 2017
Balance at 1 January	**2,453**	**1,186**
Charge for the period (Note 20)	-	1,306
Released provisions for the period	(1,043)	-
Balance at 30 June	**1,410**	**2,492**

NOTE 15 – COMMITMENTS

Total commitments that are not included in the liabilities as of 30 June 2018 and 2017 are as follows:

Commitments based on export incentive certificates

	30 June 2018	30 June 2017
Total amount of export commitment of documents recorded	3,830,094	3,500,942
Total amount of export commitment of documents which are presently fulfilled but the closing transactions are not concluded yet	3,708,127	3,275,515
Total amount of open export incentives	346,158	225,427
Open export incentives	23,784	82,436

	30 June 2018	30 June 2017
Open Letter of Credits	125,934	356,305

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 15 - COMMITMENTS (cont'd)

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

	30 June 2018				31 December 2017			
	TL Equivalent	TL	US Dollar	Euro	TL Equivalent	TL	US Dollar	Euro
A. CPMs given for Company's own legal entity (*)	1,154,070	616,312	-	101,288	975,098	619,488	4,080	75,345
B. CPMs given on behalf of fully consolidated companies	-	-	-	-	-	-	-	-
C. CPMs given in the normal course of business activities on behalf of third parties	-	-	-	-	-	-	-	-
D. Total amount of other CPMs								
- Total amount of CPMs given on behalf of the parent	-	-	-	-	-	-	-	-
- Total amount of CPMs given to 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	**1,154,070**	**616,312**	**-**	**101,288**	**975,098**	**619,488**	**4,080**	**75,345**

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

As of 30 June 2018, the percentage of the other CPM's given by the Group to the total equity is 0% (31 December 2017: 0%).

Mortgages and guarantees received at 30 June 2018 and 2017 are as follows:

	30 June 2018	31 December 2017
Letter of guarantees received	49,798	52,134
Cheques and notes of guarantees received	1,719	1,719
Mortgages received	234	234
	51,751	**54,087**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 16 - PROVISION FOR EMPLOYEE TERMINATION BENEFITS

Provisions for short term employee benefits

	30 June 2018	31 December 2017
Provision for personnel expense	646	7
	646	**7**

Provisions for long term employee benefits

	30 June 2018	31 December 2017
Provision for employment termination benefits	32,403	31,826
Unused vacation provision	3,205	2,922
	35,608	**34,748**

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 30 June 2018 and 2017 are as follows:

	1 January - 30 June 2018	1 January - 30 June 2017
Balance at 1 January	**2,922**	**2,427**
Charge for the period	340	532
Provision released	(57)	(274)
Balance at 30 June	**3,205**	**2,685**

Movements of premiums are as follows:

	1 January - 30 June 2018	1 January - 30 June 2017
Balance at 1 January	-	**1,500**
Charge for the period	-	(1,500)
Balance at 30 June	-	-

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

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

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 due to retirement, is called up for military service, whose employment is terminated without due cause excluding 25/2 article of labor law, who has fulfilled all requirements other than necessary age limit for retirement pension-pay according to the Social Security Institution, women who ends their employment in one year due to marriage or to lawful heirs of employees who 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 on pro-rata basis.

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.

	30 June 2018	30 June 2017
Discount rate (%)	4.72	3.81
Retention rate to estimate the probability of retirement (%)	98	98

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

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 5.43 (1 January 2018: TL 5.00), 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 - 30 June 2018	1 Ocak - 30 Haziran 2017
Balance at 1 January	**31,826**	**25,083**
Charge for the period	3,379	4,478
Paid during the period	(2,802)	(4,181)
Balance at 30 June	**32,403**	**25,380**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 17 - OTHER ASSETS AND LIABILITIES

Other Current Assets

	30 June 2018	31 December 2017
VAT return receivables from export and domestic market sales (*)	31,049	19,875
Deferred VAT	28,393	30,025
Deferred special consumption tax	766	1,455
	60,208	**51,355**

(*) The Group applied for a VAT refund amounting to TL 15,168 as of 30 June 2018 and expects to collect it in cash in the next few months (31 December 2017: TL 2,629).

NOTE 18 - EQUITY

Sasa Polyester Sanayi A.Ş fully paid and issued capital each Kr 1 nominal value of 60,500,000,000 shares (31 December 2017: 41,250,000,000). The shareholders and shareholding structure of the Group as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	Share amount	Share percentage	Share amount	Share percentage
Erdemoğlu Holding A.Ş.	513,063	84.80	349,816	84.80
Other	91,937	15.20	62,684	15.20
Share Capital	**605,000**	**100**	**412,500**	**100**
Adjustments to share capital (**)	13		13	
Total Capital	**605,013**		**412,513**	

(**) 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.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 18 - EQUITY (cont'd)

Shareholders' equity items of Group as at 30 June 2018 and 30 December 2017 prepared in accordance with the Communiqué No: XI-29 are as follows:

	30 June 2018	31 December 2017
Share Capital	605,000	412,500
Adjustments to Share Capital	13	13
Repurchased Shares (*)	(1,594)	(1,594)
Restricted Reserves Appropriated from Profit	28,306	21,243
Prior Years' Profits / (Losses)	(2,384)	(6,387)
Loss on Remeasurement of Defined Benefit Plans	(4,109)	(4,109)
Gain on Revaluation of Property, Plant and Equipment	512,592	512,592
Net Profit for the Period	268,455	203,566
Total Share Capital	**1,406,279**	**1,137,824**

(*) 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%.

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.

NOTE 18 – EQUITY (cont'd)

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 (such as differences arising from inflation adjustments) as part of TAS/TFRS shall be disclosed as follows:

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

- If the difference is due to the inflation adjustment of "Restricted reserves appropriated from profit" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, it shall be classified under "Prior years' profits / losses". Other equity items are presented at amounts that are valued under International Financial Reporting Standards.

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 1 February 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 24 March 2014.

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.

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.

Sasa Polyester Sanayi A.Ş., a company of the Group, approved the distribution of bonus share amounting to TL 192,500 from the Net Profit for the Period in the 29 March 2018 dated General Assembly, and the application of the company to the Capital Market Board on 19 April 2018 for the Board approval is approved and the company's capital amounting to TL 605,000,000 is registered on 21 May 2018.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 19 - REVENUE AND COST OF SALES

Sales Income

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Domestic sales	553.275	302.980	454.377	241.811
Foreign sales	383.369	212.984	336.334	147.718
Domestic sales of trade goods	-	-	32.068	20.135
Other sales	32.283	26.551	4.165	1.629
Sales return	(4.327)	(3.309)	(1.622)	(582)
Sales discounts	(10.839)	(5.182)	(9.344)	(3.987)
Revenue	**953.761**	**534.024**	**815.978**	**406.724**

Cost of Sales

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Raw materials expense	607.862	356.650	530.909	267.712
Energy expenses	58.940	33.256	52.524	25.863
Labour expenses	41.540	23.953	36.442	20.110
Spare parts and maintenance expenses	12.419	5.102	7.463	4.012
Depreciation and amortization expenses (Not : 11)	6.314	4.586	4.569	2.549
Insurance expenses	2.345	1.853	1.279	1.106
Usage of semi-finished goods	(1.665)	(2.703)	1.083	535
Other expenses	7.439	4.113	7.149	3.348
Production Cost for the Period	**735.194**	**426.810**	**641.418**	**325.235**
Usage of WIP and finished goods	(25.035)	(50.150)	(19.820)	(14.194)
Other idle period expense	5.625	4.348	3.625	2.176
Cost of trade goods sold	24.969	21.127	31.158	31.158
Cost of waste goods sold	2.407	1.666	2.835	1.116
Depreciation and amortization of idle period (Note 11)	1.089	(2.353)	834	465
Provision / (cancellation) for impairment on inventory	-	-	(1.995)	(570)
Inventory count differences	-	-	(748)	(9)
Cost of Goods Sold During the Period	**744.249**	**401.448**	**657.307**	**345.377**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOT 20 - GENERAL ADMINISTRATIVE, MARKETING AND RESEARCH AND DEVELOPMENT EXPENSES

General Administrative Expenses

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Personnel expenses	5.963	2.320	4.840	2.520
Depreciation and amortization expenses (Note 11)	606	306	613	307
Consultancy expenses	571	295	672	377
Severance and notice pay	546	359	952	593
Supplies, repair and maintanence expenses	341	81	196	115
Insurance expenses	258	151	278	127
Restructing provision expense (Note 14)	-	64	-	-
Energy expenses	189	84	159	75
Assisted services expenses	103	99	166	67
Other expenses	1.319	327	960	569
	9.896	**4.086**	**8.836**	**4.750**

Marketing Expenses

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Export and freight expenses	22.425	12.441	21.004	8.563
Taxes and duties expenses	3.624	245	1.739	1.494
Personnel expenses	2.740	1.158	2.444	1.286
Insurance expenses	522	265	425	160
Depreciation and amortization expenses (Note 11)	307	152	303	151
Rent expenses	45	16	37	21
Energy expenses	12	5	132	4
Other expenses	1.389	1.440	1.872	555
	31.064	**15.722**	**27.956**	**12.234**

Research and Development Expenses

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Depreciation and amortization expenses (Note 11)	341	276	551	275
Repair and maintenance expenses	15	14	27	13
Raw material and supplies expenses	-	3	53	50
Other expenses	241	103	193	90
	597	**396**	**824**	**428**

NOTE 21 – INCOME / EXPENSE FROM INVESTING OPERATIONS

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Gain on sales of property, plant and equipment	3.329	351	357	6
Loss on sales of property, plant and equipment	(4.607)	(338)	(338)	-
	(1.278)	**13**	**19**	**6**

The amounts are related to sales of residual machinery and equipment of the Group.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 22- OTHER OPERATING INCOME / EXPENSE

Other Operating Income

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Foreign exchange income from trade receivables/payables	152.021	99.483	115.201	33.642
Miscellaneous sales income	3.185	1.980	1.287	678
Late interest income related to receivables	3.037	1.620	620	505
Rent income	126	51	-	-
Provision released	57	57	1.774	1.663
Income from sale of scraps	-	-	4.455	1.475
Other income	7.199	6.321	4.716	1.932
	165.625	109.512	128.053	39.895

Other Operating Expense

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Foreign exchange expense from trade receivables/payables	55.408	31.759	88.595	30.756
Cost of miscellaneous sales	787	342	252	149
Taxes and duties paid	1.467	1.232	922	543
Provision for unused vacation	340	340	532	215
Provision for restructuring expense	-	-	1.306	248
Other expenses	12.048	7.637	2.580	1.810
	70.050	41.310	94.187	33.721

NOTE 23 - FINANCIAL INCOME

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Foreign exchange income	9.763	8.252	9.134	3.235
Interest income	6.846	3.793	5.276	2.236
	16.609	12.045	14.410	5.471

NOTE 24 - FINANCIAL EXPENSES

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Foreign exchange expenses	139.960	115.257	29.213	10.160
Interest expenses	8.612	5.451	7.393	4.724
	148.572	120.708	36.606	14.884

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 25 - 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.

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 as of 30 June 2018 and 31 December 2017 using the enacted tax rates are as follows:

	Cumulative temporary difference		Deferred tax asset / (liabilities)	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Net difference between the tax base and carrying value of property, plant and equipment and intangible assets	41.584	(29.801)	8.317	(5.960)
Adjustment to exchange difference of investment advance given	47.582	-	9.516	-
Revaluation differences of property, plant and equipment	(569.546)	(569.546)	(56.955)	(56.955)
Investment incentives (*)	115.422	-	115.422	-
Provision for employee termination benefits	32.403	31.826	6.481	6.365
Valuation differences of inventories	9.250	7.794	2.035	1.714
Correction of the sale that are not realized	-	(200)	-	(44)
Provision for accumulated unused vacation	3.205	2.922	705	643
Provision for litigation	1.410	2.453	310	540
Provision for doubtful receivable	1.103	1.370	243	301
Provision for export expense	-	1.493	-	328
Adjustment for not accrued financial expenses	5.632	(2.955)	1.239	(650)
Adjustment for not accrued financial income	(4.106)	6.199	(903)	1.364
Deferred tax assets			144.268	11.255
Deferred tax liabilities			(57.858)	(63.609)
Deferred tax assets / (liabilities)			**86.410**	**(52.354)**

(*) Disclosed in 'Government Grants and Incentives'.

Movements in deferred taxes can be analyzed as follows:

	1 January - 30 June 2018	1 January - 30 June 2017
Balance at 1 January	**(52,354)**	**3,737**
Deferred tax income for the period	23,342	(698)
Deferred tax income with incentive certificate	115,422	-
Deferred tax expense recognized at equity	-	(28,477)
Balance at 30 June	**86,410**	**(25,438)**

NOTE 25 - 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 (accumulated losses, if any, and investment discounts used, if preferred).

The effective tax rate in 2018 is 22% (2017: 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 5 December 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.

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 22% 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 4 April 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 to government.

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.

NOTE 25 - TAX ASSETS AND LIABILITIES (cont'd)

Corporate Tax (cont'd)

Total taxes income for 30 June 2018 and 2017 have been reconciled to the current year tax income as follows:

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Current period tax (expense) / income	(662)	17,327	(21,931)	(7,608)
Deferred tax income	138,827	135,548	(698)	(991)
Total tax income / (expense)	**138,165**	**152,875**	**(22,629)**	**(8,599)**

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).

Government Grants and Incentives

As a result of the Company's application to Ministry of Economy General Directorate of Incentive Practices and Foreign Capital for incentive certificate, the incentive application related to the Polimer Üretim Tesisleri Investment is included in the Project-Based Government Incentives for Investments that is enacted with the resolution of the Council of Ministers, and it is approved by the 30.04.2018 dated Council of Ministers and published on the 23.06.2018 dated Official Gazette. The investment amount related to the incentive is TL 1,509,000 (thousand), and the incentives for the investment are as follows:

- VAT Exemption,
- Custom Duty Exemption,
- VAT Return,
- Corporate Tax Reduction (tax reduction rate: 100%, investment contribution rate: 104%, available rate of the investment contribution amount for the investment period: 100%),
- Employer's National Insurance Contribution (10 years without a minimum amount limit),
- Income Tax Witholding Contribution (10 years),
- Qualified Personnel Contribution (maximum TL 10,000 thousand),
- Interest and/or Dividend Contribution (maximum 10 years as of loan usage date providing not exceeding TL 105,000 thousand),
- Energy Contribution (50% of energy consumption up to 10 years from the startup date providing not exceeding TL 300,000 thousand).

The Company has stated that it calculates the deferred tax income under the reduced corporate tax practice as total TL 260,262 (thousand) based on the incentive certificate application date of 1 April 2017 and application rate of 140% under the Note of Events After the Balance Sheet Date in the 31 March 2018 dated financial statement. Deferred tax income that is calculated for investment expenses that are made until 30 June 2018 subsequent to the determination of the investment expense beginning date as 24 October 2017 to be effective in the corporate incentive certificate enactment published in the Official Gazette, and the approval of the total incentive density as 138% (investment contribution rate of 104%), is total TL 168,613 (thousand).

TL 53,191 thousand amount of the reduction right of TL 168,613 thousand that is calculated over the Group's expenses made until the balance sheet date is offset from the financial profit. The Group's tax reduction right to be used for future periods as of 30 June 2018 is TL 115,422 (thousand).

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 26 - EARNINGS PER SHARE

	1 January- 30 Jun 2018	1 April- 30 Jun 2018	1 January- 30 Jun 2017	1 April- 30 Jun 2017
Net profit	268.454	145.025	110.115	32.103
Weighted average number of shares:				
Weighted average number of ordinary shares (*)	47.579.888.538	47.579.888.538	47.579.888.538	47.579.888.538
Earnings per share with a nominal value of 1 TL (uncut TL)	0.5642	0.3048	0.2314	0.0675

(*) 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)

The Company's capital increase by bonus issue (at the rate of 46.6667%) amounting to 192,500,000 is approved by the Capital Market Board on 14 May 2018, and distribution of dividends is completed on 17 May 2018. The company's total share has reached up to TL 2,337,696 nominal value and the rate of 0.3864% subsequent to this process.

NOTE 27 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties:

	30 June 2018	31 December 2017
Özerdem Mensucat San. Tic. A.Ş. (*)	26,489	30,502
Merinos Halı San. Tic. A.Ş.	1,077	1,744
Dinarsu İmalat ve Ticaret T.A.Ş.	222	-
Merinos Mobilya Tekstil San. Tic. A.Ş.	33	29
	27,821	**32,275**

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

b) Other receivables from related parties:

	30 June 2018	31 December 2017
Merinos Halı San. Tic. A.Ş. (**)	242,159	232,036
Dinarsu İmalat ve Ticaret T.A.Ş. (**)	113,463	91,426
	355,622	**323,462**

(**) 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 171 days as of 30 June 2018. The Company's receivables from related parties is denominated in Euro, and annual weighted average interest rate the receivables is 4.26%.

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 27 - RELATED PARTY DISCLOSURES (cont'd)

c) Sales to related parties:

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
	Product	Product	Product	Product
Özerdem Mensucat San. Tic. A.Ş.	33.987	25.908	31.073	13.958
Merinos Halı San. Tic. A.Ş.	9.564	3.348	8.831	3.624
Dinarsu İmalat ve Ticaret T. A.Ş.	297	193	128	-
Merinos Mobilya Tekstil San. Tic. A.Ş.	28	28	11	2
Zeki Mensucat Sanayi ve Tic. A.Ş.	7	-	9	-
	43.883	**29.477**	**40.052**	**17.584**

d) Purchases from related parties:

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
	Product	Product	Product	Product
Merinos Mobilya Tekstil San. Tic. A.Ş.	38	-	35	-
	38	**-**	**35**	**-**

e) Interest income from related parties;

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Merinos Halı San. Tic. A.Ş. (*)	5.208	4.865	2.338	1.435
Dinarsu İmalat ve Ticaret T. A.Ş. (*)	1.602	1.398	1.822	900
	6.810	**6.263**	**4.160**	**2.335**

(*) It includes the interest numbers calculated by the Group. The weighted Euro foreign exchange interest rate of the average interest for other receivables from related parties is 4.26%.

f) Financial foreign exchange income from related parties;

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Merinos Halı San. Tic. A.Ş.	13.708	9.668	10.823	4.493
Dinarsu İmalat ve Ticaret T. A.Ş.	9.639	6.044	349	
Özerdem Mensucat San. Tic. A.Ş.	4.178	2.711	-	-
Zeki Mensucat Sanayi ve Tic. A.Ş.	7	7	-	-
	27.532	**18.430**	**11.172**	**4.493**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 27 - RELATED PARTY DISCLOSURES (cont'd)

g) Remuneration of directors and key management personnel amounts

As of 30 June 2018 and 2017, remuneration of directors and key management personnel amounts are as follows:

	01 January - 30 June 2018	01 April - 30 June 2018	01 January - 30 June 2017	01 April - 30 June 2017
Short-term benefits provided to key management	720	390	854	539
	720	**390**	**854**	**539**

NOTE 28 - 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 market risk, (currency risk, interest rate risk), credit risk, liquidity risk and funding risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

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

Market risk

Foreign exchange risk

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

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign Currency Position Table

Assets and liabilities denominated in foreign currencies at 30 June 2018 and 2017 are as follows:

	30 June 2018			
	TL Equivalent	**USD**	**Euro**	**GBP**
Trade receivables	819,892	63,955	99,490	-
Monetary financial assets (Including cash and banks)	65,552	2,248	10,409	6
Other	367,429	8,114	62,236	-
Current assets	**1,252,873**	**74,317**	**172,135**	**6**
Total assets	**1,252,873**	**74,317**	**172,135**	**6**
Trade payables (Including other payables)	275,853	3,851	48,645	4
Financial liabilities	574,795	-	108,264	-
Other	23,860	1,879	2,880	-
Short-term liabilities	**874,508**	**5,730**	**159,789**	**4**
Financial liabilities	904,412	-	170,348	-
Long-term liabilities	**904,412**	**-**	**170,348**	**-**
Total liabilities	**1,778,920**	**5,730**	**330,137**	**4**
Net foreign currency position	**(526,047)**	**68,587**	**(158,002)**	**2**
Export	383,569	11,406	69,910	-
Import	908,553	11,133	161,488	68

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

	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)**
Export	648,896	19,097	140,747	-
Import	1,143,326	26,160	254,621	-

Foreign Currency Sensitivity Analysis

	Profit / (Loss)	
As of 30 June 2018;	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change in US Dollar /TL parity:		
US Dollar net asset	31,280	(31,280)
US Dollar net hedged amount	-	-
US Dollar Net Effect	**31,280**	**(31,280)**
10% change in EUR /TL parity:		
EUR net asset	(83,886)	83,886
EUR net hedged amount	-	-
EUR Net Effect	**(83,886)**	**83,886**
10% change in GBP /TL parity:		
GBP net asset	1	(1)
GBP net hedged amount	-	-
GBP Net Effect	**1**	**(1)**
Total	**(52,605)**	**52,605**

(Amounts expressed in thousand Turkish Lira (TL) unless otherwise stated)

NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign Currency Sensitivity Analysis (cont'd)

	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**

NOTE 29 - EVENTS AFTER THE BALANCE SHEET DATE

None.