PAŞABAHÇE CAM SANAYİİ VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Paşabahçe Cam Sanayii ve Ticaret A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Paşabahçe Cam Sanayii ve Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at December 31, 2017; and the consolidated statement of 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 December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards (TAS).

2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). 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 Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2016, were audited by another auditor whose report thereon dated March 6, 2017 expressed an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the 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.

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

In an independent audit, our responsibilities as the auditors are:

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 InAS 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 InAS, 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.

B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2017 and financial statements are not in compliance with law and provisions of the Company's articles of association in relation to financial reporting.

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

The name of the engagement partner who supervised and concluded this audit is Can Altıntaş.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Can Altıntaş, SMMM
Partner

2 March 2018
Istanbul, Turkey

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Consolidated Statement of Financial Position
at 31 December 2017 and 31 December 2016

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

ASSETS	**Notes**	**31 December 2017**	**31 December 2016**
Current Assets		**1.419.060**	**1.393.366**
Cash and Cash Equivalents	6	40.024	29.407
Trade Receivables	10,37	522.120	439.219
- *Due From Related Parties*	*37*	*2.669*	3.397
- *Trade Receivables From Third Parties*	*10*	*519.451*	*435.822*
Other Receivables	11,37	8.780	31.284
- *Due From Related Parties*	*37*	*7.258*	*26.807*
- *Other Receivables From Third Parties*	*11*	*1.522*	*4.477*
Inventories	13	817.041	785.886
Prepaid Expenses	14	17.954	16.298
Current Income Tax Assets		10	9.303
Other Current Assets	26	13.131	81.969
Non-Current Assets		**1.627.847**	**1.495.184**
Financial Assets	7	276	416
Other Receivables	11	894	320
- *Other Trade Receivables From Third Parties*	*11*	*894*	*320*
Property, Plant and Equipment	18	1.536.478	1.429.771
Intangible Assets	19	4.745	13.744
Prepaid Expenses	14	1.220	3.108
Other Non-Current Assets		374	-
Deferred Tax Assets	35	83.860	47.825
TOTAL ASSETS		**3.046.907**	**2.888.550**

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

Consolidated Statement of Financial Position
at 31 December 2017 and 31 December 2016

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

LIABILITIES	**Notes**	**31 December 2017**	**31 December 2016**
Current Liabilities		**1.074.598**	**1.085.362**
Short Term Borrowings	8	318.558	408.757
Short Term Portion of Long Term Borrowings	8	108.301	255.539
Trade Payables	10,37	204.027	175.650
- *Due to Related Parties*	*37*	*38.400*	*39.362*
- *Trade Payables to Third Parties*	*10*	*165.627*	*136.288*
Liabilities for Employee Benefits	24	25.919	24.132
Other Payables	11,37	359.650	178.135
- *Due to Related Parties*	*37*	*303.107*	*177.715*
- *Other Payables to Third Parties*	*11*	*56.543*	*420*
Deferred Income	14	14.384	11.568
Current Income Tax Liabilities	35	3.290	2.525
Short Term Provisions	22,24	20.369	11.345
- *Provisions for Employee Benefits*	*24*	*10.695*	*8.137*
- *Other Short Term Benefits*	*22*	*9.674*	*3.208*
Other Current Liabilities	26	20.100	17.711
Non-Current Liabilities		**445.447**	**342.938**
Long Term Borrowings	8	323.262	239.151
Deferred Income	14	2.803	2.709
Provisions for Employment Benefits	24	112.132	95.520
Deferred Tax Liabilities	35	7.250	5.558
EQUITY	**27**	**1.526.862**	**1.460.250**
Equity Holders of the Parent	**27**	**1.511.039**	**1.433.675**
Paid-in Share Capital	27	215.536	215.536
Adjustment to Share Capital	27	70.158	70.158
Impact of Transactions Including Entities Under Common Control		(11.529)	(11.529)
Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss	27	197.508	226.999
- *Currency Translation Differences*	27	6.488	3.294
- *Fixed Asset Revaluation Fund*	27	206.549	225.389
- *Funds for Actuarial Gain (Loss) on Employee Termination Benefits*	27	*(15.529)*	*(1.684)*
Other Comprehensive Income/Expense to be Reclassified to Profit or Loss	27	199.634	116.864
- *Currency Translation Differences*	27	*199.634*	*116.864*
Restricted Reserves	27	270.663	232.720
Retained Earnings	27	561.148	594.459
Net Profit (Loss) for the Period		7.921	(11.532)
Non-Controlling Interests	**27**	**15.823**	**26.575**
TOTAL LIABILITIES AND EQUITY		**3.046.907**	**2.888.550**

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

Consolidated Statements of Income for the Periods between 1 January - 31 December 2017 and 2016

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

	Notes	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	28	1.918.879	1.651.624
Cost of Sales (-)	28	(1.285.366)	(1.134.827)
Gross Profit (Loss) from Trading Activities		**633.513**	**516.797**
General Administrative Expenses (-)	29,30	(195.016)	(171.031)
Marketing Expenses (-)	29,30	(377.261)	(331.052)
Research and Development Expenses (-)	29,30	(8.298)	(14.720)
Other Income from Operating Activities	31	93.093	137.302
Other Expense from Operating Activities (-)	31	(53.890)	(55.749)
Operating Profit (Loss)		**92.141**	**81.547**
Income from Investing Activities	32	7.338	5.071
Expenses from Investing Activities (-)	32	(1.529)	(3.416)
Operating Profit (Loss) Before Financial Income (Expense)		**97.950**	**83.202**
Financial Income	33	74.667	34.342
Financial Expenses (-)	33	(200.667)	(140.104)
Profit (Loss) Before Tax from Continued Operations		**(28.050)**	**(22.560)**
Tax Income (Expense) from Continued Operations		**30.319**	**6.570**
- Current Tax Expense for the Period	35	(4.301)	(2.406)
- Deferred Tax Income (Expense)	35	34.620	8.976
Profit (Loss) for the Period		**2.269**	**(15.990)**
Attributable to			
- Non-controlling Interests		(5.652)	(4.458)
- Equity Holders of the Parent	**36**	**7.921**	**(11.532)**
Earnings per Share	**36**	**0,0368**	**(0,0535)**

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

Consolidated Statements of Comprehensive Income for the Periods between 1 January - 31 December 2017 and 2016

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

	Notes	1 January- 31 December 2017	1 January- 31 December 2016
Profit (Loss) for the Period		**2.269**	**(15.990)**
Other Comprehensive Income:			
Items not to be Reclassified to Profit or Loss		**(18.427)**	**3.628**
-Currency Translation Differences		3.194	3.294
-Funds for Actuarial Gain (Loss) on Employee Termination Benefits		(17.657)	417
-Taxes relating to Other Comprehensive Income/(Loss) not to be Reclassified to Profit or Loss		(3.964)	(83)
Items to be Reclassified to Profit or Loss		**82.770**	**91.840**
-Currency Translation Differences		82.770	92.459
-Revaluation and/or Classification Gain (Loss) on Financial Assets Available for Sale		-	(650)
-Taxes relating to Other Comprehensive Income/(Loss) to be Reclassified to Profit or Loss		-	31
Other Comprehensive Income (Loss)		**64.343**	**95.468**
Total Comprehensive Income (Loss)		**66.612**	**79.478**
Attributable to			
- Non-controlling Interests		(6.675)	(4.681)
- Equity Holders of the Parent		**73.287**	**84.159**
Earnings per Share		**0,3400**	**0,3905**

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

Consolidated Statements of Changes in Equity for the Years Ended 31 December 2017 and 2016

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

				Other Comprehensive Income not to be Reclassified to Profit or Loss			Other Comprehensive Income to be Reclassified to Profit or Loss			Retained Earnings				
	Paid in Share Capital	**Adjustment to Share Capital**	**Restricted Reserves**	**Funds for Actuarial Gain (Loss) on Employee Termination Benefits**	**Currency Translation Differences**	**Funds for Gain on Revaluation and Remeasurement**	**Financial Asset Revaluation Fund**	**Currency Translation Differences**	**Impact of Transactions Including Entities Under Common Control**	**Retained Earnings**	**Net Profit (Loss) for the Period**	**Equity Holders of the Parent**	**Non-Controlling Interest**	**Total**
Balance at 1 January 2016	**215.536**	**70.158**	**65.142**	**(1.938)**	**-**	**226.431**	**316**	**24.405**	**(11.999)**	**743.107**	**17.693**	**1.348.851**	**31.369**	**1.380.220**
Transfer	-	-	167.578	-	-	(1.050)	-	-	-	(148.835)	(17.693)	-	-	-
Increases/(decreases) due to changes in ownership rate of subsidiaries	-	-	-	-	-	8	-	-	-	187	-	195	(195)	-
Transactions under common control	-	-	-	-	-	-	-	-	470	-	-	470	82	552
Total comprehensive income	-	-	-	254	3.294	-	(316)	92.459	-	-	(11.532)	84.159	(4.681)	79.478
Balance at 31 December 2016	**215.536**	**70.158**	**232.720**	**(1.684)**	**3.294**	**225.389**	**-**	**116.864**	**(11.529)**	**594.459**	**(11.532)**	**1.433.675**	**26.575**	**1.460.250**
Balance at 1 January 2017	**215.536**	**70.158**	**232.720**	**(1.684)**	**3.294**	**225.389**	**-**	**116.864**	**(11.529)**	**594.459**	**(11.532)**	**1.433.675**	**26.575**	**1.460.250**
Transfer	-	-	37.943	-	-	(12.328)	-	-	-	(37.147)	11.532	-	-	-
Increases/(decreases) due to changes in ownership rate of subsidiaries (*)	-	-	-	(5)	-	246	-	-	-	3.836	-	4.077	(4.077)	-
Total comprehensive income	-	-	-	(13.840)	3.194	(6.758)		82.770	-	-	7.921	73.287	(6.675)	66.612
Balance at 31 December 2017	**215.536**	**70.158**	**270.663**	**(15.529)**	**6.488**	**206.549**	**-**	**199.634**	**(11.529)**	**561.148**	**7.921**	**1.511.039**	**15.823**	**1.526.862**

(*) As at 4 May 2017 the share of Paşabahçe Mağazaları A.Ş. amounting to 1.100 thousand TRY was purchased by Paşabahçe Cam from Denizli Cam Sanayi ve Ticaret A.Ş. and increased their share rates to 100%.

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

Paşabahçe Cam Sanayii ve Ticaret A.Ş.

Consolidated Statements of Cash Flows for the Periods between 1 January and 31 December 2017 and 2016

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

	Notes	1 January- 31 December 2017	1 January- 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		**367.599**	**(40.014)**
Net profit (loss) for the period		**2.269**	**(15.990)**
Adjustments related to reconciliation of net profit		**323.141**	**307.400**
- Adjustments for depreciation and amortization	18,19	165.059	155.849
- Adjustments for impairments/reversals	10,13,18	18.865	7.322
- Adjustments for changes in provisions	22,24	40.893	26.354
- Adjustments for interest income and expenses	8,33	101.633	54.742
- Adjustments for unrealized foreign exchange loss (gain)	31,33	32.525	98.005
- Adjustments for tax (income) expense	35	(30.319)	(6.570)
- Adjustments for gain/loss on sale of tangible assets	32	(5.515)	(643)
- Other adjustments		-	(27.659)
Changes in net working capital		**180.852**	**(251.318)**
- Adjustments for increase/decrease in inventories	13	(42.082)	(131.023)
- Adjustments for increase/decrease in trade receivables	10,37	(93.344)	(178.014)
- Adjustments for increase/decrease in other receivables		22.504	(27.814)
- Adjustments for increase/decrease in trade payables	10	28.782	2.857
- Adjustments for increase/decrease in other payables		186.118	83.601
- Adjustments for other increase/decrease in net working capital		78.874	(925)
Cash flows from operating activities		**506.262**	**40.092**
- Interest paid	8,33	(102.667)	(61.019)
- Interest received	33	934	6.859
- Taxes received / (paid)	35	(3.750)	(9.437)
- Employment termination benefits paid	24	(33.180)	(16.509)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(145.364)**	**(229.285)**
- Cash inflows/outflows due to acquisition of a subsidiary	7	140	20
- Acquisition of asset group	18	(63.937)	-
- Cash inflows due to sales of tangible and intangible assets	18,32	58.487	60.111
- Cash outflows due to purchase of tangible and intangible assets	18,19	(143.585)	(308.455)
- Proceeds from advances given		1.982	17.890
- Dividend income	32	11	73
- Interest received	6,33	2.497	1.100
- Other cash inflows/outflows	3,10,11,26	(959)	(24)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(252.531)**	**182.836**
- Proceeds from borrowings	8	642.011	325.732
- Repayments of borrowings	8	(894.542)	(143.876)
· Cash outflows due to acquisition of a subsidiary		-	980
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		**(30.296)**	**(86.463)**
D. EFFECTS OF UNREALIZED EXCHANGE LOSS/(GAIN) ON CASH AND CASH EQUIVALENTS		**40.911**	**51.887**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**10.615**	**(34.576)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**6**	**29.407**	**63.983**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**6**	**40.022**	**29.407**

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

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

1. Group's Organization and Nature of Operations

Paşabahçe Cam Sanayii ve Ticaret A.Ş. Group (the "Group") consists of Paşabahçe Cam Sanayii ve Ticaret A.Ş. (the "Company"), and 11 subsidiaries. The Company was established in 1935 in Turkey. The Company's immediate parent is Türkiye Şişe ve Cam Fabrikaları A.Ş ("Şişecam") and ultimate controlling party is Türkiye İş Bankası A.Ş.

The Group's main area of activity is production and marketing of glassware products and the production of glassware products made of soda-ash through manual production (hand-made) commenced in 1935, and in 1955 machine production (automatic), which is regarded as the initial phase of current automatic production technology, commenced. In 1974, the production of heat resistant glass was included.

The Head Office and Shareholder Structure of the Company

The shareholder structure of the Company is disclosed in Note 27.

The Company is registered in Turkey and the contact information is as presented below:

İçmeler Mahallesi, D-100 Karayolu Caddesi No:44/A 34947 Tuzla/Istanbul/Turkey

Telephone:	+90 (850) 206 50 50
Fax:	+90 (850) 208 40 40
Website:	http://www.pasabahce.com.tr

Trade Register Information of the Company

Registered at:	İstanbul Ticaret Sicil Memurluğu
Registry no:	119071
Central legal entity information system:	0723000547900018

Personnel Structure of the Group

	31 December 2017	31 December 2016
Personnel (paid by monthly)	1.785	2.027
Personnel (paid by hourly)	4.971	4.633
Total	**6.756**	**6.660**

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

1. Group's Organization and Nature of Operations (Continued)

Companies Included in Consolidation

The nature of operations of the companies included in consolidation is presented as follows:

Subsidiaries	Nature of Business	Country of Registration
Paşabahçe Investment B.V.	Finance and investment company	Netherlands
OOO Posuda	Automatic production and sales of glassware	Russia
Paşabahçe Mağazaları A.Ş.	Retail sales of glassware	Turkey
Paşabahçe SRL	Marketing and sales	Italy
Paşabahçe (Shanghai) Trading Co. Ltd.	Marketing and sales	China
Denizli Cam San.ve Tic.A.Ş.	Production and sales of soda and hand-made crystal ware	Turkey
Paşabahçe Bulgaria EAD	Automatic production and sales of glassware	Bulgaria
Istanbul Investment B.V.	Finance and investment company	Netherlands
Nude Design Investment B.V.	Finance and investment company	Netherlands
Nude Glass Investment B.V.	Finance and investment company	Netherlands
Paşabahçe Egypt Glass Manufacturing S.A.E.	Automatic production and sales of glassware	Egypt

The table below sets out all companies included in the Group's consolidation and shows the rates of ownership interest and the effective interest of the Company in these subsidiaries:

Subsidiaries	31 December 2017		31 December 2016	
Company's name	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Paşabahçe Investment B.V.	100,00	100,00	100,00	100,00
OOO Posuda	100,00	100,00	100,00	100,00
Paşabahçe Bulgaria EAD	100,00	100,00	100,00	100,00
Paşabahçe SRL	100,00	100,00	100,00	100,00
Paşabahçe (Shanghai) Trading Co. Ltd.	100,00	100,00	100,00	100,00
Denizli Cam Sanayi ve Ticaret A.Ş.	51,00	51,00	51,00	51,00
Paşabahçe Mağazaları A.Ş. (*)	100,00	100,00	80,68	90,88
Istanbul Investment B.V.(**)	100,00	100,00	-	-
Nude Design Investment B.V. (**)	100,00	100,00	-	-
Nude Glass Investment B.V.(**)	100,00	100,00	-	-
Paşabahçe Egypt Glass Manufacturing S.A.E.(**)	100,00	100,00	-	-

(*) As at 4 May 2017 the share of Paşabahçe Mağazaları A.Ş. amounting to 1.100 thousand TRY was purchased by Paşabahçe Cam from Denizli Cam Sanayi ve Ticaret A.Ş. and increased their share rates to 100%.
(**) The companies was established in 2017 in order to achieve asset investment in Egypt.

2. Basis of Presentation of Consolidated Financial Statements

2.1 Basis of Presentation

The Company and its Turkish subsidiaries maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code Tax Legislations. Subsidiaries have prepared their statutory financial statements in accordance with laws and regulations of the country in which they operate with their functional currency.

The accompanying consolidated financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). Turkish Accounting Standards cover Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations.

The Group and its subsidiaries maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiaries, have prepared their statutory financial statements in accordance with the laws and regulations of the country in which they operate. The consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.1 Basis of Presentation (Continued)

Additionally, the Group prepared its consolidated financial statements required by TCC in accordance with the accounting policies indicated in Note 2 in order to provide a fair presentation of financial statements. The Group made the required adjustments and reclassifications to conform to the format of financial statements defined in the Financial Table Samples and Manual published by POA.

Presentation and Functional Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity consolidated are expressed in Turkish Lira ("TRY"), which is the functional of the Company and the presentation currency of the Group.

Preparation of Financial Statements in Hyperinflationary Periods

Before 1 January 2005, adjustment and classification, that is done for the purpose of the fair presentation in accordance with TFRS to statutory bookings, is involved rearrangement according to the changing in the current purchasing power of Turkish Lira of balance and transactions in accordance with "The Financial Reporting in the Hyperinflationary Economics'' TAS 29. TAS 29 requires that the financial statement of the company, whose functional currency is the currency of a hyperinflationary economy, shall be stated in terms of measuring unit current at the end of reporting period. Since the Turkish Economy is end of hyperinflation economy characteristic since 1 January 2005, the Company has not performed inflation accounting since from this date. Accordingly, the balance that is implied according to the power purchasing as date of 31 December 2004 is based for the value in the financial statements.

Going Concern

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

Comparatives and Restatement of Prior Periods' Financial Statements

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

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of financial situation and performance trends.

Transactions Including Entities Under Common Control

In the extraordinary general meeting held on 28 June 2016, it is decided to merge non-consolidated subsidiary Company Paşabahçe Yatırım ve Pazarlama A.Ş., which is accounted for under non-current financial assets since it is not material for consolidated financial statements, with Paşabahçe Mağazaları A.Ş. and registered on 15 July 2016. The difference exceeding the net book value of net assets amounting to 470 thousand TRY, liabilities and contingent liabilities generated as a result of merger has been accounted under the 'Impact of the merge of the entities under common control'. In addition to this, by taking into consideration the notion of significant monetary, consolidated financial statements have not been restated as it was actualized from the beginning of reporting period.

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

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.1 Basis of Presentation (Continued)

Financial Statements of Foreign Subsidiaries

Financial statements of subsidiaries, associates and joint ventures operating in foreign countries are prepared in accordance with the legislation of the country in which they operate and assets and liabilities in financial statements prepared according to the Group's accounting policies are translated into TRY from the foreign exchange rate at the balance sheet date whereas income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the "currency translation differences" under shareholders' equity.

Foreign currency rates used in the translation of foreign operations included in the consolidation are as follows:

	31 December 2017		31 December 2016	
Currency	**Period End**	**Period Average**	**Period End**	**Period Average**
Euro	4,5155	4,1158	3,7099	3,3376
Bulgarian Lev	2,3087	2,1044	1,7993	1,7065
Russian Rubles	0,0650	0,0621	0,0573	0,0451
Chinese Yuan	0,5762	0,5363	0,5038	0,4515
Egyptian Pounds	0,2133	0,2049	0,1940	0,3191

Consolidation Principles

The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards applying uniform accounting policies and presentation. The results of subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

Subsidiaries

Control is obtained by controlling over the activities of an entity's financial and operating policies in order to benefit from those activities.

Subsidiaries are companies over which the parent company controls the financial and operating policies for the benefit of the parent company, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Note 1 sets out all subsidiaries included in the scope of consolidation and it shows their ownership and effective interests as of 31 December 2017 and 31 December 2016.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.1 Basis of Presentation (Continued)

Subsidiaries (Continued)

The result of operations of subsidiaries are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.

The statements of financial position and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its Subsidiaries is eliminated against the related equity. Intercompany transactions and balances between the Company and its Subsidiaries are eliminated during the consolidation. The cost of, and the dividends arising from, shares held by the Company in its Subsidiaries are eliminated from equity and income for the period, respectively.

The non-controlling interests' shares in the consolidated subsidiaries' net assets are separately disclosed in the equity of the Group. The non-controlling interests represent the sum of the shares issued during the initial business combinations and the non-controlling interests' shares in the equity changes from the date of business combination. When the losses applicable to the non-controlling portion exceed the non-controlling interest in the equity of the subsidiary, the excess loss and the further losses applicable to the non-controlling are charged against the non-controlling interest.

Subsidiaries, of which financial statements and operating results, either individually or cumulatively not material with respect to consolidated financial statements as of 31 December 2017, are not included in the scope of consolidation, but classified as available-for-sale financial assets (Note 7).

Available-for-sale Investments

Available-for-sale investments, in which the Group has controlling interests equal to or above 20%, or over which are either immaterial or where a significant influence is not exercised by the Group, that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are carried at cost less any provision for impairment. Available-for-sale investments, in which the Group has an interest that is below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured, are carried in the financial statements at their fair value.

2.2 Statement of Compliance to IAS/TAS

The Group prepared the accompanying consolidated financial statements as of 31 December 2017 in accordance with TAS and the related announcements that recommended by POA.

2.3 Significant Changes in the Accounting Policies

Material changes in accounting policies are corrected, retrospectively; by restating the prior periods' consolidated financial statements. The accounting policies except for the fact described below 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.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.4 Changes and Errors in the Accounting Estimates

The effect of changes in accounting estimates affecting the current period is recognized in the current period the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates used in the preparation of these consolidated financial statements for the year ended 31 December 2017 are consistent with those used in the preparation of financial statements for the year ended 31 December 2016.

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. During the current period, the Company and its subsidiaries have changed the useful life of property, plant and equipment. The depreciation deduction of 26.695 thousand TRY has been calculated with the change in effect and the effect is reflected in the current turnover.

2.5 Amendments in Turkish Financial Reporting Standards (“TFRS”)

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:

TAS 7 Statement of Cash Flows (Amendments)

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group disclosed additional information in Note 8 in its annual consolidated financial statements for the year ended 31 December 2017.

TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are retrospectively applied for annual periods beginning on or after January 1, 2017. The amendments did not have an impact on the financial position or performance of the Group.

Annual Improvements to TFRS - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 12 “Disclosure of Interests in Other Entities”: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments did not have an impact on the financial position or performance of the Group.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS") (Continued)

a) Standards issued but not yet effective and not early adopted as of December 31, 2017 are as follows:

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 15 Revenue from Contracts with Customers
In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted.

Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required.

The Group does not expect that the standard will have significant impact on the financial position or performance of the Group because contracts with customers in which the sale of goods is generally expected to be the only performance obligation thus are not expected to have any impact on the performance of the Group. In addition, discounts and performance premiums in the current application, while the entity estimates the variable cost effect, apply the method consistently throughout the contract. In addition to this, the entity considers all reasonably available information (historical, current and projected information) and take into account and determine reasonable number of amount to be realized. The information that the entity uses in estimating the variable cost is generally similar to the information that the management uses during the bid preparation process and when setting prices for the promised goods or services.

TFRS 9 Financial Instruments
In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value.

The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS") (Continued)

a) Standards issued but not yet effective and not early adopted as of December 31, 2017 are as follows (Continued):

TFRS 9 Financial Instruments (Continued)
The Group has performed an impact assessment of TFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Group in the future. The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of TFRS 9. The Group expects a negative impact on equity due to higher credit provisions, but will make a more detailed assessment in the future to determine the size of the impact. The Group assesses the impact of the standard on its financial position and performance.

TFRS 4 Insurance Contracts (Amendments)
In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TFRIC 22 Foreign Currency Transactions and Advance Consideration
The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS") (Continued)

a) Standards issued but not yet effective and not early adopted as of December 31, 2017 are as follows (Continued):

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments,
b. share-based payment transactions with a net settlement feature for withholding tax obligations,
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)
In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company 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.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS") (Continued)

a) Standards issued but not yet effective and not early adopted as of December 31, 2017 are as follows (Continued):

TAS 40 Investment Property: Transfers of Investment Property (Amendments)
In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements to TFRSs - 2014-2016 Cycle
In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS") (Continued)

b) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) as of December 31, 2017 are as follows:

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement
As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IFRS 16 Leases
The IASB has published a new standard, IFRS 16 'Leases' on January, 2016. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments
The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances

An entity shall apply this interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS") (Continued)

b) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) as of December 31, 2017 are as follows (Continued):

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS") (Continued)

b) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) as of December 31, 2017 are as follows (Continued):

Annual Improvements – 2015–2017 Cycle (Continued)

- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2.6 Summary of Significant Accounting Policies

Revenue Recognition

Revenues are recognized on an accrual basis at the fair values of consideration received or receivable incurred or to be incurred. Net sales represent the invoiced value of trading goods and services given, less sales discounts and returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized in the period on an accrual basis as operating income (Note 28 and Note 31).

Sales of Goods

The Group's sales consist of glass ware and glass packaging that cover all the major areas of glass production. Revenue obtained from the sales of the goods is accounted for when the conditions below are met:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor 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 Group, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Provisions for Sales Premium

The customers are provided with sales premium in the case that they meet the sales targets that are pre-defined by the contracts. The provision for the sales premium as of 30 June 2017 has been allocated.

Interest Income

Interest income is accrued using the effective interest method which brings the remaining principal amount and expected future cash flows to the net book value of the related deposit during the expected life of the deposit.

Dividend income

Dividend income from the investments on shares is recognized at the date of right of transfer.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories are materials, labor and an appropriate amount for factory overheads. The cost of borrowings is not included in the costs of inventories. The cost of inventories is determined on the weighted average basis for each purchase. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Inventories consist of raw material, semi-finished goods, finished goods, commercial goods and other stocks (Note 13).

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value. Land and buildings are stated at fair value as of revaluation date less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Assets to be used for administrative purposes, or used in the production of goods and services and are in the course of construction are carried at cost, less any recognized impairment loss. Legal fees are included in the cost of the property, plant and equipment. For assets that need considerable time to be ready for sale or use, borrowing costs are capitalized in accordance with the Group's accounting policy. As it is for the other fixed assets, such assets are depreciated when the assets are ready for their intended use.

Cost amounts of property, plant and equipment assets excluding land and construction in progress are subject to amortization by using the straight-line method in accordance with their expected useful life. There is no depreciation allocated for lands due to indefinite useful lives. Expected useful life, residual value and amortisation method are evaluated every year for the probable effects of changes arising in the expectations and are accounted for prospectively (Note 18).

Leased assets are subject to similar amortization procedures, as with the other tangible assets on the shorter of the related leasing period and economic life of the asset.

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

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful life
Buildings	10-50 years
Land improvements	5-50 years
Machinery and equipment	2-25 years
Motor vehicles	3-15 years
Furniture and fixtures	2-20 years
Other tangible assets	3-20 years
Leasehold improvements	During the rental period

Property, plant and equipment are reviewed for impairment losses. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset net selling price or value in use. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Regular maintenance and repair costs incurred in a tangible asset are recognized as an expense. Costs of property plant and equipment are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of income during the financial period in which they were incurred. Gain or losses on disposal of property, plant and equipment are included in the "Income/Loss from Investing Activities" and are determined as the difference between the carrying value and amounts received.

The gain on revaluation on tangible assets presented in the equity is transferred directly to the retained earnings when the asset is retired from use or disposed of or fully depreciated.

Intangible Assets

Intangible Assets Acquired

Intangible assets acquired separately are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each year and the effect of any change in the estimate is accounted for on a prospective basis. Purchase costs are included in the related assets and are amortized at between 3 and 15 years based on their economic lives (Note 19).

Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 - 15 years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Software development costs include employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years) (Note 19).

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Impairment of Assets

The carrying amounts of the Group's assets other than goodwill are reviewed at each balance sheet date to determine whether there is any indication of impairment. When an indication of impairment exists, the Group compares the carrying amount of the asset with its net realizable value which is the higher of value in use or fair value less costs to sell. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. An impairment loss is recognized immediately in the comprehensive statement of income.

The increase in carrying value of the assets (or a cash generated unit) due to the reversal of recognized impairment loss shall not exceed the carrying amount of the asset (net of amortization amount) in case where the impairment loss was reflected in the consolidated financial statements in prior periods. Such a reversal is accounted for in the comprehensive statement of income.

Borrowing Costs

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 statement of income over the period of the borrowings (Note 8 and Note 33).

In case of foreign exchange income in the financing activities, the related income is deducted from the total of capitalized financial expenses.

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 recognized in the profit or loss in the period in which they are incurred.

Foreign exchange differences relating to borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalized. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

Related Parties

For the purpose of these consolidated financial statements, shareholders, key management personnel (general managers, head of group, vice general managers, vice head of group and factory managers) and Board members, in each case together with the companies controlled by/or affiliated with them, associated companies and other companies within the Group are considered and referred to as "related parties" (Note 37).

Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting.

Financial Assets

<u>Classification</u>

The group classifies its financial assets in the following categories: loans and receivables, available-for-sale financial assets and held to maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Financial Assets (Continued)

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Those with maturities greater than 12 months are classified as non-current assets. Receivables are classified as "trade and other receivables" in the statements of financial position (Note 10 and Note 11).

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the related investments within 12 months of the balance sheet date (Note 7).

Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Loans and receivables are accounted at amortized cost using the effective interest rate method. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analyzed for translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in the income statement; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity. Held-for-trading derivative financial instruments are initially recognized in the consolidated financial statements at cost and are subsequently measured at their fair value. Changes in the fair values of held-for-trading derivative financial instruments are included in the consolidated statements of income. Dividends on available-for sale equity instruments are recognized in the statement of income as part of financial income when the Group's right to receive payments is established. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. If the market for a financial asset is not active and the fair value of the financial asset cannot be measured reliably, aforementioned financial assets are accounted for cost minus impairment in the consolidated financial statements.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Recognition and measurement (Continued)

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the statement of income. Impairment losses recognized in the statement of income on equity instruments are not reversed through the statement of income.

Trade Receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income (Note 10 and Note 31).

Unearned finance income/expense due to commercial transactions are accounted for under "Other Operating Income/Expenses" in the consolidated statement of income or loss (Note 10 and Note 31).

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (Note 6). Bank deposits with original maturities of more than three months and shorter than 1 year are classified under short-term financial investments (Note 7).

Financial Liabilities

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

Financial liabilities are classified as equity instruments and other financial liabilities.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis (Note 8).

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Trade Payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 10).

Business Combinations and Goodwill

A business combination is the bringing together of separate entities or business into one reporting entity. Business combinations are accounted for using the purchase method in the scope of TFRS 3 (Note 3).

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquired business and in addition, any costs directly attributable to the business combination. The cost of the business combination at the date of the acquisition is adjusted if a business combination contract includes clauses that enable adjustments to the cost of business combination depending on events after acquisition date, and the adjustment is measurable more probable than not. Costs of the acquisition are recognized in the related period. Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Legal mergers arising between companies controlled by the Group are not considered within the scope of IFRS 3. Consequently, no goodwill is recognized in these transactions. Similarly, the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are corrected in the preparation of the consolidated financial statements. Business Combinations under common control are accounted for using ‘’ Pooling of Interest Method’’. Applying this methods, financial statements have been adjusted as if the acquisition was performed as of the beginning at the relevant reporting period in which the common control was carried out and they are presented cooperatively as of the beginning of the relevant reporting period. As a result of these transactions no goodwill or negative goodwill is recognized. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of subsidiary is accounted for under "Impact of transactions including entities under common control in equity".

Legal mergers arising between companies controlled by the Group are not considered within the scope of TFRS 3. Consequently, no goodwill is recognized in these transactions. Similarly, the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are corrected in the preparation of the consolidated financial statements.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Foreign Currency Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira ("TRY"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRY using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation differences. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rates.

Earnings per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares circulating during the year concerned.

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation (Note 36).

Events after the Balance Sheet Date

The Group adjusts the amounts recognized in its financial statements to reflect adjusting events occurring after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date considering the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 22).

Segment Reporting

The Group has three geographical segments determined by the management based on information available for the evaluation of performances and the allocation of resources. These segments are Turkey, Europe and Russia and managed separately because they are affected by the economic conditions and geographical positions in terms of risks and returns. When evaluating the segments' performance, the chief operating decision-maker, who is Group Management, is utilizing gross profit in the financial statements prepared in accordance with TFRS (Note 5).

Operating segments are reported in a manner consistent with the reporting provided to the Group's chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. As the sectors merged under "Other" do not meet the required quantitative thresholds to be a reportable segment, these have been merged for the purpose of segment reporting.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its profit or loss is 10% or more of the combined profit or loss or its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity (Note 35). In such case, the tax is recognized in shareholders' equity.

The current period tax on income is calculated for the Group's subsidiaries, associates and joint ventures considering the tax laws that are applicable in the countries where they operate.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Deferred tax liability or asset is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and tax regulations that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The main temporary differences are from the time differences between carrying amount of tangible assets and their tax base amounts, the available expense accruals that are subject to tax and tax allowances that are not utilized.

As deferred tax liability is calculated for all taxable temporary differences, deferred tax assets that consist of deductible temporary differences is calculated as long as the company likely benefit from these differences by means of deriving taxable profit in the future.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

Employee Benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Group is obliged to pay employment termination benefit to all personnel in cases of termination of employment without due cause, call for military service, retirement or death upon the completion of a minimum one year service. The provision which is allocated by using the defined benefit pension's current value is calculated by using the estimated liability method. All actuarial profits and losses are recognized in the consolidated statements of income (Note 24).

Statement of Cash Flows

The Group prepares statements of cash flows as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows include those from operating activities, working capital, investing activities and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.7 Summary of Significant Accounting Policies

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal to the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TAS Financial Reporting Standards and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for TAS Financial Reporting Standards and tax purposes. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither an accounting nor taxable profit/ (loss). The fully or partially recoverable amount of deferred tax assets are estimated under available circumstances. The future income projections, current period losses, unused losses and expiration dates of other tax assets and tax planning strategies that can be used when necessary are considered during the evaluation of estimations.

The Group receives corporate tax allowances (in accordance with Corporate Tax Law No: 5520; article 32/A). The amount of corporate tax allowances related to temporary differences and that can be utilized during the period of corporate tax allowance right is 318.993 thousands TRY (31 December 2016: 234.959 thousands TRY). The Group will be able to deduct 55% of the corporate tax amount calculated from the net income derived from this production line in the forthcoming period. The deferred tax that was accounted for over the amount of corporate tax allowances is 70.178 thousands TRY (31 December 2016: 46.992 thousands TRY).

In the Board of Directors' meeting held on 30 December 2015, it has been decided to revalue the properties (land and buildings) which are valued at "Cost Method" within the scope of Turkish Accounting Standards (TAS) 16, with "Revaluation Method" based on the revaluated amounts as at 31 December 2015 and effective from the financial statements as of 31 December 2015, and apply this policy for the all Group Companies.

As there were recent similar buying/ selling transactions nearby, revaluations of land were based on the method of reference comparison whereas if there were recent similar buying/ selling transactions nearby revaluations of buildings were based on of market reference comparison if not the method of cost approach.

In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional independent valuation company was utilized.

In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

The carrying values of land, land improvements and buildings do not necessarily reflect the amounts that would result from the outcome of a sales transaction between independent parties.

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

2. Basis of Presentation of Consolidated Financial Statements (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

As of initial recognition and as of balance sheet date, Group performs impairment assessment for lands and buildings of which valuations are based on market value and cost approach, in accordance with the "TAS 36 Impairment of Assets", and impairment has been recognized in income statement.

Net book values of related assets have been adjusted to reflect the revalued amounts and the gain has been accounted for under the revaluation reserve in equity, net-off relevant deferred tax impact.

Revaluation gains from land and buildings were accounted for under "Gain/loss on revaluation" in equity and revaluation loss were accounted for under "Expenses from investing activities (-)" in the income statement.

During the current period, the Company and its subsidiaries changed the useful life estimates of the molds used. As a result of the innovations in the production and the increase in the product variety, the mold lives have been reassessed and the new useful life has been determined. The economic lives of tangible and intangible assets as set out in the accounting policies are estimated by the technical commission established within the Paşabahçe by the Group Management; depreciation and amortization are accounted for taking into account the new economic life determined. The depreciation deduction of 26.695 thousand TRY has been calculated with the change in effect and the effect is reflected in the current turnover.

3. Business Combinations

None (2016: None).

4. Interests in Other Entities

Summary financial statements of Paşabahçe Mağazaları A.Ş., whose non-controlling interest amount is material, is as follows:

Paşabahçe Mağazaları A.Ş.	**31 December 2017**	**31 December 2016**
Current assets	-	80.885
Non-current assets	-	20.537
Total assets	**-**	**101.422**
Current liabilities	-	49.239
Non-current liabilities	-	3.398
Total liabilities	**-**	**52.637**

Paşabahçe Mağazaları A.Ş.	**1 January-31 December 2017**	**1 January-31 December 2016**
Revenue	-	169.373
Net profit (loss) for the period	-	(291)
Total comprehensive income (loss)	-	(291)
Share of non-controlling interests	-	9,12%
Net profit for the period attributable to non-controlling interest	**-**	**(27)**

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

4. Interests in Other Entities (Continued)

Summary financial statements of Denizli Cam Sanayi ve Ticaret A.Ş., whose non-controlling interest amount is material, is as follows;

Denizli Cam Sanayi ve Ticaret A.Ş.	31 December 2017	31 December 2016
Current assets	37.804	29.658
Non-current assets	54.450	60.246
Total assets	**92.254**	**89.904**
Current liabilities	34.989	37.117
Non-current liabilities	7.807	5.314
Total liabilities	**42.796**	**42.431**

Denizli Cam Sanayi ve Ticaret A.Ş.	1 January-31 December 2017	1 January-31 December 2016
Revenue	81.882	64.202
Net profit (loss) for the period	4.068	(8.753)
Other comprehensive income (expense)	(2.083)	158
Total comprehensive income (loss)	1.985	(8.595)
Share of non-controlling interests	49,0%	49,0%
Net profit for the period attributable to non-controlling interest	**1.993**	**(4.289)**

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

5. Segment Reporting

1 January-31 December 2017	Turkey	Russia	Europe	Other	Total	Consolidation adjustments	Consolidated
Net external revenue	1.286.452	210.461	421.441	525	1.918.879	-	1.918.879
Inter group revenue	258.394	-	-	-	258.394	(258.394)	-
Total net revenue (*)	**1.544.846**	**210.461**	**421.441**	**525**	**2.177.273**	**(258.394)**	**1.918.879**
Cost of sales	(1.063.911)	(157.912)	(309.757)	(1.565)	(1.533.145)	247.779	(1.285.366)
Gross profit / (loss) from trading activities	**480.935**	**52.549**	**111.684**	**(1.040)**	**644.128**	**(10.615)**	**633.513**
Operating expenses	(453.645)	(35.560)	(94.380)	(1.178)	(584.763)	4.188	(580.575)
Other income from operating activities	75.949	8.048	8.860	261	93.118	(25)	93.093
Other expense from operating activities (-)	(50.159)	(10.068)	(618)	-	(60.845)	6.955	(53.890)
Operating profit / (loss)	**53.080**	**14.969**	**25.546**	**(1.957)**	**91.638**	**503**	**92.141**
Income from investing activities	6.340	57	941	-	7.338	-	7.338
Expenses from investing activities (-)	(1.529)	-	-	-	(1.529)	-	(1.529)
Operating profit / (loss) before financial income and expense	**57.891**	**15.026**	**26.487**	**(1.957)**	**97.447**	**503**	**97.950**
Financial income	72.537	702	4.940	-	78.179	(3.512)	74.667
Financial expenses (-)	(166.323)	(25.665)	(9.899)	(1.909)	(203.796)	3.129	(200.667)
Profit / (loss) before tax from continued operations	**(35.895)**	**(9.937)**	**21.528**	**(3.866)**	**(28.170)**	**120**	**(28.050)**
Tax income / (expense) for the year	(2.203)	-	(2.098)	-	(4.301)	-	(4.301)
Deferred tax income	31.747	2.796	189	-	34.732	(112)	34.620
Profit / (loss) for the year	**(6.351)**	**(7.141)**	**19.619**	**(3.866)**	**2.261**	**8**	**2.269**
Purchases of tangible and intangible assets (**)	67.872	10.888	49.706	15.117	143.583	-	143.583
Depreciation and amortization charges	(84.324)	(27.125)	(52.594)	(1.016)	(165.059)	-	(165.059)
Earnings before interest, taxes, depreciation and amortization (EBITDA) (***)	**142.215**	**42.151**	**79.081**	**(941)**	**262.506**	**503**	**263.009**
Statement of financial position (31 December 2017)							
Total assets	**2.181.856**	**207.672**	**559.452**	**97.927**	**3.046.907**	**-**	**3.046.907**
Total liabilities	**1.268.804**	**89.771**	**59.622**	**101.848**	**1.520.045**	**-**	**1.520.045**

(*) Net sales according to the geographical regions are represented based on the countries where the companies are operating.
(**) In addition to this Paşabahçe Egypt Glass Manufacturing S.A.E. established in Egypt and purchased of assets amounting to 63.937 thousand TRY.
(***) EBITDA is not defined by TAS. The Group defined EBITDA as profit before interest, tax depreciation and amortization. EBITDA figures above are disclosed separately with the purpose of a better understanding and measurement of the Group's operational performance by the Group management.

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

5. Segment Reporting (Continued)

1 January-31 December 2016	Turkey	Russia	Europe	Other	Total	Consolidation adjustments	Consolidated
Net external revenue	1.141.239	161.953	338.314	10.118	1.651.624	-	1.651.624
Inter group revenue	239.589	-	-	-	239.589	(239.589)	-
Total net revenue (*)	**1.380.828**	**161.953**	**338.314**	**10.118**	**1.891.213**	**(239.589)**	**1.651.624**
Cost of sales	(966.800)	(142.871)	(245.667)	(7.710)	(1.363.048)	228.221	(1.134.827)
Gross profit / (loss) from trading activities	**414.028**	**19.082**	**92.647**	**2.408**	**528.165**	**(11.368)**	**516.797**
Operating expenses	(417.916)	(28.117)	(76.976)	(3.096)	(526.105)	9.302	(516.803)
Other income from operating activities	128.906	4.647	10.754	27	144.334	(7.032)	137.302
Other expense from operating activities (-)	(51.595)	(6.476)	(1.398)	(163)	(59.632)	3.883	(55.749)
Operating profit / (loss)	**73.423**	**(10.864)**	**25.027**	**(824)**	**86.762**	**(5.215)**	**81.547**
Income from investing activities	1.012	-	-	-	1.012	4.059	5.071
Expenses from investing activities (-)	-	-	-	-	-	(3.416)	(3.416)
Operating profit / (loss) before financial income and expense	**74.435**	**(10.864)**	**25.027**	**(824)**	**87.774**	**(4.572)**	**83.202**
Financial income	34.708	440	1.046	-	36.194	(1.852)	34.342
Financial expenses (-)	(117.092)	(19.000)	(5.153)	-	(141.245)	1.141	(140.104)
Profit / (loss) before tax from continued operations	**(7.949)**	**(29.424)**	**20.920**	**(824)**	**(17.277)**	**(5.283)**	**(22.560)**
Tax income / (expense) for the year	(134)	-	(2.272)	-	(2.406)	-	(2.406)
Deferred tax income	5.711	2.875	57	-	8.643	333	8.976
Profit / (loss) for the year	**(2.372)**	**(26.549)**	**18.705**	**(824)**	**(11.040)**	**(4.950)**	**(15.990)**
Purchases of tangible and intangible assets	232.061	26.313	50.056	25	308.455	-	308.455
Depreciation and amortization charges	(93.611)	(23.212)	(39.015)	(11)	(155.849)	-	(155.849)
Earnings before interest, taxes, depreciation and amortization (EBITDA) (**)	**168.046**	**12.348**	**64.042**	**(813)**	**243.623**	**(4.572)**	**239.051**
Statement of financial position (31 December 2016)							
Total assets	**2.352.349**	**405.636**	**978.389**	**12.898**	**3.749.272**	**(860.723)**	**2.888.549**
Total liabilities	**984.975**	**242.732**	**290.928**	**11.366**	**1.530.001**	**(101.699)**	**1.428.302**

(*) Net sales according to the geographical regions are represented based on the countries where the companies are operating.
(**) EBITDA is not defined by TAS. The Group defined EBITDA as profit before interest, tax depreciation and amortization. EBITDA figures above are disclosed separately with the purpose of a better understanding and measurement of the Group's operational performance by the Group management.

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

6. Cash and Cash Equivalents

	31 December 2017	31 December 2016
Cash on hand	182	207
Cash at banks	39.521	29.200
- *Demand deposits*	*35.617*	*27.334*
- *Time deposits (with maturities of three months or less)*	*3.904*	*1.866*
Other liquid assets	321	-
	40.024	**29.407**

Time deposits

Currency	Effective Interest Rate (%)	Interest Maturity	31 December 2017	31 December 2016
Euro	1,3%	February 2018	1.820	1.866
Russian Rubles	10,8%	July 2018	2.084	-
			3.904	**1.866**

Cash and cash equivalents as of 31 December 2017 and 31 December 2016 presented in the consolidated statement of cash flows are as follows:

	31 December 2017	31 December 2016
Cash and cash equivalents	40.024	29.407
Less: Interest accrual	(2)	-
	40.022	**29.407**

7. Financial Assets

Non-current financial assets

Financial assets available for sale	31 December 2017	31 December 2016
Financial investments not traded in an active market	164	304
Unconsolidated subsidiaries	112	112
	276	**416**

Movements of available for sale financial assets during the period are as below:

	31 December 2017	31 December 2016
Beginning of the period - 1 January	416	1.626
Impact of subsidiary disposal	(140)	(691)
Impact of subsidiary merger	-	(519)
	276	**416**

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

7. Financial Assets (Continued)

Non-current financial assets (Continued)

Financial assets available for sale (Continued)

Financial assets not traded in an active market	**Rate of Share (%)**	**31 December 2017**	**Rate of Share (%)**	**31 December 2016**
Camiş Limited	30,65	164	30,65	164
Camiş Ambalaj Sanayii A.Ş.	-	-	<1	12
Camiş Elektrik Üretim A.Ş.	-	-	<1	17
Eskişehir Oluklu Mukavva Sanayi A.Ş.	-	-	<1	111
Other	-	-	-	-
		164		**304**

(*) The spin-off transaction of Camiş Ambalaj Sanayi A.Ş., is approved at the extraordinary general assembly meeting held on 27 December 2016 and Eskişehir Oluklu Mukavva Sanayii A.Ş. was established officially by registering on 2 January 2017.

Unconsolidated subsidiaries (*)	**Rate of Share (%)**	**31 December 2017**	**Rate of Share (%)**	**31 December 2016**
Paşabahçe Glass GmbH	100	69	100	69
Paşabahçe Spain SL	100	43	100	43
Paşabahçe USA Inc.	100	-	100	-
		112		**112**

(*) Paşabahçe Glass GmbH, Paşabahçe Spain SL, Paşabahçe USA Inc., are subsidiaries incorporated internationally, engaging in marketing and sales operations. The financial statements of these companies are not included in consolidation due to their immateriality.

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

8. Borrowings

Current financial liabilities	31 December 2017	31 December 2016
Short term borrowings	318.558	408.757

Short term portion of long term borrowings	31 December 2017	31 December 2016
Short term portion of long term borrowings and interests	108.301	255.539
Total current financial liabilities	**426.859**	**664.296**

Non-current financial liabilities	31 December 2017	31 December 2016
Long term portion of long term borrowings	323.262	239.151
Total non-current financial liabilities	**323.262**	**239.151**
Total financial liabilities	**750.121**	**903.447**

As of balance sheet date, risk of changes in interest rates on loans and contractual reprising dates of the Group are as follows:

Repricing periods for loans	31 December 2017	31 December 2016
Shorter than 3 months	136.235	67.700
3 - 12 months	290.624	596.596
1 - 5 years	323.262	234.274
More than 5 years	-	4.877
	750.121	**903.447**

The impact of discounting is not significant due to given interest rates for short-term loans and their carrying values approximate their fair values. The fair values are determined using the weighted average effective annual interest rates. The long-term financial liabilities are generally subject to reprising within three and six month periods and a large amount of those liabilities consists of foreign currency denominated loans. Therefore, it is expected that the carrying value of the financial liabilities that are calculated by effective interest rate method approximate to their fair values.

Financial liabilities movements for the period between 1 January and 31 December 2017 are summarized as below:

Bank borrowings	Capital	Interest	Total
Beginning of the period – 1 January	**898.544**	**4.903**	**903.447**
Currency translation differences	67.315	478	67.793
Foreign exchange loss	31.113	-	31.113
Additions-provisions for the period	642.011	70.418	712.429
Payments-reversals during the period	(894.544)	(70.117)	(964.661)
31 December 2017	**744.439**	**5.682**	**750.121**

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

8. Borrowings (Continued)

There are no capitalized financial expense as of 31 December 2017 (31 December 2016: None).

Financial liabilities movements for the period between 1 January and 31 December 2016 are summarized as below:

Bank borrowings	**Capital**	**Interest**	**Total**
Beginning of the period – 1 January	**580.059**	**3.948**	**584.007**
Currency translation differences	82.028	827	82.855
Foreign exchange loss	54.600	-	54.600
Additions-provisions for the period	325.732	32.910	358.642
Payments-reversals during the period	(143.876)	(32.781)	(176.657)
31 December 2016	**898.543**	**4.904**	**903.447**

Short-term and long-term bank borrowings are summarized as below:

31 December 2017

Currency	**Maturity**	**Annual Effective Weighted Interest Rate (%)**	**Short term**	**Long term**	**Total**
US Dollars	2017-2020	3,83%	21.789	32.331	54.120
Euro	2017-2020	1,98%	227.223	95.615	322.838
Russian Rubles	2017-2021	10,79%	153.062	45.316	198.378
Turkish Liras	2017-2019	9,10%	15.285	150.000	165.285
Egyptian Pounds	2017-2019	17,36%	9.500	-	9.500
			426.859	**323.262**	**750.121**

31 December 2016

Currency	**Maturity**	**Annual Effective Weighted Interest Rate (%)**	**Short Term**	**Long term**	**Total**
US Dollars	2017-2020	2,73%- Libor+2,61%	109.390	50.274	159.664
Euro	2019-2020	2,25%-2,94%	251.058	131.216	382.274
Russian Rubles	2017-2021	16.66%-MosPrime+3,2%	128.582	57.661	186.243
Turkish Liras	2017	Spot	175.266	-	175.266
			664.296	**239.151**	**903.447**

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

8. Borrowings (Continued)

The redemption schedule of the financial liabilities is as follows:

	31 December 2017	31 December 2016
Within 1 year	426.859	664.296
Within 1 - 2 years	258.056	91.220
Within 2 - 3 years	60.171	91.220
Within 3 - 4 years	5.035	52.277
Within 4 - 5 years	-	4.434
More than 5 years	-	-
	750.121	**903.447**

There is no collaterals given for financial liabilities as of 31 December 2017 and 31 December 2016.

9. Other Financial Liabilities

None (31 December 2016: None).

10. Trade Receivables and Payables

Trade Receivables

Current trade receivables	31 December 2017	31 December 2016
Trade receivables	494.676	429.543
Notes receivables	30.532	9.531
Rediscount of notes receivable (-)	(5.757)	(3.252)
Due from related parties (Note 37)	2.669	3.397
Other trade receivables	20.036	13.552
Provision for doubtful receivables	(20.036)	(13.552)
	522.120	**439.219**

The sales terms for the Group's domestic sales based on the main product lines are as follows:

The average sales term is 75 days (31 December 2016: 75 days) and a monthly overdue interest rate of 1,25% is applied for the payments made after the due date (31 December 2016: 2%).

The Group has no significant concentration on credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, the management believes that no further credit provision is required in excess of the allowance for doubtful receivables.

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

10. Trade Receivables and Payables (Continued)

The movement of the allowance for doubtful receivables is as follows:

	31 December 2017	31 December 2016
Beginning of the period – 1 January	(13.552)	(11.048)
Charge for the period	(7.678)	(3.130)
Collections	1.456	774
Currency translation differences	(262)	(148)
	(20.036)	**(13.552)**

The Group has received the following collaterals for trade receivables:

	31 December 2017	31 December 2016
Letters of guarantees	47.592	34.536
Direct borrowing systems	51.341	46.690
Mortgages	441	744
Other	33.896	28.144
	133.270	**110.114**

As of 31 December 2017, 95.201 thousand TRY (31 December 2016: 102.540 thousand TRY) of trade receivable amount was past due but not impaired. This is related to various independent customers with no recent history of default. The aging analysis of trade receivable amounts is as follows:

	31 December 2017	31 December 2016
1- 30 days overdue	40.197	48.313
1-3 months overdue	20.676	23.217
3-12 months overdue	31.128	26.502
1- 5 years overdue	3.200	4.508
Total overdue receivables	**95.201**	**102.540**
The portion under guarantee with collaterals and similar guarantees	**4.135**	**6.042**

Trade Payables

	31 December 2017	31 December 2016
Trade payables	166.459	136.715
Due to related parties (Note 37)	38.400	39.362
Rediscount on notes payable (-)	(832)	(427)
	204.027	**175.650**

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

11. Other Receivables and Payables

Other current receivables	**31 December 2017**	**31 December 2016**
Due from related parties (Note 37)	7.258	26.807
Deposits and guarantees given	396	194
Due from personnel	639	266
Other receivables	487	4.017
	8.780	**31.284**

Other non-current receivables	**31 December 2017**	**31 December 2016**
Deposits and guarantees given	894	320
	894	**320**

Other current payables	**31 December 2017**	**31 December 2016**
Due to related parties (Note 37)	303.107	177.715
Other current payables (*)	56.543	420
	359.650	**178.135**

(*) As of 31 December 2017, the debt amounting to USD 14.5 million arising from the purchase of assets has been accounted in the short-term other payables account in the short term liabilities in the financial statements.

12. Derivative Instruments

None (31 December 2016: None).

13. Inventories

	31 December 2017	**31 December 2016**
Finished goods	591.908	588.695
Work in progress	1.939	1.438
Raw materials and supplies	116.045	92.850
Merchandise	101.070	96.896
Operating supplies	27.084	19.378
Provision for inventory impairment (-)	(21.005)	(13.371)
	817.041	**785.886**

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

13. Inventories (Continued)

The movement of provision for inventory write-down is as follows:

	31 December 2017	31 December 2016
Beginning of the period – 1 January	(13.371)	(10.463)
Provision for the period	(10.209)	(4.192)
Provision no longer required	3.293	2.159
Currency translation differences	(718)	(875)
	(21.005)	**(13.371)**

14. Prepaid Expenses and Deferred Income

Prepaid Expenses

Prepaid expenses in current assets	31 December 2017	31 December 2016
Advances given for inventories	14.754	7.240
Prepaid expenses	3.200	9.058
	17.954	**16.298**

Prepaid expenses in non-current assets	31 December 2017	31 December 2016
Advances given	1.220	3.108
	1.220	**3.108**

Deferred Income

	31 December 2017	31 December 2016
Short-term deferred income		
Deferred income	4.013	1.002
Advances received	10.371	10.566
	14.384	**11.568**
Long-term deferred income		
Deferred income	2.803	2.709
	2.803	**2.709**

15. Construction Contracts

None (31 December 2016: None).

16. Joint Ventures and Associates

None (31 December 2016: None).

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

17. Investment Properties

None (31 December 2016: None).

18. Property, Plant and Equipment

Asset Group Acquisition:

The Group has established a new company, namely Paşabahçe Egypt Glass Manufacturing S.A.E. in Egypt, that has completed negotiations on the "Asset Transfer Agreement" with Pearl for Glass Manufacturing S.A.E. in Egypt and took over Pearl for Glass Manufacturing SAE's assets with an amount of USD 18.000 thousand as of October 1, 2017. The relevant acquisition is based on the asset acquisition agreement.

Reaching to lower labor costs and raw materials prices compared to Turkey, and selling to Middle East, Africa and North America with better customs and tax rates was the reason for the acquisition that strengthen the growth strategy of the Group in the Middle East and Africa.

There are no intangible assets such as the company name, brand, customer and supplier etc within the asset group which were acquired. For the group's know-how transfers, especially in plants in Turkey, qualified employees will ensure the establishment of manufacturing operations at this facility on a contractual basis.

Without any process, procedure or system taken over, processes that are adopted in other factories of the Group's "Glassware Group" are transferred to the working team in question. Procedures applied in the Group will be translated into Arabic.

The products which are the basic output of the plant will be sold completely to their customers at the discretion of "Glassware Group".

Goodwill is not accounted under the "TFRS-3 Business Combinations" accounting standard since the asset group acquired for the reasons mentioned above does not evaluated in the scope of the business definition.

The fair value of the net assets received on the date of transition to the Community is as follows:

	The Fair Value
Tangible fixed assets	
- Terrain and lands	2.594
- Buildings	19.784
- Plant, machinery and equipment	41.493
- Furniture and Fixture	66
Total Non-current Assets	**63.937**
The reasonable value of the purchasing price on the date of the control passed to the Group (*)	**63.937**

(*) The total amount of the received asset group was determined as USD 18.000 thousand on 1 October 2017, and the control of related assets were transferred to the Group at that date. Before the control of the related assets were moved to the Group, a pre-payment of USD 3.500 thousand was made on 26 July 2017, As of 31 December 2017, the debt has accounted for the acquisition of USD 14.500 thousand in the financial statements as short term liabilities. (Note 11)

In 2016, there is no asset group acquisition with same manner as mentioned above.

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

18. Property, Plant and Equipment (Continued)

Cost (***)	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixture	Other Fixed Assets	Leasehold Improvements	Construction in Progress	Total
Opening balance at 1 January 2017	**232.533**	**42.991**	**416.170**	**1.989.422**	**9.668**	**194.903**	**193.227**	**34.789**	**51.437**	**3.165.140**
Currency translation differences	1.793	4.029	38.201	111.767	1.553	4.774	20.684	-	3.290	186.091
Classification	-	-	-	-	-	(99.736)	109.570	-	-	9.834
The effect of asset group purchase	2.594	-	19.784	41.493	-	66	-	-	-	63.937
Additions (*)	-	374	-	22.254	1.204	6.408	20.505	740	90.319	141.804
Disposals	(11.773)	(2.769)	(15.996)	(105.153)	(842)	(9.525)	(32.689)	(504)	-	(179.251)
Transfers from construction in progress	-	637	3.161	61.803	-	3.196	27.954	-	(96.751)	-
Closing balance at 31 December 2017	**225.147**	**45.262**	**461.320**	**2.121.586**	**11.583**	**100.086**	**339.251**	**35.025**	**48.295**	**3.387.555**
Opening balance at 1 January 2017	**-**	**(20.047)**	**(39.056)**	**(1.372.504)**	**(6.233)**	**(125.150)**	**(153.141)**	**(19.238)**	**-**	**(1.735.369)**
Classification	-	-	-	-	-	63.515	(64.092)	-	-	(577)
Currency translation differences	-	(1.252)	(3.418)	(56.640)	(843)	(2.406)	(12.600)	-	-	(77.159)
Charge for the period (**)	-	(2.224)	(11.539)	(115.070)	(886)	(10.279)	(19.513)	(3.766)	-	(163.277)
Disposals	-	2.126	767	87.393	835	9.387	25.275	500	-	126.283
Provision for Impairment	-	-	-	(978)	-	-	-	-	-	(978)
Closing balance at 31 December 2017	**-**	**(21.397)**	**(53.246)**	**(1.457.799)**	**(7.127)**	**(64.933)**	**(224.071)**	**(22.504)**	**-**	**(1.851.077)**
Net book value as of 31 December 2017	**225.147**	**23.865**	**408.074**	**663.787**	**4.456**	**35.153**	**115.180**	**12.521**	**48.295**	**1.536.478**
Closing balance at 31 December 2016	**232.533**	**22.944**	**377.114**	**616.918**	**3.435**	**69.753**	**40.086**	**15.551**	**51.437**	**1.429.771**

(*) The total amount of the received asset group of Paşabahçe Egypt Glass Manufacturing S.A.E was determined as USD 18.000 thousand on 1 October 2017, and the control of related assets were transferred to the Group at that date.
(**) The financial expenses has not been capitalized (31 December 2016: None) (Note 8).
(***) Allocation of depreciation expense is disclosed in Note 28 and Note 30.
(****) No mortgage/pledge over lands and buildings due to bank borrowings (31 December 2016: None).

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

18. Property, Plant and Equipment (Continued)

Cost (***)	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixture	Other Fixed Assets	Leasehold Improvements	Construction in Progress	Total
Opening balance at 1 January 2016	**229.838**	**32.087**	**325.084**	**1.770.294**	**8.551**	**151.534**	**177.097**	**26.895**	**37.562**	**2.758.942**
Currency translation differences	2.695	7.770	48.100	112.083	1.058	22.830	561	-	4.654	199.751
Additions (*)	-	296	237	29.131	199	34.678	1.446	11.460	230.239	307.686
Disposals	-	-	(3.168)	(70.030)	(140)	(16.868)	(7.467)	(3.566)	-	(101.239)
Transfers from construction in progress	-	2.838	45.917	147.944	-	2.729	21.590	-	(221.018)	-
Closing balance at 31 December 2016	**232.533**	**42.991**	**416.170**	**1.989.422**	**9.668**	**194.903**	**193.227**	**34.789**	**51.437**	**3.165.140**
Opening balance at 1 January 2016	**-**	**(16.399)**	**(23.698)**	**(1.244.011)**	**(5.135)**	**(97.677)**	**(137.885)**	**(20.039)**	**-**	**(1.544.844)**
Currency translation differences	-	(1.858)	(6.000)	(55.297)	(594)	(14.234)	(128)	-	-	(78.111)
Charge for the period (**)	-	(1.790)	(9.556)	(98.691)	(643)	(22.081)	(19.274)	(2.149)	-	(154.184)
Disposals	-	-	198	25.495	139	8.842	4.146	2.950	-	41.770
Closing balance at 31 December 2016	**-**	**(20.047)**	**(39.056)**	**(1.372.504)**	**(6.233)**	**(125.150)**	**(153.141)**	**(19.238)**	**-**	**(1.735.369)**
Net book value as of 31 December 2016	**232.533**	**22.944**	**377.114**	**616.918**	**3.435**	**69.753**	**40.086**	**15.551**	**51.437**	**1.429.771**
Closing balance at 31 December 2015	**229.838**	**15.688**	**301.386**	**526.283**	**3.416**	**53.857**	**39.212**	**6.856**	**37.562**	**1.214.098**

(*) The financial expenses has not been capitalized (31 December 2015: None) (Note 8).
(**) Allocation of depreciation expense is disclosed in Note 28 and Note 30.
(***) No mortgage/pledge over lands and buildings due to bank borrowings (31 December 2015: None).

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

19. Intangible Assets

Cost	Rights	Depletable Assets	Other	Total
Opening balance at 1 January 2017	**13.824**	**9.828**	**4.160**	**27.812**
Currency translation differences	51	-	674	725
Classification	-	(9.834)	-	(9.834)
Additions	1.729	6	44	1.779
Disposals	(3)	-	(2)	(5)
Closing balance at 31 December 2017	**15.601**	**-**	**4.876**	**20.477**
Accumulated depreciation				
Opening balance at 1 January 2017	**(10.760)**	**(524)**	**(2.784)**	**(14.068)**
Currency translation differences	(23)	-	(439)	(462)
Classification	-	577	-	577
Charge for the period (*)	(857)	(53)	(872)	(1.782)
Disposals	3	-	-	3
Closing balance at 31 December 2017	**(11.637)**	**-**	**(4.095)**	**(15.732)**
Net book value as of 31 December 2017	**3.964**	**-**	**781**	**4.745**
Closing balance at 31 December 2016	**3.064**	**9.304**	**1.376**	**13.744**

Cost	Rights	Depletable Assets	Other	Total
Opening balance at 1 January 2016	**13.239**	**9.828**	**3.512**	**26.579**
Currency translation differences	32	-	432	464
Additions	553	-	216	769
Closing balance at 31 December 2016	**13.824**	**9.828**	**4.160**	**27.812**
Accumulated amortization				
Opening balance at 1 January 2016	**(9.727)**	**(524)**	**(1.933)**	**(12.184)**
Currency translation differences	(10)	-	(209)	(219)
Charge for the period	(1.023)	-	(642)	(1.665)
Closing balance at 31 December 2016	**(10.760)**	**(524)**	**(2.784)**	**(14.068)**
Net book value as of 31 December 2016	**3.064**	**9.304**	**1.376**	**13.744**
Closing balance at 31 December 2015	**3.512**	**9.304**	**1.579**	**14.395**

(*) Distribution of amortization for the period is presented in Note 28 and 30.

20. Goodwill

None (31 December 2016: None).

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

21. Government Grants

Discounted Corporate Tax Application

In the line with the article 32 / A of the Corporate Tax Law No.5520, the Ministry of Economy receives tax support for the profits obtained from investments connected to the incentive certificate. The amount of corporate tax to be paid each year until the amount of investment contribution calculated according to the investment contribution rate determined by the Council of Ministers is reached, corporate tax to be paid each year is also utilized by deducting the corporate tax discount rate determined by the Council of Ministers. VAT and customs tax incentives are also utilized according to the investment incentive documents obtained within the scope of the same decision.

Turquality

Turquality, which is a brand support program aiming to increase consciousness and awareness for Turkish brands by supporting them, and in the frame of "No.16 / 4 "Communiqué on Turkish Branding Abroad, Placement of Turkish Product Image and Support of TURQUALITY" companies',

- Expenses related to patent, utility model, industrial design and trademark registration,
- Expenses related to certification,
- Expenses related to fashion / industrial product designer / chef / cook employment,
- Promotion, advertising and marketing activities,
- Expenses related to foreign units,
- Consulting expenses

are supported within certain limits.

According to the areas in which our Group operates, the brand support program is utilized.

Incentives provided in foreign countries

A memorandum for government incentive was signed between Paşabahçe Bulgaria EAD and Ministry of Economy and Energy on behalf of the Republic of Bulgaria under "Regulation of Investment Incentive and Implementation" of Bulgaria and "Government Incentive Legislation" of European Union.

22. Provisions, Contingent Assets and Liabilities

Short term provisions	**31 December 2017**	**31 December 2016**
Provisions for sales premiums	1.459	265
Accrual for lawsuit cases	7.567	2.627
Other	648	316
	9.674	**3.208**

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

22. Provisions, Contingent Assets and Liabilities (Continued)

Collaterals, pledges and mortgages "CPM" given by the Company as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017				
The CPMs given by the Company	**TRY Equivalent**	**US Dollars**	**Euro**	**Russian Rubles**	**Turkish Liras**
A. CPM's given in the name of its own legal personality	103.521	-	-	-	103.521
B. CPM's given on behalf of the fully consolidated companies	442.630	-	-	-	442.630
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-	-
i. Total amount of CPM's given on behalf of the main shareholder (*)	-	-	-	-	-
ii. Total amount of CPM's given on behalf of the group companies which are not in scope of B and C	-	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total	**546.151**	**-**	**-**	**-**	**546.151**

Percentage of other CPM's given by the Company to the Company's equity is 0% as of 31 December 2017.

(*) The amounts represent the CPMs that are given to the Company by the subsidiaries included in the consolidation.

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

22. Provisions, Contingent Assets and Liabilities (Continued)

	31 December 2016				
The CPMs given by the Company	**TRY Equivalent**	**US Dollars**	**Euro**	**Russian Rubles**	**Turkish Liras**
A. CPM's given in the name of its own legal personality	22.534	-	-	-	22.534
B. CPM's given on behalf of the fully consolidated companies	317.763	-	-	-	317.763
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-	-
i. Total amount of CPM's given on behalf of the main shareholder (*)	-	-	-	-	-
ii. Total amount of CPM's given on behalf of the group companies which are not in scope of B and C	-	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total	**340.297**	**-**	**-**	**-**	**340.297**

Percentage of other CPM's given by the Company to the Company's equity is 0% as of 31 December 2016.

(*) The amounts represent the CPMs that are given to the Company by the subsidiaries included in the consolidation.

23. Commitments

Operating lease agreements

Paşabahçe Mağazaları A.Ş. leases various retail outlets and stores by operating lease contracts. The terms of rental contracts vary from 1 to 10 years. Lease contracts require a certain amount of rent on a monthly basis or a certain percentage of the store house subject to the lease. The lease agreements are issued principally in Turkish Liras, Euros and US Dollars and lease payments increase with the rates close to the inflation rate or inflation rate during the contract period. Under existing debts law, lease agreements may be terminated by the lessor only if the tenant terminates the lease on demand for breach of contract.

Future minimum lease payments for non-cancellable operating leases are as follows:

	31 December 2017	**31 December 2016**
Up to 1 year	8.118.222	8.678.214
1 – 5 years	-	248.508
More than 5 years	-	-
	8.118.222	**8.926.722**

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

24. Employee Benefits

Short term liabilities for employee benefits

	31 December 2017	31 December 2016
Due to personnel	9.854	9.223
Social security premiums payable	16.065	14.909
Total	**25.919**	**24.132**

Short term provisions for employee benefits

	31 December 2017	31 December 2016
Provision for personnel remuneration	6.820	4.555
Provision for unused vacation	3.875	3.582
Total	**10.695**	**8.137**

Provision for employee termination benefits

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Also, employees entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506. Some transitional provisions related with retirement prerequisites have been removed due to the amendments dated 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TRY 4,732.48 for each period of service as of 31 December 2017 (31 December 2016: TRY 4,297.21). TRY 5,001.75 which is effective from 1 January 2018, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2016: TRY 4,426.16 which is effective from 1 January 2017). Liability of employment termination benefits is not subject to any funding as there is not any obligation. Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be used to estimate the Group's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/ (gain) are accounted in the other comprehensive income statement under Funds for Actuarial Gain/Loss on Employee Termination Benefits.

The principal assumption is that the 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. Consequently, the liabilities in the accompanying consolidated financial statements as of 31 December 2017 and 31 December 2016 are calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the balance sheet date were calculated by assuming an annual inflation rate of 6.40% (31 December 2016: 6.00%) and a discount rate of 11.39% (31 December 2016: 11.50%), the real discount rate is approximately 4.69%
(31 December 2016: 5.19%). The anticipated rate of forfeitures that occurred as a result of voluntary turnovers is considered. As of 31 December 2017, estimated probability of not leaving work until retirement is 98.88% (31 December 2016: 98.74%).

	31 December 2017	31 December 2016
Beginning of the period – 1 January	**95.520**	**89.469**
Currency translation differences	266	140
Service costs	21.260	18.626
Interest costs	10.609	4.211
Actuarial gain / (loss)	17.657	(417)
Payments made during the year	(33.180)	(16.509)
End of the year - 31 December	**112.132**	**95.520**

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

25. Impairment of Assets

Impairment of assets	31 December 2017	31 December 2016
Provision for doubtful receivables (Note 10)	(20.036)	(13.552)
Provision for impairment of inventories (Note 13)	(21.005)	(13.371)
	(41.041)	**(26.923)**

26. Other Assets and Liabilities

Other current assets	31 December 2017	31 December 2016
Other VAT	9.413	12.965
Deductible VAT	3.183	4.389
Income accruals (*)	16	63.112
Deferred VAT	-	767
Other	519	736
	13.131	**81.969**

(*) As at 31 December 2016, Paşabahçe Cam Sanayii ve Tic. A.Ş. has collected 59.890 thousand TRY (16.143 thousand EUR) from insurance company regarding fire in Eskişehir on 26 May 2015. The Group Management has recognized revenue recognition over the minimum amount that can be taken for custody.

Other current liabilities	31 December 2017	31 December 2016
Taxes and funds payables	14.374	9.090
Expense accruals	3.160	6.830
Other	2.566	1.791
	20.100	**17.711**

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

27. Capital, Reserves and Other Equity Items

Equity components "Paid-in Share Capital" and "Restricted Reserves", are presented with the value carried in the statutory financial statements. The differences, that are recognized through the valuation made in accordance with TAS and cannot be subject to dividend distribution or capital increase as of reporting date (such as inflation adjustment differences) and relevant to the paid-in share capital, are associated with "Adjustments to Share Capital" which is under paid-in share capital and the differences resulting from the "Restricted Reserves" are associated with "Retained Earnings".

a) Capital/Treasury Shares

The approved and paid-in share capital of the Company consists of 215.535.800 shares issued on bearer with a nominal value of TRY 1 (One TRY), (31 December 2016: 215.535.800 shares).

	31 December 2017		31 December 2016	
Shareholders	**Amount thousand TRY**	**Share %**	**Amount thousand TRY**	**Share %**
Şişecam	181.065	84,01	181.065	84,01
European Bank for Reconstruciton and Development	33.292	15,45	33.292	15,45
Islamic Development Bank	1.179	0,55	1.179	0,55
Nominal capital	**215.536**	**100,00**	**215.536**	**100,00**
Adjustment to share capital	70.158		70.158	
Total share capital	**285.694**		**285.694**	

Ultimate shareholders of the Company, indirectly, are as follows:

	31 December 2017		31 December 2016	
Shareholders	**Amount thousand TRY**	**Share %**	**Amount thousand TRY**	**Share %**
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	62.274	28,89	62.508	29,00
Atatürk Shares (Cumhuriyet Halk Partisi)	33.320	15,46	33.320	15,46
Islamic Development Bank	33.292	15,45	33.292	15,45
Other (*)	86.650	40,20	86.416	40,09
Nominal capital	**215.536**	**100,00**	**215.536**	**100,00**

(*) Represents İşbank's other shareholders and the publicly traded portion.

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

27. Capital, Reserves and Other Equity Items (Continued)

b) Other Comprehensive Income not to be reclassified to profit or loss

	31 December 2017	31 December 2016
Revaluation gain on tangible assets	206.549	225.389
Currency translation differences	6.488	3.294
Actuarial loss fund	(15.529)	(1.684)
	197.508	**226.999**

The movement of the gain/loss on revaluation and remeasurement is presented in consolidated statement of cash flow and consolidated statement of equity changes.

Provision for employee termination benefits actuarial gain / loss funds

The amendment in TAS-19 "Employee Benefits" does not permit the actuarial gain /loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of income. The gains and losses arising from the changes in the actuarial assumption have been accounted for by "Revaluation Funds" under the equity. Provision for employee termination benefits actuarial gain/loss funds not to be reclassified profit or loss.

Revaluation funds of land and buildings on revaluation

The Group has revalued the land and buildings in accordance with "Financial Reporting in Hyperinflationary Economies" in year end 2004 and revalued the purchases after this date by cost method.

As of 31 December 2015, The Group decided to re-evaluate the land and buildings in accordance with revaluation method in order to present with fair value, gain on revaluation is accounted for under equity by considering impact of deferred tax and non-controlling interest.

The movement of the revaluation funds of land and buildings on revaluation is as follows:

	31 December 2017	31 December 2016
1 January	225.389	226.431
Disposal	(12.328)	(1.050)
Impact of deferred tax	(6.758)	-
- Impact of tax rate change	*(6.758)*	-
Effect of the purchasing additional share in subsidiaries	246	8
	206.549	**225.389**

c) Other Comprehensive Income to be reclassified to profit or loss

	31 December 2017	31 December 2016
Currency translation differences	199.634	116.864
	199.634	**116.864**

Currency translation differences

Currency translation differences are related to exchange differences arising from the translation of financial statements of foreign subsidiaries, joint ventures and associates to reporting currency of TRY and accounted for under equity.

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

27. Capital, Reserves and Other Equity Items (Continued)

c) Other Comprehensive Income to be reclassified to profit or loss

Revaluation fund on financial assets
The revaluation fund on financial assets arises from the measurement of available-for-sale financial assets at their fair value. In case of disposal of assets carried at fair value, the cumulative gain or loss related to that assets previously recognized in equity is included in the profit or loss for the period. Gains and losses arising from changes in fair value are recognized directly in equity, until the asset is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

The movement of the revaluation fund on financial assets is as follows:

	31 December 2017	31 December 2016
Previously reported – 1 January	-	315
Sales effect of financial asset	-	(331)
Effect of deferred tax	-	16
Period end-31 December	**-**	**-**

d) Restricted Reserves

Retained earnings in the statutory financial statements can be distributed as dividends other than judgments related to legal reserves described below.

Legal reserves consist of first and second legal reserves, calculated in accordance with the Turkish Commercial Code. The first legal reserve is calculated as 5% of the financial statutory profits per annum until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is calculated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions; however, holding companies are not subject to this application.

"Legal Reserves" in the legal reserve status and legal reserves allocated for specific purposes (participation sales revenue allocated to obtain tax advantage) other than profit distribution allocated within the framework of the related Clause of Turkish Commercial Code are reflected as their recorded amounts. Within this scope, differences arising in the evaluations made within the framework of TFRS principles and inflation adjustments not subject to profit distribution or capital increase as by the report date are related with previous year's profits/losses.

Restricted reserves attributable to equity holders of the Parent	**31 December 2017**	**31 December 2016**
Legal reserves	250.755	212.812
Statutory reserves	19.908	19.908
	270.663	**232.720**

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

27. Capital, Reserves and Other Equity Items (Continued)

e) Retained Earnings

The Group's extraordinary reserves presented in the retained earnings that amount to 561.148 thousand TRY (31 December 2016: 594.459 thousand TRY) is 243.517 thousand TRY (31 December 2016: 243.517 thousand TRY).

Reserves subject to dividend distribution

The Company's net distributable profit statutory accounts and the amount of reserves subject to dividend distribution as of balance sheet date are listed as below:

	31 December 2017	31 December 2016
Extraordinary reserves	284.209	284.209
Special funds	200.949	200.949
Net profit/(loss) for the year	19.551	(41.615)
Losses of previous periods	(41.615)	-
	463.094	**443.543**

f) Non-controlling Interest

Shares attributable to third parties in including the approved and paid-in capital of the consolidated subsidiaries which are not fully owned, are separately accounted for as "Non-controlling Interests" in the consolidated financial statements by a reduction of related equity components. Shares attributable to third parties in the net profit or loss for the period of the consolidated subsidiaries which are not fully owned are separately accounted for as non-controlling interests in the distribution of period profit / (loss) section of the consolidated statement of income.

28. Revenue and Cost of Sales

Revenue	1 January- 31 December 2017	1 January- 31 December 2016
Sales	2.123.615	1.828.514
Sales discounts	(138.058)	(115.350)
Sales returns	(28.237)	(28.622)
Other sales discounts	(40.725)	(35.903)
Other income	2.284	2.985
	1.918.879	**1.651.624**

Cost of sales	1 January- 31 December 2017	1 January- 31 December 2016
Direct materials	(390.036)	(432.751)
Direct labor	(225.100)	(206.017)
Manufacturing overheads	(368.593)	(335.184)
Depreciation and amortization	(141.890)	(136.622)
Change in work-in-progress inventories	501	(31)
Change in finished goods inventories	3.213	90.243
Cost of goods sold	**(1.121.905)**	**(1.020.362)**
Cost of trade goods sold	(122.953)	(88.688)
Cost of services given	(737)	(651)
Other costs	(39.771)	(25.126)
	(1.285.366)	**(1.134.827)**

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

29. General Administrative Expenses, Marketing Expenses, Research and Development Expenses

	1 January- 31 December 2017	**1 January- 31 December 2016**
General administrative expenses	(195.016)	(171.031)
Marketing expenses	(377.261)	(331.052)
Research and development expenses	(8.298)	(14.720)
	(580.575)	**(516.803)**

30. Expenses by Nature

	1 January- 31 December 2017	**1 January- 31 December 2016**
Employee expenses	(180.549)	(158.218)
Outsourced services	(150.967)	(144.065)
Depreciation and amortization	(23.169)	(19.227)
Indirect material cost	(9.596)	(9.298)
Duties, taxes and levies	(8.138)	(8.463)
Miscellaneous expenses	(208.156)	(177.532)
	(580.575)	**(516.803)**

31. Other Income and Expense from Operating Activities

Other operating income	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Foreign exchange income from other operating activities	57.047	50.846
Insurance claim income (*)	12.804	67.957
Inventory overages	6.226	3.435
Turquality income	3.574	4.153
Cancellation of tax penalty provision	3.308	-
Provisions no longer required	1.456	814
Gain on sale of scrap items	870	366
Rent income	825	691
Incapacity payments	599	681
Profit on sale of raw materials and supplies	466	1.033
Rediscount interest income on operating activities	405	49
Other	5.513	7.277
	93.093	**137.302**

(*)As at 31 December 2017, Paşabahçe Cam Sanayii ve Tic. A.Ş. has collected 16.463 thousand EUR which was equivalent to 65.901 thousand TRY from insurance company regarding fire in Eskişehir plant and amounting to 6.010 thousand TRY was recorded as income in the current year.

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

31. Other Income and Expense from Operating Activities (Continued)

Other operating expenses	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Foreign exchange loss from other operating activities	(24.818)	(14.703)
Provision expenses	(8.038)	(3.130)
Damage due to the fire outbreak	(4.795)	(319)
Rediscount interest expense on operating activities	(2.503)	(1.583)
Loss on sales of raw materials and supplies	(195)	(451)
Commission expenses	(160)	(123)
Tax penalty	-	(13.630)
Other	(13.381)	(21.810)
	(53.890)	**(55.749)**

32. Income and Expense from Investing Activities

Income from Investing Activities	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Gain on sales of tangible assets	7.044	4.059
Dividend income	11	73
Gain on sales of marketable securities	283	939
	7.338	**5.071**

Expense from Investing Activities	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Loss on sales of tangible assets	(1.529)	(3.416)
	(1.529)	**(3.416)**

33. Financial Income and Expenses

Financial Income	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Foreign exchange income	63.431	26.402
- *Cash and cash equivalents*	18.934	7.788
- *Borrowings*	44.497	18.614
Interest income	3.433	1.276
- *Time deposits*	2.499	1.082
- *Intercompany interest income*	934	194
Other	7.803	6.664
	74.667	**34.342**

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

33. Financial Income and Expenses (Continued)

Financial Expense	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Foreign exchange expense	(95.956)	(78.955)
- *Cash and cash equivalents*	(20.346)	(5.742)
- *Borrowings*	(75.610)	(73.213)
Interest expense	(103.244)	(60.631)
- *Interest accrual*	(70.694)	(32.910)
- *Intercompany interest expense*	(32.550)	(27.721)
Other	(1.467)	(518)
	(200.667)	**(140.104)**

Financial Income / Expense	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Foreign exchange income / (expense)	(32.525)	(52.554)
- *Cash and cash equivalents*	(1.412)	2.046
- *Borrowings*	(31.113)	(54.600)
Interest income/(expense)	(99.811)	(59.355)
- *Interest accrual*	(70.694)	(32.910)
- *Bank deposit and borrowings*	2.499	1.082
- *Intercompany interest expense*	(31.616)	(27.527)
Other	6.336	6.147
	(126.000)	**(105.762)**

34. Assets Held for Sale

None (31 December 2016: None).

35. Taxes on Income (Including Deferred Tax Assets and Liabilities)

Deferred tax assets and liabilities

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between financial statements as reported in accordance with TAS and its tax base of statutory financial statements. These differences usually result in the recognition of revenue and expense items in different periods for TAS and statutory tax purposes.

Turkish Tax Legislation does not permit a parent company, its subsidiaries and joint ventures to file a consolidated tax return, therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis, In this respect deferred tax assets and liabilities of consolidated entities in the accompanying consolidated financial statements are not offset.

	31 December 2017	**31 December 2016**
Deferred tax assets	83.860	47.825
Deferred tax liabilities (-)	(7.250)	(5.558)
Deferred tax assets (net)	**76.610**	**42.267**

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

35. Taxes on Income (Including Deferred Tax Assets and Liabilities) (Continued)

Deferred tax assets and liabilities (Continued)

Temporary Differences	31 December 2017	31 December 2016
Useful life and valuation differences on tangible and intangible assets	(402.501)	(402.455)
Corporate tax allowance	318.993	234.959
Carry forward tax losses	166.270	143.459
Provision for the cut-off on sales	10.507	10.322
Rediscount of trade receivable and payables and doubtful receivables	4.176	2.610
Employment termination benefits	112.132	95.520
Temporary difference on inventories	25.932	18.192
Other	22.622	(22.486)
	258.131	**80.121**

Deferred tax assets and liabilities	31 December 2017	31 December 2016
Useful life and valuation differences on tangible and intangible assets	(62.814)	(53.619)
Corporate tax allowance	70.178	46.992
Carry forward tax losses	33.525	28.692
Provision for cut off on sales	2.312	2.064
Rediscount of trade receivable and payables and doubtful receivables	919	522
Employment termination benefits	22.649	19.003
Temporary difference on inventories	5.139	3.387
Other	4.702	(4.774)
	76.610	**42.267**

The expiry dates of carry forward tax losses that are utilized are as follows:

	31 December 2017	31 December 2016
Within 1 year	-	1.830
Within 2 years	-	2.704
Within 3 years	2.699	1.374
Within 4 years	15.097	-
Within 5 years	-	17.490
Within 6 years	-	-
Within 7 years	-	-
Within 8 years	-	-
Within 9 years	-	-
Within 10 years	-	-
Indefinite	148.474	120.061
	166.270	**143.459**

Carry forward tax losses can be utilized against corporate income taxes for a period of 5 years in Turkey whereas in Russia these losses can be utilized for an indefinite period. (As of 30 November 2016, carry forward tax losses can be utilized indefinite in Russia.) However, current period losses cannot be used to offset previous year profits.

There are no carry forward tax losses that are not subject to deferred tax calculation (31 December 2016: None).

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

35. Taxes on Income (Including Deferred Tax Assets and Liabilities) (Continued)

Movements of deferred tax assets and liabilities are as follows:

	31 December 2017	31 December 2016
1 January	**42.267**	**25.627**
Charged to the statement of income	34.620	8.976
Charged to other comprehensive statement of income	(3.964)	(52)
Currency translation differences	3.687	7.716
31 December	**76.610**	**42.267**

Corporate Tax

The Group is subject to Turkish corporate taxes. Tax legislation in Turkey does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes as reflected in the accompanying consolidated financial statements are 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 the revenues exempted from tax, non-taxable revenues and other discounts (if any previous year losses, if preferred investment allowances) are deducted.

In Turkey, corporate tax rate applied is 20% (2016: 20%).

The principal tax rates (%) of the tax authorities in each country used to calculate deferred taxes as of 31 December 2017 is as follows:

Country	31 December 2017 Tax Rate	31 December 2016 Tax Rate
Bulgaria	10,0	10,0
Russia	20,0	20,0
Italy	31,4	31,4
China	25,0	25,0
Netherlands	20,0-25,0	20,0-25,0
Egypt	22,50	-

In Turkey, advance tax returns are filed on a quarterly basis. 20% of temporary tax rate is applied during the taxation of corporate income (31 December 2016: 20%).

In accordance with the regulation numbered 7061, published in Official Gazette on November 28, 2017, "Law Regarding Amendments on Certain Tax Laws and Other Laws" and tax rate of 20% that stated in the first paragraph of Article 32 of the Law on Corporations Tax No 5520 has been added temporarily as 22 % for corporate income related to 2018, 2019 and 2020 taxation periods. Also with the same regulation and stated in 5520 numbered Law No. 5, 75% of exemption from corporate tax rate the profits arising from the sale of real estates (immovables) which is in assets for at least two full years has been changed to 50%.

Therefore timing differences in the companies in the deferred tax calculation Turkey up to 2020 transactions in 22%, the effect of short and longer term to published procedures, taking into account the effect when size is 21%, and recognized deferred tax assets and liabilities according to 20%.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 - 25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1- 25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

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

35. Taxes on Income (Including Deferred Tax Assets and Liabilities) (Continued)

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. This rate was changed to 15% for all Companies as of 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

An advance taxation of 19.8% has to be made on the investment allowance amount benefited basing on the investment incentive certificates received before 24 April 2003. Out of the investment expenses without incentive certificate made after this date, 40% of the ones directly related to the companies' production activities can be deducted from the taxable revenue. Any advance tax deduction is not made from the investment expenses without investment incentive.

Investment Allowance

Investment allowances are not applicable after 1 January 2006. If companies' taxable incomes are not sufficient, the amount of unused investment allowance as of 31 December 2005 and the incentive allowances incurred from 1 January 2006 onwards, can be transferred to the following years in order to be deducted from the taxable revenues of the following years.

Law No.6009 published on 1 August 2010 allows for unused investment allowances to be used in future periods without limitation. A 20% corporate tax is calculated on earnings after deducting investment incentives. The arrangements made with the Law No.6009 came into force in 1 August 2010 to be applied on income for the year 2010.

Corporate Tax Allowance Practice

Corporate tax allowances can be taken for regional implementation of investments and large scale investments in accordance with Decision No: 2009/15199 of the Government Subsidies for Investments, and the framework of 5520 Corporate Income Tax Law No. 32/A.. The company has the investment incentive certificate amounting to 318.993 thousand TRY (31 December 2016: 234.959 thousand TRY) in accordance with the new production lines for production. The company will be able to reduce proportion of 55% calculated corporate tax consist of net revenue the period used the new production line during the period. Deferred tax assets were recognized amounting to 70.178 thousand TRY (31 December 2016: 46.992 thousand TRY).

	31 December 2017	**31 December 2016**
Current tax provision	4.301	2.406
Currency translation differences	204	253
Prepaid taxes and funds (-)	(1.215)	(134)
Tax provision in the statement of the financial position	**3.290**	**2.525**

	1 January- 31 December 2017	**1 January- 31 December 2016**
Tax provision in the statement of the financial position	(4.301)	(2.406)
Deferred tax income	34.620	8.976
Tax provision in the statement of income	**30.319**	**6.570**

Reconciliation of provision for tax

Profit before taxation and non-controlling interest	(28.050)	(22.560)
Effective tax rate	20%	20%
Calculated tax	**5.610**	**4.512**

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

35. Taxes on Income (Including Deferred Tax Assets and Liabilities) (Continued)

Tax reconciliation

	1 January- 31 December 2017	1 January- 31 December 2016
- Non-deductible expenses	(7.908)	(13.474)
- Dividends and other non-taxable income	8.476	6.277
- Carry forward tax losses	3.340	6.567
- Corporate tax allowances	24.288	8.644
- Currency translation differences	(3.685)	(7.747)
- Other	198	1.791
Tax provision in the statement of income	**30.319**	**6.570**

36. Earnings per Share

Earnings per share	1 January- 31 December 2017	1 January- 31 December 2016
Average number of shares existing during the period (total value)	215.536	215.536
Net profit for the period attributable to equity holders of the parent	7.921	(11.532)
Earnings / (losses) per share	**0,0368**	**(0,0535)**
Total comprehensive income attributable to equity holders of the parent	73.287	84.159
Earnings per share obtained from total comprehensive income	**0,3400**	**0,3905**

37. Related Party Disclosures

T. İş Bankası A.Ş. is the ultimate parent of the Group. All significant transactions and balances between the Group and its consolidated subsidiaries are eliminated in consolidation and not disclosed in this Note. The details of transactions between the Group and other related parties are disclosed below.

As of 31 December 2017, the exact list shows the associated level of our companies that are considered as related parties as listed in alphabetical order as follows:

Parent company's shareholder

Company's name	Registered Company
Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	Turkey

Parent company

Company's name	Registered Company
Türkiye İş Bankası A.Ş.	Turkey

37. Related Party Disclosures (Continued)

<u>Parent company's subsidiaries, joint ventures and associates</u>

Company's name	Registered Company
Anadolu Anonim Türk Sigorta A.Ş.	Turkey
Anadolu Hayat Emeklilik Sigorta A.Ş.	Turkey
Bayek Tedavi Sağlık Hizmetleri Ve İşletmeciliği A.Ş.	Turkey
Camiş Yatırım Holding A.Ş.	Turkey
Efes Yatırım Holding A.Ş.	Turkey
İş Factoring Finansman Hizmetleri A.Ş.	Turkey
İş Finansal Kiralama A.Ş.	Turkey
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	Turkey
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Turkey
İş Koray Tur.Orm.Mad.İnş.Tah.Tic.A.Ş.	Turkey
İş Merkezleri Yönetim Ve İşletim A.Ş.	Turkey
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret Ve İletişim Hizmetleri A.Ş.	Turkey
İş Portföy Yönetimi A.Ş.	Turkey
İş Yatırım Menkul Değerler A.Ş.	Turkey
İş Yatırım Ortaklığı A.Ş.	Turkey
İşbank AG	Turkey
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	Turkey
Kültür Yayınları İş-Türk Ltd. Şti.	Turkey
Milli Reasürans T.A.Ş.	Turkey
Mipaş Mümessillik İth. İhr. Ve Paz. A.Ş.	Turkey
Topkapı Yatırım Holding A.Ş.	Turkey
Trakya Yatırım Holding A.Ş.	Turkey
TSKB Gayrimenkul Değerleme A.Ş.	Turkey
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	Turkey
Türkiye Sınai Kalkınma Bankası A.Ş.	Turkey
Yatırım Finansman Menkul Değerler A.Ş.	Turkey

<u>Non-consolidated subsidiaries</u>

Company's name	Registered Company
Paşabahçe Glass Gmbh	Germany
Paşabahçe Spain SL	Spain
Paşabahçe Usa Inc.	USA

<u>Subsidiaries' shareholders</u>

Company's name	Registered Company
Denizli Cam San. Vakfı	Turkey
European Bank For Reconstruction and Development ("EBRD")	England
IFC	USA
Mohsen Mohamed Attia	Egypt

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

37. Related Party Disclosures (Continued)

Group Companies

Company's name	Registered Company
Anadolu Cam Sanayii A.Ş.	Turkey
Şişecam Bulgaria EOOD	Bulgaria
Şişecam Automotive Bulgaria EAD	Bulgaria
Paşabahçe Bulgaria EAD	Bulgaria
Camiş Ambalaj Sanayii A.Ş.	Turkey
Cam Elyaf Sanayii A.Ş.	Turkey
Şişecam Çevre Sistemleri A.Ş.	Turkey
Çayırova Cam Sanayii A.Ş.	Turkey
Denizli Cam Sanayii ve Tic. A.Ş.	Turkey
Şişecam Dış Ticaret A.Ş.	Turkey
Paşabahçe Egypt Glass Manufacturing S.A.E.	Egypt
Camiş Elektrik Üretim A.Ş.	Turkey
SC Glass Trading B.V.	Netherlands
İstanbul Investment B.V.	Netherlands
Camiş Madencilik A.Ş.	Turkey
Nude Design Investment B.V.	Netherlands
Nude Glass Investment B.V.	Netherlands
Paşabahçe Cam Sanayii ve Tic. A.Ş.	Turkey
Paşabahçe Investment B.V.	Netherlands
Paşabahçe SRL	Italy
OOO Posuda	Russia
Paşabahçe Mağazaları A.Ş.	Turkey
Paşabahçe (Shangai) Trading Co. Ltd.	China
OOO Ruscam Glass Packaging Holding	Russia
Türkiye Şişe ve Cam Fabrikaları A.Ş.	Turkey
Şişecam Enerji A.Ş.	Turkey
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	Turkey
Şişecam Otomotiv A.Ş.	Turkey
Soda Sanayii A.Ş.	Turkey
Trakya Glass Bulgaria EAD	Bulgaria
Trakya Yenişehir Cam Sanayii A.Ş.	Turkey
Trakya Cam Sanayii A.Ş.	Turkey

Details of the transactions between the Group and the related parties mentioned above are explained below.

Deposit and loans from/to related parties:

Deposits held on related parties	31 December 2017	31 December 2016
T. İş Bankası A.Ş.		
- Time deposits	1.334	1.867
- Demand deposits	8.215	1.390
	9.549	**3.257**
İşbank AG		
- Demand deposits	86	351
	86	**351**

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

37. Related Party Disclosures (Continued)

Trade receivables due from related parties	31 December 2017	31 December 2016
Paşabahçe Usa Inc.	1.147	2.847
Camiş Madencilik A.Ş.	757	-
Paşabahçe Glass Gmbh	344	200
Other	421	350
	2.669	**3.397**

Other receivables due from related parties(*)	31 December 2017	31 December 2016
Anadolu Cam Sanayii A.Ş.	3.820	-
Şişecam Dış Ticaret A.Ş.	3.290	26.618
Paşabahçe Usa Inc.	62	-
Şişecam Otomotiv A.Ş.	49	13
Camiş Madencilik A.Ş.	1	-
Anadolu Cam Yenişehir Sanayi A.Ş.	-	88
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	49
Other	36	39
	7.258	**26.807**

Trade payables due to related parties	31 December 2017	31 December 2016
Trakya Glass Bulgaria EAD	13.142	8.439
Camiş Ambalaj Sanayii A.Ş. (1)	9.756	6.456
Türkiye Şişe ve Cam Fabrikaları A.Ş.	6.359	376
Şişecam Bulgaria EOOD	4.379	-
Camiş Elektrik Üretim A.Ş.	2.406	768
Camiş Madencilik A.Ş.	899	-
Şişecam Enerji A.Ş.	108	517
Soda Sanayii A.Ş.	-	2.763
Şişecam Dış Ticaret A.Ş.	-	11.036
Other	1.351	9.007
	38.400	**39.362**

(1) It consists of purchases of packaging material trade payables from Camiş Ambalaj Sanayii A.Ş.

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

37. Related Party Disclosures (Continued)

Other payables due to related parties (*)	**31 December 2017**	**31 December 2016**
Türkiye Şişe ve Cam Fabrikaları A.Ş.	279.473	133.830
Şişecam Dış Ticaret A.Ş.	8.041	32.254
Camiş Ambalaj Sanayii A.Ş.	6.563	37
Camiş Elektrik Üretim A.Ş.	5.552	4.688
Camiş Madencilik A.Ş.	2.279	2.139
Soda Sanayii A.Ş.	477	3.274
Trakya Cam Sanayii A.Ş.	403	184
Anadolu Cam Sanayii A.Ş.	188	375
Cam Elyaf Sanayii A.Ş.	45	26
Denizli Cam San. Vakfı	34	649
Other	52	259
	303.107	**177.715**

(*) The non-trade related party payables and receivables of the Group consist of loans given and utilized by the Group and other companies under its parent, Türkiye Şişe ve Cam Fabrikaları A.Ş. for the purposes of financing. These non-trade payables and receivables are not subject to any predetermined payment terms, but based on Türkiye Şişe ve Cam Fabrikaları A.Ş.'s considerations of the economy and events within the money markets, a monthly interest is accrued using a monthly current interest rate. As of 31 December 2017, this interest rate has been applied as 1,28% (December 2016: 0.90%).

Income and expenses from/ to related parties:

Interest income from related parties	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Türkiye Şişe ve Cam Fabrikaları A.Ş.	756	-
Anadolu Cam Sanayii A.Ş.	13	-
Şişecam Dış Ticaret A.Ş.	-	9
Anadolu Cam Yenişehir Sanayi A.Ş.	-	18
Soda Sanayii A.Ş.	-	9
Camiş Ambalaj Sanayii A.Ş.	-	88
Other	165	71
	934	**195**

Interest expenses to related parties	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Türkiye Şişe ve Cam Fabrikaları A.Ş. (1)	(28.585)	(23.739)
Camiş Ambalaj Sanayii A.Ş.	(952)	(926)
Camiş Madencilik A.Ş.	(311)	(919)
Şişecam Enerji A.Ş.	(9)	(168)
Camiş Elektrik Üretim A.Ş.	(741)	-
Other	(1.952)	(1.969)
	(32.550)	**(27.721)**

(1) It consists of intercompany interest invoices that issued during year obtained unpaid borrowings by Türkiye Şişe ve Cam Fabrikaları A.Ş. in order to finance.

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

37. Related Party Disclosures (Continued)

Dividend income from related parties	1 January- 31 December 2017	1 January- 31 December 2016
Camiş Elektrik Üretim A.Ş.	6	4
Camiş Ambalaj Sanayii A.Ş.	5	9
Soda Sanayii A.Ş.	-	60
	11	**73**

Purchases from related parties	1 January- 31 December 2017	1 January- 31 December 2016
Camiş Ambalaj Sanayii A.Ş. (1)	(50.882)	(88.027)
Trakya Glass Bulgaria EAD (2)	(24.439)	(54.114)
Soda Sanayii A.Ş. (3)	(3.397)	(26.343)
Camiş Elektrik Üretim A.Ş. (4)	(25.787)	(26.440)
Camiş Madencilik A.Ş. (5)	(18.309)	(21.376)
Şişecam Bulgaria EOOD	(21.225)	-
Other	(6.918)	(46.708)
	(150.957)	**(263.008)**

(1) It consists of purchases of packaging material from Camiş Ambalaj Sanayii A.Ş.

(2) It consists of cost of machineries and equipments that are sold to Trakya Glass Bulgaria EAD.

(3) It consists of purchases of raw material from Soda Sanayii A.Ş.

(4) It consists of purchases of energy from Camiş Elektrik Üretim A.Ş.

(5) It consists of purchases of raw material from Camiş Madencilik A.Ş.

Net sales to related parties	1 January- 31 December 2017	1 January- 31 December 2016
Anadolu Cam Sanayii A.Ş.	1.293	-
Trakya Glass Bulgaria EAD (1)	89	355
Trakya Cam Sanayii A.Ş.	361	-
Türkiye Şişe ve Cam Fabrikaları A.Ş.	207	-
Anadolu Cam Yenişehir Sanayi A.Ş.	-	430
Trakya Cam Sanayii A.Ş.	-	66
Other	230	187
	2.180	**1.038**

(1) It consists of sales of machineries and equipment to Trakya Glass Bulgaria EAD.

Other income from related parties	1 January- 31 December 2017	1 January- 31 December 2016
OOO Ruscam	72	20
Şişecam Otomotiv A.Ş.	67	15
Trakya Cam Sanayii A.Ş.	191	31
Türkiye Şişe ve Cam Fabrikaları A.Ş.	-	2.000
	330	**2.066**

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

37. Related Party Disclosures (Continued)

Other expense from related parties	1 January- 31 December 2017	1 January- 31 December 2016
Türkiye Şişe ve Cam Fabrikaları A.Ş. (*)	(30.945)	(1.936)
Anadolu Cam Sanayii A.Ş.	(1.922)	(4.263)
Şişecam Enerji A.Ş.	(1.232)	(446)
Trakya Cam Sanayii A.Ş.	(925)	(855)
Çayırova Cam Sanayii A.Ş.	(395)	(331)
OOO Ruscam Glass Packaging Holding	(68)	(47)
Camiş Ambalaj Sanayii A.Ş.	(19)	(702)
Şişecam Dış Ticaret A.Ş.	-	(3.403)
Glass Corp S.A.	-	(27)
OOO Ruscam	-	(11)
	(35.506)	**(12.021)**

(*) It consists of personnel technical trainings and information technology services provided by Türkiye Şişe ve Cam Fabrikaları A.Ş.

Benefits provided to key management	1 January- 31 December 2017	1 January- 31 December 2016
Parent company	3.827	3.363
Consolidated entities	3.979	3.171
	7.806	**6.534**

Key management personnel are composed of top management, members of board of directors, general manager and vice general managers and factory directors. The Group did not provide key management with post-employment benefits, benefits due to outplacement, share-based payment and other long-term benefits between 1 January - 31 December 2017 and 1 January - 31 December 2016.

38. Financial Instruments and Financial Risk Management

a) Capital Risk Management

The Group manages its capital to ensure that it will maintain its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings and other debts disclosed in Notes 8 and 10, cash and cash equivalents disclosed in Note 6 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 27.

The management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

The Group controls its capital using the net debt / total equity ratio. This ratio is the calculated as net debt divided by total equity. Net debt is calculated as total liability (comprises of financial liabilities and trade payables as presented in the balance sheet) less cash and cash equivalents.

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

38. Financial Instruments and Financial Risk Management (Continued)

a) Capital Risk Management

As of 31 December 2017 and 31 December 2016 the Group's net debt / total equity ratios are as follows:

	31 December 2017	31 December 2016
Financial liabilities and trade payables	954.148	1.079.097
Less: Cash and cash equivalents	(40.024)	(29.407)
Net debt	**914.124**	**1.049.690**
Total equity	**1.526.862**	**1.460.250**
Net debt / total equity ratio	**59,9%**	**71,9%**

The Group's general strategy is in line with prior periods.

b) Financial Risk Factors

The Group's activities expose it to various financial risks, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects over the Group's financial performance.

The Group manages its financial instruments centrally in accordance with the Group's risk policies via Financial Transactions Department. The Group's cash inflows and outflows are monitored by the reports prepared on a daily, weekly and monthly basis and compared to the monthly and yearly cash flow budgets.

Risk management is carried out by the Risk Management Department, which is independent from steering, under the policies approved by the Board of Directors. The Group's Risk Management Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board of Directors sets out written principles for overall risk management, as well as written policies covering specific areas, such as; foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

b.1) Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations. The Group's management mitigates this risk through limitations on the contracts made with counterparties and obtaining sufficient collaterals where appropriate. The Group's credit risks mainly arise from its trade receivables. The Group manages this risk by the credit limits up to the guarantees received from customers. Use of credit limits is monitored by the Group by taking into consideration the customer's financial position, past experiences and other factors and customer's credibility is evaluated on a consistent basis. Trade receivables are evaluated based on the Group's policies and procedures and presented net of doubtful provision in the financial statements accordingly (Note 10).

Trade receivables consist of many customers operating in various industries and locations. Credit risk of the receivables from counterparties is evaluated periodically.

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

38. Financial Instruments and Financial Risk Management (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit Risk Management (Continued)

	Receivables					
	Trade receivables		Other receivables			
Credit risks exposed through types of financial instruments	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash and cash equivalents**	**Financial derivatives**
Maximum credit risk exposed as of balance sheet date 31 December 2017 (*) (A+B+C+D+E)	**2.669**	**519.451**	**7.258**	**2.416**	**39.842**	**-**
- The part of maximum risk under guarantee with collaterals, etc.	**-**	**(133.270)**	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due or impaired	2.669	424.250	7.258	2.416	39.842	-
- The part under guarantee with collaterals, etc.	-	(129.135)	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	95.201	-	-	-	-
- The part under guarantee with collaterals, etc.	-	(4.135)	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	20.036	-	-	-	-
- Impairment (-)	-	(20.036)	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
- Not due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
E. Off-balance sheet items without credit risk	-	-	-	-	-	-

(*) Factors that increase the credit reliability, such as; guarantees received, are not considered in the calculation.

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

38. Financial Instruments and Financial Risk Management (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit Risk Management (Continued)

	Receivables					
	Trade receivables		Other receivables			
Credit risks exposed through types of financial instruments	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash and cash equivalents**	**Financial derivatives**
Maximum credit risk exposed as of balance sheet date 31 December 2016 (*) (A+B+C+D+E)	**3.397**	**435.821**	**26.807**	**4.797**	**29.200**	**-**
- The part of maximum risk under guarantee with collaterals, etc.	**-**	**(110.114)**	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due or impaired	3.397	333.281	26.807	4.797	29.200	-
- The part under guarantee with collaterals, etc.		(104.072)		-		
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	102.540	-	-	-	-
- The part under guarantee with collaterals, etc.	-	(6.042)	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	13.552	-	-	-	-
- Impairment (-)	-	(13.552)	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
- Not due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
E. Off-balance sheet items without credit risk	-	-	-	-	-	-

(*) Factors that increase the credit reliability, such as; guarantees received, are not considered in the calculation.

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

38. Financial Instruments and Financial Risk Management (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit Risk Management (Continued)

Guarantees received from the customers and trade receivables that past due but not impaired are as stated below:

	31 December 2017	31 December 2016
Letters of guarantee	47.592	34.536
Direct debit system	51.341	46.690
Mortgages	441	744
Other	33.896	28.144
	133.270	**110.114**

b.2) Liquidity Risk Management

The Group manages liquidity risk by providing the continuity of sufficient funds and loan reserves by twinning the maturities of financial assets and liabilities by following cash flow regularly.

<u>Liquidity risk tables</u>

Conservative liquidity risk management requires maintaining adequate reserves in addition to having the ability to utilize adequate level of credit lines and funds as well as closing market positions.

Funding risk attributable to the current and future potential borrowing needs is managed by providing continuous access to an adequate number of high quality creditors.

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

38. Financial Instruments and Financial Risk Management (Continued)

b) Financial Risk Factors (Continued)

b.2) Liquidity Risk Management

Liquidity risk tables (Continued)

The following table details the Group's expected maturity for its financial liability. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liability. Amount of interest payable to be paid of financial liabilities are included in the table.

			31 December 2017			
Non derivative financial liabilities	**Carrying value**	**Total cash outflows in accordance with contracts (I + II +III + IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Bank loans	750.121	795.622	136.235	322.350	337.037	-
Trade payables	165.627	166.459	165.678	781	-	-
Due to related parties	341.507	341.507	324.068	17.439	-	-
Other payables	56.543	56.543	56.416	127	-	-
Total liabilities	**1.313.798**	**1.360.131**	**682.397**	**340.697**	**337.037**	**-**

			31 December 2016			
Non derivative financial liabilities	**Carrying value**	**Total cash outflows in accordance with contracts (I + II +III + IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Bank loans	903.447	941.751	67.700	553.378	315.795	4.878
Trade payables	136.288	136.715	129.615	7.100	-	-
Due to related parties	217.077	217.077	216.629	448	-	-
Other payables	420	420	375	45	-	-
Total liabilities	**1.257.232**	**1.295.963**	**414.319**	**560.971**	**315.795**	**4.878**

b.3) Market Risk Management

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. At a Group level, market risk exposures are measured by sensitivity analysis. When compared to prior periods, there has been no change in the Group's exposure to market risks, hedging methods used or the measurement methods used for such risks.

b.3.1) Foreign Currency Risk Management

Transactions denominated in foreign currency cause the formation of exchange rate risk. The Group, its subsidiaries and associates acknowledge the currencies other than the functional currencies of countries in which they operate, as foreign currency.

The Group, its subsidiaries and associates acknowledge the currencies other than the functional currencies of countries in which they operate, as foreign currency:

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

38. Financial Instruments and Financial Risk Management (Continued)

b) Financial Risk Factors (Continued)

b.3) Market Risk Management (Continued)

b.3.1) Foreign Currency Risk Management (Continued)

		Foreign Currency Position as of 31 December 2017			
		TRY Equivalent	**USD**	**EUR**	**TRY Equivalents of other currencies**
1.	Trade receivables	16.530	3.942	368	8.591
2a.	Monetary financial assets (cash and bank accounts included)	11.242	2.717	220	5.419
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	9.330	1.244	1.027	-
4.	**Current assets (1+2+3)**	**37.102**	**7.903**	**1.615**	**14.010**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**
9.	**Total assets (4+8)**	**37.102**	**7.903**	**1.615**	**14.010**
10.	Trade payables	5.645	497	835	287
11.	Financial liabilities	54.315	5.777	7.203	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	7.273	998	777	-
13.	**Current liabilities (10+11+12)**	**67.233**	**7.272**	**8.815**	**287**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	77.484	8.571	10.000	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**77.484**	**8.571**	**10.000**	**-**
18.	**Total liabilities (13+17)**	**144.717**	**15.843**	**18.815**	**287**
19.	Net assets of off balance sheet derivative items / (liability) position (19a-19b)	**-** -	**-** -	**-** -	**-** -
19a.	Total amount of assets hedged	**-** -	**-** -	**-** -	**-** -
19b.	Total amount of liabilities hedged	**-** -	**-** -	**-** -	**-** -
20.	**Net foreign currency asset / (liability)position (9-18+19)**	**(107.615)**	**(7.940)**	**(17.200)**	**13.723**
21.	**Net foreign currency asset / (liability /(position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**(109.672)**	**(8.186)**	**(17.450)**	**13.723**
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export	1.047.188	92.729	154.451	440.483
24.	Import	330.774	16.535	59.441	38.502

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

38. Financial Instruments and Financial Risk Management (Continued)

b) Financial Risk Factors (Continued)

b.3) Market Risk Management (Continued)

b.3.1) Foreign Currency Risk Management (Continued)

		Foreign Currency Position as of 31 December 2016			
		TRY Equivalent	**USD**	**EUR**	**TRY Equivalents of other currencies**
1.	Trade receivables	130.532	21.916	14.396	19.399
2a.	Monetary financial assets (cash and bank accounts included)	5.929	204	1.404	19.227
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	-	-	-	-
4.	**Current assets (1+2+3)**	**136.461**	**22.120**	**15.800**	**38.626**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets (5+6+7)**	-	-	-	-
9.	**Total assets (4+8)**	**136.461**	**22.120**	**15.800**	**38.626**
10.	Trade payables	19.514	2.672	2.725	25.249
11.	Financial liabilities	234.928	31.084	33.839	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	**Current liabilities (10+11+12)**	**254.442**	**33.756**	**36.564**	**25.249**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	113.873	14.286	17.143	57.661
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**113.873**	**14.286**	**17.143**	**57.661**
18.	**Total liabilities (13+17)**	**368.315**	**48.042**	**53.707**	**82.910**
19.	Net assets of off balance sheet derivative items / (liability) position (19a-19b)	-	-	-	-
19a.	Total amount of assets hedged	-	-	-	-
		-	-	-	-
19b.	Total amount of liabilities hedged	-	-	-	-
		-	-	-	-
20.	**Net foreign currency asset / (liability)position (9-18+19)**	**(231.854)**	**(25.922)**	**(37.907)**	**(44.284)**
21.	**Net foreign currency asset / (liability / (position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**(231.854)**	**(25.922)**	**(37.907)**	**(44.284)**
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
		-	-	-	-
23.	Export	981.908	102.095	167.826	173.437
24.	Import	329.689	14.845	74.785	253.526

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

38. Financial Instruments and Financial Risk Management (Continued)

b) Financial Risk Factors (Continued)

b.3) Market Risk Management (Continued)

b.3.1) Foreign Currency Risk Management (Continued)

The Group is mainly exposed to EUR and USD risks. Effects of other currencies are immaterial.

The table below presents the Group's sensitivity to a 10% deviation in foreign exchange rates (especially USD and EUR). 10% is the rate used by the Group when generating its report on exchange rate risk; the related rate stands for the presumed possible change in the foreign currency rates by the Group's management. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis includes foreign currency denominated bank loans other than the functional currency of the ultimate user or borrower of the bank loans. The positive amount indicates increase in profit / loss before tax or equity.

Foreign currency sensitivity

	Foreign Currency Position as of 31 December 2017			
	Profit / (Loss)		**Equity**	
	Foreign currency appreciation	Foreign currency devaluation	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%				
1- USD net assets / liabilities	(3.088)	3.088	(3.088)	3.088
2- USD hedged from risks (-)	-	-	-	-
3- USD net effect (1+2)	**(3.088)**	**3.088**	**(3.088)**	**3.088**
Change of EUR against TRY by 10%				
4- EUR net assets / liabilities	(7.879)	7.879	(7.879)	7.879
5- EUR hedged from risks (-)	-	-	-	-
6- EUR net effect (4+5)	**(7.879)**	**7.879**	**(7.879)**	**7.879**
Change of other currencies against TRY by 10%				
7- Other currencies net assets / liabilities	6.971	(6.971)	6.971	(6.971)
8- Other currencies hedged from risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	**6.971**	**(6.971)**	**6.971**	**(6.971)**
Total (3+6+9)	**(3.996)**	**3.996**	**(3.996)**	**3.996**

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

38. Financial Instruments and Financial Risk Management (Continued)

b) Financial Risk Factors (Continued)

b.3) Market Risk Management (Continued)

b.3.1) Foreign Currency Risk Management (Continued)

Foreign currency sensitivity (continued)

	Foreign Currency Position as of 31 December 2016			
	Profit / (Loss)		Equity	
	Foreign currency appreciation	Foreign currency devaluation	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%				
1- USD net assets / liabilities	(9.122)	9.122	-	-
2- USD hedged from risks (-)	-	-	-	-
3- USD net effect (1+2)	**(9.122)**	**9.122**	**-**	**-**
Change of EUR against TRY by 10%				
4- EUR net assets / liabilities	(14.063)	14.063	41.368	(41.368)
5- EUR hedged from risks (-)	-	-	-	-
6- EUR net effect (4+5)	**(14.063)**	**14.063**	**41.368**	**(41.368)**
Change of other currencies against TRY by 10%				
7- Other currencies net assets / liabilities	(4.429)	4.429	43.746	(43.746)
8- Other currencies hedged from risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	**(4.429)**	**4.429**	**43.746**	**(43.746)**
Total (3+6+9)	**(27.614)**	**27.614**	**85.114**	**(85.114)**

b.3.2) Interest Rate Risk Management

The Group's exposure to interest rate risk is related to its financial liabilities The Group's financial liabilities mostly consist of floating interest rate borrowings Based on the current balance sheet composition and analysis calculated by the Group, as of 31 December 2017 if the TRY interest rates were increased / decreased by 1% and foreign currency interest rates were increased / decreased by 0,25% with the assumption of keeping all other variables constant; the effect on net profit / loss for the period before taxation and non-controlling interest would decrease / increase by 255 thousand TRY (31 December 2016: 144 thousand TRY).

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

38. Financial Instruments and Financial Risk Management (Continued)

b) Financial Risk Factors (Continued)

b.3) Market Risk Management (Continued)

b.3.2) Interest Rate Risk Management (Continued)

Interest rate sensitivity

The Group's financial instruments that are sensitive to interest rates are as follows:

	31 December 2017			
	Floating Interest	**Fixed Interest**	**Non-interest Bearing**	**Total**
Financial Assets	**-**	**535.698**	**36.396**	**572.094**
Cash and cash equivalents	-	3.904	36.120	40.024
Financial investments	-	-	276	276
Trade receivables	-	519.451	-	519.451
Due from related parties	-	9.927	-	9.927
Other receivables	-	2.416	-	2.416
Financial liabilities	**310.614**	**993.684**	**9.500**	**1.313.798**
Bank borrowings	310.614	430.007	9.500	750.121
Trade payables	-	165.627	-	165.627
Due to related parties	-	341.507	-	341.507
Other payables	-	56.543	-	56.543

	31 December 2016			
	Floating Interest	**Fixed Interest**	**Non-interest Bearing**	**Total**
Financial Assets	**-**	**472.688**	**27.957**	**500.645**
Cash and cash equivalents	-	1.866	27.541	29.407
Financial investments	-	-	416	416
Trade receivables	-	435.821	-	435.821
Due from related parties	-	30.204	-	30.204
Other receivables	-	4.797	-	4.797
Financial liabilities	**268.540**	**988.692**	**-**	**1.257.232**
Bank borrowings	268.540	634.907	-	903.447
Trade payables	-	136.288	-	136.288
Due to related parties	-	217.077	-	217.077
Other payables	-	420	-	420

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

39. Financial Instruments (Fair Value and Hedge Accounting Disclosures)

Categories of Financial Instruments

31 December 2017	Assets and liabilities at amortized cost	Loans and receivables	Financial asset available for sale	Financial Assets or liabilities fair value through profit or loss	Carrying value	Note
Financial Assets						
Cash and cash equivalents	40.024	-	-	-	40.024	6
Trade receivables	-	519.451	-	-	519.451	10
Due from related parties	-	9.927	-	-	9.927	37
Financial investments	-	-	276	-	276	7
Financial liabilities						
Financial liabilities	750.121	-	-	-	750.121	8
Trade payables	165.627	-	-	-	165.627	10
Due to related parties	341.507	-	-	-	341.507	37

31 December 2016	Assets and liabilities at amortized cost	Loans and receivables	Financial asset available for sale	Financial Assets or liabilities fair value through profit or loss	Carrying value	Note
Financial Assets						
Cash and cash equivalents	29.407	-	-	-	29.407	6
Trade receivables	-	435.821	-	-	435.821	10
Due from related parties	-	30.205	-	-	30.205	37
Financial assets	-	-	416	-	416	7
Financial liabilities						
Financial liabilities	903.447	-	-	-	903.447	8
Trade payables	-	136.288	-	-	136.288	10
Due to related parties	-	217.077	-	-	217.077	37

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

39. Financial Instruments (Fair Value and Hedge Accounting Disclosures) (Continued)

Fair Value of Financial Instruments

	31 December 2017			
Financial Assets	**Total**	**Category 1**	**Category 2**	**Category 3**
Financial assets available for sale	276	-	-	276
Total	**276**	**-**	**-**	**276**

	31 December 2016			
Financial Assets	**Total**	**Category 1**	**Category 2**	**Category 3**
Financial assets available for sale	416	-	-	416
Total	**416**	**-**	**-**	**416**

Categories of Financial Instruments (Continued)

The classification of the Group's financial assets and liabilities at fair value is as follows:

- Category 1: Implies that in determining the fair values of assets and liabilities, active market trading price is used for valuation purposes;
- Category 2: Implies that in determining the fair values of assets and liabilities, should other market price be observed other than first degree market prices, then observed market price is used for valuation purposes;
- Category 3: Implies that in determining the fair values of assets and liabilities, data not based on market observation is used for valuation purposes.

40. Events after the Balance Sheet Date

None.

41. Other Issues that Significantly Affect the Financial Statements or Other Issues Required for the Clear Understanding of Financial Statements

The Group's audited consolidated financial statements as of 31 December 2017 prepared in accordance with the Capital Markets Board's Communiqué Serial: II, No: 14.1 are reviewed by also considering the opinion of the Audit Committee and it has been concluded that the accompanying financial statements present fairly the consolidated financial position of the Company in accordance with the regulations issued by the Capital Markets Board and accounting policies applied by the Company. The accompanying financial statements are approved for the public announcement by the Board of Directors on 2 March 2018.

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