

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD ENDED AT**  
**31 MARCH 2017**

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**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2017 AND 31 DECEMBER 2016**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	<b>Footnote References</b>	<b>Unreviewed Current Period 31.03.2017</b>	<b>Audited Prior Period 31.12.2016</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>450,522,158</b>	<b>384,523,356</b>
Cash and Cash Equivalents	4	8,636,610	16,923,525
Financial Investments	5	<b>2,205,127</b>	<b>3,360,380</b>
<b>Trade Receivables</b>		<b>52,932,099</b>	<b>44,743,414</b>
<i>Trade Receivables from Related Parties</i>	6-7	22,254,135	15,302,049
<i>Trade Receivables from Third Parties</i>	7	30,677,964	29,441,365
<b>Other Receivables</b>		<b>99,508,600</b>	<b>101,133,647</b>
<i>Other Receivables from Related Parties</i>	6-9	94,799,293	95,890,438
<i>Other Receivables from Third Parties</i>	9	4,709,307	5,243,209
Derivative Financial Instruments	10	469,848	444,784
Inventories	11	241,986,359	176,131,668
Biological Assets	12	4,283,659	5,758,644
Prepaid Expenses	13	3,159,692	1,779,638
Assets Related to Current Year Tax	14	500,821	479,406
Other Current Assets	21	36,839,343	33,768,250
<b>Non-Current Assets</b>		<b>462,294,641</b>	<b>453,988,336</b>
Financial Investments	5	9,650,000	9,650,000
<b>Other Receivables</b>		<b>163,220</b>	<b>175,624</b>
<i>Other Receivables from Related Parties</i>	6-9	-	-
<i>Other Receivables from Third Parties</i>	9	163,220	175,624
Investments Valued by Equity Pick-up Method	15	157,913,883	152,510,394
Tangible Assets	16	271,101,909	271,610,281
Intangible Assets	17	149,999	158,018
Prepaid Expenses	13	7,336,453	2,065,909
Deferred Tax Assets	28	15,979,177	17,818,110
<b>TOTAL ASSETS</b>		<b>912,816,799</b>	<b>838,511,692</b>

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

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2017 AND 31 DECEMBER 2016  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	Footnote References	<i>Unreviewed</i> Current Period 31.03.2017	<i>Audited</i> Prior Period 31.12.2016
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>478,447,087</b>	<b>405,373,620</b>
Financial Borrowings	8	271,923,844	255,415,493
Current Installments of Long Term Financial Borrowings	8	56,920,349	32,969,189
<b>Trade Payables</b>		<b>121,771,503</b>	<b>89,148,773</b>
<i>Trade Payables to Related Parties</i>	6-7	9,669,223	7,700,158
<i>Trade Payables to Third Parties</i>	7	112,102,280	81,448,615
Employee Benefit Liabilities	20	6,826,073	6,485,573
<b>Other Payables</b>		<b>6,580,398</b>	<b>4,185,065</b>
<i>Other Payables to Related Parties</i>	6-9	626,443	852,767
<i>Other Payables to Third Parties</i>	9	5,953,955	3,332,298
Derivative Financial Instruments	10	27,516	-
Deferred Income	13	12,259,377	15,295,667
Current Tax Liabilities of Period Profit	28	-	-
<b>Current Provisions</b>		<b>2,138,027</b>	<b>1,873,860</b>
<i>Provision for employee benefits</i>	19	1,935,514	1,683,347
<i>Other current provisions</i>	19	202,513	190,513
<b>Non-Current Liabilities</b>		<b>151,674,493</b>	<b>153,211,809</b>
Long Term Borrowings	8	101,980,456	106,120,169
<b>Trade Payables</b>		<b>20,685,850</b>	<b>19,635,759</b>
<i>Trade Payables to Related Parties</i>	6-7	-	-
<i>Trade Payables to Third Parties</i>	7	20,685,850	19,635,759
Deferred Income	13	441,833	518,458
<b>Long Term Provisions</b>		<b>28,236,658</b>	<b>26,646,229</b>
<i>Long Term Provisions for Employee Benefits</i>	19	28,236,658	26,646,229
Deferred Tax Liabilities	28	329,696	291,194
<b>Equity</b>		<b>282,695,219</b>	<b>279,926,263</b>
<b>Parent Company's Equity</b>		<b>281,155,172</b>	<b>277,191,456</b>
Paid in Capital	22.1	250,000,000	250,000,000
Inflationary Adjustments of Shareholder's Equity	22.2	485,133	485,133
Effect of mergers involving undertakings or businesses subject to common control		(25,567,435)	(25,567,435)
Other Comprehensive income or expense not to be reclassified to on profit or losses			
<i>Actuarial gain/(loss) arising from retirement benefits</i>	22.3	815,978	656,789
Restricted Reserves	22.4	10,209,777	10,209,777
<i>Legal Reserves</i>	22.4	10,209,777	10,209,777
Retained Earnings / Losses	22.5	41,407,192	44,396,063
Net Profit / (Loss) for the Period		3,804,527	(2,988,871)
<b>Minority Interests</b>	22.6	<b>1,540,047</b>	<b>2,734,807</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>912,816,799</b>	<b>838,511,692</b>

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

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIODS OF 1 JANUARY-31 MARCH 2017 AND 2016**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Unreviewed</i>	<i>Revised (*)</i>
		<i>Current</i>	<i>Unreviewed</i>
		<i>Period</i>	<i>Prior Period</i>
	<b>Footnote</b>	<b>01.01-</b>	<b>01.01-</b>
	<b>References</b>	<b>31.03.2017</b>	<b>31.03.2016</b>
Revenue	23.1	136,884,730	110,087,285
Cost of sales (-)	23.2	(109,665,854)	(93,714,293)
<b>Gross Profit / (Loss)</b>		<b>27,218,876</b>	<b>16,372,992</b>
General Administrative Expenses (-)	24.2	(3,721,104)	(3,579,377)
Marketing Expenses (-)	24.1	(4,203,430)	(3,583,112)
Other Operating Income	25.1	3,033,547	3,137,963
Other Operating Expenses (-)	25.2	(5,357,016)	(3,066,852)
<b>Operating Profit / (Loss)</b>		<b>16,970,873</b>	<b>9,281,614</b>
Income from Investment Activities	26.1	55,046	70,984
Expenses from Investment Activities (-)	26.2	(74)	(4,433)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	26.3	5,403,489	(311,211)
<b>Operating Activity Profit/(Loss) Before Financial Expense</b>		<b>22,429,334</b>	<b>9,036,954</b>
Financial Income	27.1	5,746,333	15,481,427
Financial Expenses (-)	27.2	(23,729,131)	(11,146,677)
<b>Operating Activity Profit/(Loss) Before Taxation</b>		<b>4,446,536</b>	<b>13,371,704</b>
<b>Operating Activity Tax Income/(Expense)</b>			
Current Tax Income/(Expense)	28	-	(54,487)
Deferred Tax Income/(Expense)	28	(1,837,464)	(4,679,279)
<b>Current Period Operating Activity Profit / (Loss)</b>		<b>2,609,072</b>	<b>8,637,938</b>
<b>Profit/(Loss) for the Period</b>		<b>2,609,072</b>	<b>8,637,938</b>
<b>Distribution of the Period Income/(Loss)</b>			
Minority Interests	22.6	(1,195,455)	(1,121,179)
Parent Company's Shares		3,804,527	9,759,117
<b>Earnings Per Share</b>	<b>29</b>	<b>0.0152</b>	<b>0.0390</b>
<b>Other Comprehensive Income:</b>			
<b>Income (Expenses) not to be Reclassified on Profit or (Loss)</b>			
- Defined Benefit Plans Re-Measurement Gains (Losses)		198,986	(760,834)
- Deferred Tax Income / (Expense)		(39,797)	152,166
<b>Other Comprehensive Income</b>		<b>159,189</b>	<b>(608,668)</b>
<b>Total Comprehensive Income/(Expense)</b>		<b>2,768,261</b>	<b>8,029,270</b>
<b>Distribution of Total Comprehensive Income</b>			
Minority Interests		(1,194,760)	(1,137,930)
Parent Company's Shares		3,963,021	9,167,200

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

(\*) The restatement effects are described in Note 2.d. Comparative Information and Restatement of Prior Period Financial Statements.

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
 STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIODS OF 01 JANUARY - 31 MARCH 2017 AND 2016  
 (Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	Footnote References	Paid in Capital	Adjustments of Shareholders' Equity	The Effect of Associations Including Enterprises or Enterprises Subject to Joint Control	Accumulated Other Comprehensive Income and Expenses that will not be Reclassified to Profit or Loss	Restricted Reserves	Accumulated profits		Parent Company's Equity	Minority Interests	Total Equity
					Defined Benefit Plans Re-Measurement Gains (Losses)		Accumulated Profit/Loss	Net Profit/Loss For The Period			
<b>Balances at 01.01.2016 (Previously Reported)</b>	22	250,000,000	485,133	(25,567,435)	1,793,410	10,209,777	88,285,492	(43,889,429)	281,316,948	9,076,068	290,393,016
Transfers	22	-	-	-	-	-	(43,889,429)	43,889,429	-	-	-
Total Comprehensive Income/(Loss)	22	-	-	-	(608,668)	-	-	9,759,117	9,150,449	(1,137,930)	8,012,519
<b>Balances at 01.03.2016 (*)</b>	22	250,000,000	485,133	(25,567,435)	1,184,742	10,209,777	44,396,063	9,759,117	290,467,397	7,938,138	298,405,535
<b>Balances at 01.01.2017</b>	22	250,000,000	485,133	(25,567,435)	656,789	10,209,777	44,396,063	(2,988,871)	277,191,456	2,734,807	279,926,263
Transfers	22	-	-	-	-	-	(2,988,871)	2,988,871	-	-	-
Total Comprehensive Income/(Loss)	22	-	-	-	159,189	-	-	3,804,527	3,963,716	(1,194,760)	2,768,956
<b>Balances at 31.03.2017</b>	22	250,000,000	485,133	(25,567,435)	815,978	10,209,777	41,407,192	3,804,527	281,155,172	1,540,047	282,695,219

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

(\*) The restatement effects are described in Note 2.d. Comparative Information and Restatement of Prior Period Financial Statements.

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD OF**  
**01 JANUARY – 31 MARCH 2017 AND 2016**  
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

	Footnote References	Unreviewed Current Period 01.01- 31.03.2017	Revised (*) Unreviewed Prior Period 01.01- 31.03.2016
<b>CASH FLOWS FROM THE OPERATING ACTIVITIES</b>		<b>(35,594,940)</b>	<b>(46,680,885)</b>
<b>Profit/(Loss) for the Period</b>			
<b>Current Period Operating Activity Profit / (Loss)</b>		<b>2,609,072</b>	<b>8,637,938</b>
<b>Adjustments Related with Net Profit/Loss for The Period</b>		<b>7,912,628</b>	<b>24,472,300</b>
Adjustments for Depreciation, Amortisation Expenses	16-17	7,093,777	5,946,249
Adjustments Related to the Provisions			
- Adjustments for Employee Termination Benefits	19-24.2	1,749,618	7,941,760
- Adjustment for Provision for Expenses and Lawsuits	19	12,000	(12,000)
- Adjustment for Other Provisions or Reversals	19	252,167	806,573
- Adjustments for Interest Expenses	8-27	2,434,387	2,826,650
- Deferred Financial Income Arise From Forward Purchasing		1,406,654	894,286
- Deferred Financial Expense Arise From Forward Purchasing	25.2	(1,507,546)	1,241,671
Adjustments for fair value income or loss			
- Adjustments for financial assets fair value losses /(profits)	4	(4,827)	42,298
- Adjustments for financial instruments fair value losses /(profits)	10-27	2,452	634,624
Adjustments for retained earnings of investments subject to Equity Pick-up Method			
- Adjustment for retained earnings of subsidiaries	15	(5,403,489)	309,704
Tax payments/returns	28	1,877,435	3,840,485
<b>Changes in the Company Capital</b>		<b>(46,116,640)</b>	<b>(79,791,123)</b>
Adjustments for Increase/Decrease in Financial Assets	5	1,160,080	(2,291,598)
Adjustments for Increase/Decrease in Trade Receivables			
- Adjustments for Increase/Decrease in Trade Receivables from Related Parties	6-7	(6,952,086)	194
- Adjustments for Increase/Decrease in Trade Receivables from Third Parties	7	(2,643,253)	5,692,141
Adjustments for increase/decrease in other receivables related to the operations			
- Adjustments for increase/decrease in other receivables from related parties related to the operations		1,091,145	(123,372,397)
- Adjustments for increase/decrease in other receivables from third parties related to the operations	9-14-21	(2,546,202)	(2,554,682)
Adjustments for Increase/Decrease in Inventories	11	(65,854,691)	(43,082,695)
Adjustments Related to the Increase/Decrease in Biological Assets	12	1,474,985	(9,241)
Adjustments for Increase/Decrease in Prepaid Expenses	13	(6,650,598)	(6,288,387)
Adjustments for Increase/Decrease in Trade Payables			
- Adjustments for Increase/Decrease in Trade Payables to Related Parties	6-7	1,969,065	822,145
- Adjustments for Increase/Decrease in Trade Payables to Third Parties	7	33,211,302	6,408,479
Increase/decrease in employee benefits liabilities	20	340,500	788,433
Adjustments for increase/decrease in other payables related to the operations	9	2,396,028	82,805,083
Increase/decrease in deferred tax	13	(3,112,915)	1,291,402
<b>Cash Flow from Operating Activities</b>		<b>(35,594,940)</b>	<b>(46,680,885)</b>

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

(\*) The restatement effects are described in Note 2.d. Comparative Information and Restatement of Prior Period Financial Statements.

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS OF**  
**01 JANUARY – 31 MARCH 2017 AND 2016**  
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

	<i>Unreviewed</i>	<i>Revised (*)</i>
	<b>Current Period</b>	<b>Prior Period</b>
<b>Footnote</b>	<b>01.01-</b>	<b>01.01-</b>
<b>References</b>	<b>31.03.2017</b>	<b>31.03.2016</b>
<b>NET CASH FLOW PROVIDED BY INVESTMENT ACTIVITIES</b>	<b>(6,577,386)</b>	<b>(30,391,990)</b>
Proceeds from Sale of Property, Plant, Equipment and Intangible Assets		
- Proceeds from Sale of Tangible Assets	15,854	515,586
- Proceeds from Sale of Intangible Assets	-	-
Proceeds from Purchase of Property, Plant, Equipment and Intangible Assets		
- Proceeds from Purchase of Tangible Assets	(6,575,988)	(30,917,346)
- Proceeds from Purchase of Intangible Assets	(17,252)	-
Tax Payments>Returns	-	9,770
<b>CASH FLOW PROVIDED BY FINANCIAL ACTIVITIES</b>	<b>33,885,411</b>	<b>30,972,157</b>
Cash Inflows from Financial Liabilities		
- Cash Inflows from Bank Loans	218,801,429	198,321,877
Cash Outflows from Financial Liabilities		
- Cash Outflows for Bank Loans	(183,631,752)	(177,353,106)
Cash Outflows from Finance Leases	(1,284,266)	10,003,386
<b>BEFORE IMPACT OF FOREIGN CURRENCY TRANSLATION</b>		
<b>DIFFERENCES ON CASH AND CASH EQUIVALENTS NET</b>		
<b>INCREASE/DECREASE (A+B+C)</b>	<b>(8,286,915)</b>	<b>(46,100,718)</b>
<b>CASH AND CASH EQUIVALENTS NET INCREASE/DECREASE</b>	<b>(8,286,915)</b>	<b>(46,100,718)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE</b>		
<b>PERIOD</b>	<b>4</b>	<b>16,923,525</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4</b>	<b>8,636,610</b>
		<b>20,363,252</b>

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

(\*) The restatement effects are described in Note 2.d. Comparative Information and Restatement of Prior Period Financial Statements.



**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT**  
**31 MARCH 2017**

(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi (“Company”), its Subsidiaries and Equity participations are referred as “Group” in the accompanying consolidated financial statements.

The entities mentioned below are applied “Full Consolidation Method”:

- Menderes Tekstil Sanayi ve Ticaret A.Ş.
- Smyrna Seracılık Ticaret A.Ş.
- Tan Elektrik Üretim A.Ş.
- Akça Enerji Üretim Otoprodüktör Grubu A.Ş.

The entities mentioned below are applied by “Equity Pick up Method”:

- Menderes Tekstil Pazarlama A.Ş.
- Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

**Menderes Tekstil Sanayi ve Ticaret A.Ş.**

Company produces cotton press, electric energy, yarn, fabric, valances, dust ruffles, ruffled and tailored shams, comforter shells, printed towels and linens in integrated cotton and synthetic textile establishment.

The Company’s address registered on the Trade Registry Gazette is Adalet Mahallesi, Manas Bulvarı, No:47/A 42. Kat Bayraklı, İzmir.

As of 31 March 2017, 3,724 personnel are employed by the Company and average number of personnel is 3,731 for the period of 01.01-31.03.2017.

Company shares are traded in the Borsa Istanbul since 2000.

**Production Capacity (Textile)**

According to the capacity report from Denizli Industrial Chamber dated 23 June 2015, numbered 196 and valid until 26 June 2017, the Company’s annual production capacity is as follows: (Company’s production capacity has been calculated with daily 8 hours, yearly 300 days. Company works for 3 shifts in a day):

<b>Products</b>	<b>Unit</b>	<b>Quantity</b>
Cotton yarn (is used in its production)	Kg	5,438,718
Raw fabric woven (is used in its production)	m <sup>2</sup>	59,151,060
Knitted fabric (is used in its production)	Kg	1,004,400
Linens	Piece	4,200,000
Pillow case	Piece	12,600,000
Sheet	Piece	6,600,000
Fabric painting (is used in its production)	Kg	3,744,000
Fabric printing (is used in its production)	Kg	13,500,000
Digital fabric printing (is used in its production)	Kg	1,311,786

**Production Capacity (Energy)**

According to the capacity report from Denizli Industrial Chamber dated 16 February 2017, numbered 74 and valid until 22 February 2019, the Company’s annual production capacity is as follows: (Company’s production capacity has been calculated with daily 8 hours, yearly 300 days. Company works for 3 shifts in a day):

	<b>Unit</b>	<b>Quantity</b>
Electricity energy	Kilowatt hour	161,827,000
Steam (is used in its production)	Joule	617,569,920,000
Hot water (is used in its production)	Joule	238,360,320,000

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT**  
**31 MARCH 2017**

(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

**Smyrna Seracılık Ticaret A.Ş.**

Smyrna Seracılık Ticaret A.Ş. was established in 2007 in İzmir. It is engaged in agricultural production. In the Trade Registry Gazette numbered 7296 and dated 21 April 2009, the Company's name has been changed from Smyrna Organik Tarım Sanayi ve Ticaret A.Ş. to Smyrna Seracılık Ticaret A.Ş. The Company has been included to the complete consolidation in 2009.

Smyrna Seracılık Ticaret A.Ş. has operated on the existing area which is 197,000 m<sup>2</sup>.

According to the capacity report from Denizli Industrial Chamber dated 27 May 2015, numbered 164 and valid until 28 May 2017, the Company's production capacity has been calculated per 1 shifts and 8 working hours per day by main product is as follows:

<b>Product</b>	<b>Unit</b>	<b>Quantity</b>
Tomato	Ton	6,480
Quick-frozen tomato	Ton	684

In the Trade Registry Gazette numbered 6911 dated 08 October 2007, the Company's headquarter was changed to Denizli and the address is as follows:

The Company's recorded address to the trade registry is Köyiçi Mevkii, Tosunlar Kasabası Sarayköy, Denizli.

As of 31 March 2017, 193 personnel are employed by the Company and the average number of personnel is 191 for the period of 01.01-31.03.2017.

**Akça Enerji Üretim Otoprodüktör Grubu A.Ş.**

Akça Enerji Üretim Otoprodüktör Grubu A.Ş. is established on 13 July 1998 in Denizli. It is engaged in producing electricity, hot water and steam. The company's annual electricity production capacity production is 39,600,000 kilowatt. Akça Enerji Üretim Otoprodüktör Grubu A.Ş. started producing electricity at July 2015.

As of 31 March 2017, 19 personnel are employed by the Company and the average number of personnel is 20 for the period of 01.01-31.03.2017.

**Tan Elektrik Üretim A.Ş.**

Tan Elektrik Üretim A.Ş. was established in Izmir on 18 July 2006 as "MTT Elektrik Üretim A.Ş." The Company name was changed to "Tan Elektrik Üretim A.Ş." on 9 November 2006. Main activity of Company is building production facilities, joining in to operation, renting, generating electricity and marketing electricity to customers. The Company's annual electricity production capacity production is 57.254.400 kilowatt. Tan Elektrik Üretim A.Ş. started producing electricity at October 2014.

As of 31 March 2017, 8 personnel are employed by the Company and the average number of personnel is 8 for the period of 01.01-31.03.2017.

**Menderes Tekstil Pazarlama A.Ş.**

Menderes Tekstil Pazarlama A.Ş. was established in 1998. Headquarter of the Company is in Izmir. Company engaged in marketing of home textile productions.

**Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.**

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. was established in 2006. Headquarter of the Company is in Izmir. Company operates vehicle inspection stations which are privatized within the context of law numbered 4046, in Aydın, Manisa, Denizli and Izmir for 20 years. Company has integrated 21 established and 8 mobile vehicle inspection stations. License rights have been started in 2008 and will continue until 2028.

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.a. Basis of Presentation**

**Compliance Statement**

The Group is predicated on Turkish Commercial Code ("TCC"), tax legislation of the Republic of Turkey and the Uniform Chart of Accounts issued by the Ministry of Finance while maintaining its legal accounting records and preparing statutory financial statements. Financial statements, except financial assets and liabilities which are signified by the fair value, on the basis of historical cost in Turkish Lira ("TRY") have been prepared. Financial statements prepared in accordance with the historical cost basis and in order to make fair presentation in accordance with IAS / IFRS, to the legal records required adjustments and reclassifications are reflected. Paid in capital, premiums on shares and restricted reserves in equity are reflected with their statutory accounting records.

**The Preparation of Financial Statements**

The accompanying consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets"(the Communiqué) announced by the Capital Markets Board (CMB) (hereinafter will be referred to as "the CMB Reporting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676, also put into place by Public Oversight, Accounting and Auditing Standards Authority(POA). TAS; Turkish Accounting Standards, Turkish Financial Reporting Standards and related annexes and interpretations.

The accompanying financial statements of the Company are prepared in accordance with the CMB's announcement dated 07 June 2013 "Announcements on Financial Statements and Footnote Formats". In addition, the accompanying financial statements have been presented in accordance with the 2016 TAS Taxonomy approved by the Board of Directors dated June 2, 2016 and developed by the POA on the basis of delegated legislation, Article 9 (b) of the Decree Law No. 660 ("Decree Law").

**Approval of Financial Statements**

Consolidated financial statements are approved by the Board of Directors and granted authority to publish on 10 May 2017. Boards of Directors have authority to change financial statements.

**Basis of Consolidation**

The capital structure of subsidiaries and participations are as follows:

Subsidiaries	Consolidation method	Menderes' share		
		direct share	indirect share	Total share
Smyrna Seracılık Ticaret A.Ş.	Full Consolidation	79.17%	-	79.17%
Tan Elektrik Üretim A.Ş.	Full Consolidation	66.00%	1.90%	67.90%
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	Full Consolidation	68.00%	12.42%	80.42%

  

Participations	Consolidation method	Menderes' share		
		direct share	indirect share	Total share
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	Equity Pick up	48.00%	-	48.00%
Menderes Tekstil Pazarlama A.Ş.	Equity Pick up	45.00%	-	45.00%

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As of 31 March 2017 and 31 December 2016, the capital structure of subsidiaries and participations are as follows:

**Menderes Tekstil Sanayi ve Ticaret A.Ş. (Parent Company)**

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Public Offered Shares	47.32	47.32
Akça Holding A.Ş.	50.29	50.29
Other	2.39	2.39
	<b>100%</b>	<b>100%</b>

**Akça Holding A.Ş. (Controlling Shareholder of Menderes Tekstil Sanayi ve Ticaret A.Ş.)**

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	22.01	22.01
Rıza Akça	37.86	37.86
Dilek Göksan	18.93	18.93
Ahmet Bilge Göksan	18.93	18.93
Erbil Akça	2.27	2.27
	<b>100%</b>	<b>100%</b>

**Smyrna Seracılık Ticaret A.Ş. (Subsidiary)**

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Menderes Tekstil Sanayi ve Ticaret A.Ş.	79.17	79.17
Rıza Akça	10.31	10.31
Ahmet Bilge Göksan	5.16	5.16
Dilek Göksan	5.16	5.16
Other	0.20	0.20
	<b>100%</b>	<b>100%</b>

**Tan Elektrik Üretim A.Ş. (Subsidiary)**

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Menderes Tekstil Sanayi ve Ticaret A.Ş.	66.00	66.00
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	28.00	28.00
Smyrna Seracılık A.Ş.	2.40	2.40
Akça Holding A.Ş.	2.00	2.00
Other	1.60	1.60
	<b>100%</b>	<b>100%</b>

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Akça Enerji Üretim Otoprodüktör Grubu A.Ş. (Subsidiary)

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Menderes Tekstil Sanayi ve Ticaret A.Ş.	68.00	68.00
Tan Elektrik Üretim A.Ş.	18.29	18.29
Akça Holding A.Ş.	7.01	7.01
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	4.29	4.29
Selin Tekstil Sanayi Ticaret A.Ş.	2.22	2.22
Akçasaraylı Tekstil Ltd. Şti.	0.19	0.19
	<b>100%</b>	<b>100%</b>

Aktur Araç Muayene İstasyon İşletmeleri A.Ş. (Participation)

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Zeybekçi Holding A.Ş.	49.50	49.50
Menderes Tekstil Sanayi ve Ticaret A.Ş.	48.00	48.00
Other	2.50	2.50
	<b>100%</b>	<b>100%</b>

Menderes Tekstil Pazarlama A.Ş. (Participation)

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Menderes Tekstil Sanayi ve Ticaret A.Ş.	45.00	45.00
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	37.50	37.50
Akça Holding A.Ş.	7.50	7.50
Rıza Akça	5.00	5.00
Dilek Göksan	2.50	2.50
Ahmet Bilge Göksan	2.50	2.50
	<b>%100</b>	<b>%100</b>

Equity participations are accounted for using the equity pick-up method. Equity participations are companies in which Group has voting rights between 20% and 50% of the ordinary share capital or significant influence is exercised on the operations of the company.

Subsidiaries are included or excluded from the consolidation since the date Group has control over or loses control.

Minority shares of shareholders are pursued in net assets of the subsidiaries in the result of the operations consolidated balance sheet and income statements.

Results of the operations, assets and liabilities of the subsidiaries are accounted by using the equity pick-up method in the accompanying consolidated financial statements. In equity method the associates in consolidated statement are stated after the amount obtained from decreasing any impairment occurred in share from associate's net assets value. Loss exceeding the Group's associates share is not recorded. Additional loss reserve is only made when Group is exposed to legal or constructive obligation or payments made in name of associate or partner.

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**Reporting Currency**

As of 31 March 2017 and 31 December 2016, Group's functional and reporting currency unit is represented in TRY compared to previous periods.

**Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**2.b. Changes in Accounting Policies**

A group only could change its accounting policy under following circumstances;

- If a standard or interpretation makes it necessary or
- If the change make effect of operations or incidents on financial position and performance or cash flows more appropriate and reliable.

Financial statements have to be comparable to see trends in financial position of companies, performance and cash flows for user of financial statements. This is why, if the change is not granting one of above conditions, each interim and fiscal periods has to be applied same accounting policy.

**2.c. Changes in Accounting Estimates and Errors**

The accompanying financial statements necessitate that some predictions about income and expenses regarding possible assets and liabilities in the financial statements prepared by group management to be compatible with statements required by Capital Market Board. Realized amounts can differ from the predictions. These predictions are observed regularly and reported periodically in income statements.

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**2.d. Comparative Information and Previous Periods Adjustments**

For the purpose of conducting a comparison of financial position and performance trend, Company's current financial statements are prepared comparative with previous periods. Comparative information is reclassified to be compatible with the presentation of current financial statements, when necessary.

Public Oversight Accounting and Auditing Standard Authority (POA) has published principal related with "Accounting of business mergers subject to common control" in official journal as of 21 July 2013. In accordance with the publication, transaction under common controls has to perform in accordance with "Pooling of Interest Method" by restating previous year financials.

Business mergers subject to common control should be recognized using the pooling of interest method, therefore, goodwill should not be included in the financial statements. Due to removal of possible asset-liability mismatch after business mergers subject to common control, "Effect of the Mergers Subject to Common Control" account under the shareholders equity is used as an equalizer.

The Group has made in the following classification to be comparable with the profit or (loss) statement and statement of financial position for the period ended on March 31,2017 and December 31,2016 and in order to allow determination of financial position and performance trends. Related classifications has not effect on profit or (loss) for the period.

- TRY 880,529 "Social Security Institution Incentive Pay" under the "Other Operating Income" in income statement for the period ended at 31 March 2016 is ofsetted against of "Cost of Sales" in these financial statements.
- As of 31 March 2017, TRY 926,171 shown in "Cost of Sales" in the income statements for the period ended at 31 March 2016 is shown under "Marketing Expenses" account.

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**2.e. New and Revised International Financial Reporting Standards**

Summary of financial statements for the period of 01 January- 31 March 2017

**a) Standards that are effective from 2016 and do not affect the financial statements of the Group, changes and interpretations to existing standards**

TAS 16 and TAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortization
TAS 16 and TAS 41 (Amendments) ile TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 (Amendments)	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
TFRS 11 and TFRS 1 (Amendments)	<i>Accounting of Shares Acquired in Joint Activities</i>
Annual Improvements to 2011-2013 period	<i>TFRS 1</i> <sup>2</sup>
TAS 1 (Amendments)	<i>Explanation Provisions</i>
Annual Improvements to 2012-2014 period	<i>TFRS 5, TFRS 7, TMS 34, TMS 19</i> <sup>2</sup>
TAS 27 (Amendments)	<i>Equity Method in Separate Financial Statements</i> <sup>2</sup>
TFRS 10 ve TAS 28 (Amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
TFRS 10, TFRS 12 ve TAS 28 (Amendments)	<i>Investment Entities: Applying the consolidation Exception</i> <sup>2</sup>
TFRS 14	<i>Regulatory Deferral Accounts</i> <sup>2</sup>

<sup>1</sup> Effective from annual periods beginning after 31 December 2015.

<sup>2</sup> Effective from annual periods beginning after 01 January, 2016.

***Amendments to TAS 16 and TAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation***

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

***Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 Agriculture: Bearer Plants***

This amendment include 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.



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**Amendments to TFRS 11 and TFRS 1 Accounting for Acquisition of Interests in Joint operations**

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- Apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- Disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

**Annual Improvements 2011-2013 Cycle**

**TFRS 1:** Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

**Amendments to TAS 1 Disclosure Initiative**

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

**Annual Improvements 2012-2014 Cycle**

**TFRS 5:** Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

**TFRS 7:** Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

**TAS 34:** Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

**Amendments to TAS 27 Equity Method in Separate Financial Statements**

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

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

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

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***Amendments to TFRS 10, TFRS 12 and TAS 28 Investment Entities: Applying the Consolidation Exception***

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

***TFRS 14 Regulatory Deferral Accounts***

TFRS 14 *Regulatory Deferral Accounts* permits an entity, which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

**Changes and comments on current standards and new standards but are not effective in issue**

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

TFRS 9	Financial Instruments <sup>1</sup>
TFRS 15	Revenue from Contracts with Customers <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

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**TFRS 9 *Financial Instruments***

TFRS 9, issued by Public Oversight Authority (“POA”) in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income (“FVTOCI”) measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted unless before 1 February 2015.

**TFRS 15 Revenue from Contracts with Customers**

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

Possible effects of related standards and changes on financial performance of the Group are considered.

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**2.f. Summary of Significant Accounting Policy**

**Cash and Cash Equivalents**

Cash and cash equivalent values contain cash on hand, bank deposits and high liquidity investments. Cash and cash equivalents are showed with obtaining costs and the total of accrued interests.

Financial investments:

Initial measurement of financial assets and financial liabilities:

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

When an entity uses settlement date accounting for an asset that is subsequently measured at cost or amortised cost, the asset is recognised initially at its fair value on the trade date.

Subsequent measurement of financial assets:

After initial recognition, an entity shall measure financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction cost it may incur on sale or other disposal, except for the following financial assets:

- (i) Loan and receivables which shall be measured at amortized cost using the effective interest method;
- (ii) Held-to-maturity investments which shall be measured at amortized cost using the effective interest method; and
- (iii) Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that is linked to and must be settled by delivery of such unquoted equity instruments which shall be measured at cost.

Financial assets and liabilities at fair value through profit or loss:

It is classified as tangible assets hold for future sale. A financial asset or financial liability is classified as tangible assets hold for future sale if it is:

- (i) Acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (ii) Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making; or
- (iii) A derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

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Held-to maturity investments:

Non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

- (i) Those that the entity upon initial recognition designates as at fair value through profit or loss;
- (ii) Those that the entity designates as available for sale; and
- (iii) Those that meet the definition of loans and receivables.

Financial assets carried at cost:

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Marketable securities:

Financial assets in which Parent Company has voting right below 20%, or over 20% which Parent Company does not exercise a significant influence, and subsidiaries or joint venture, which are not included in consolidation that they are immaterial or which are immaterial, that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value.

**Financial Borrowings**

Financial borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement over the borrowing period. Borrowing costs are charged to income statement when they incur and reclassified to bank loans.

**Receivables and Payables**

The trade receivables and payables derived from providing services or selling goods by the Group and purchasing goods or receiving services are clarified with deferred financial income and expense in the accompanying financial statements. Post clarification, trade receivables and trade payables are calculated from the values of following the record of the original invoice values, by rediscounting with effective interest rate method. Short term receivables without designated interest rate are reflected the invoice values in case the effective interest rate effect is insignificant.

**Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All of the other borrowing costs are recorded in the income statement in the period in which they are incurred.

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**Provision for Doubtful Receivables**

The Group sets provisions for doubtful receivable when it is realized uncollectible due to objective findings. Amount of this provision is the difference of registered and collectible amounts. All cash flow including the collectible sum amount from guarantee and assurance is discounted on the base of the effective interest rate of trade receivable occurred.

In case of collecting doubtful receivable that is provided, the collected amount is deducted from the provision for doubtful receivable and in case of a remaining balance; the balance is added to other income.

**Inventories**

Inventories are valued at the lower of cost or net realizable value. Inventory costs include purchasing costs. The cost of inventories is determined on the first in first out (FIFO) 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.

**Biological Assets**

Group's biological assets consist of planted tomatoes. Due to no presence of active market for tomatoes, they were reflected in the accompanying consolidated financial statements with their costs minus if there is impairment in the cost then it is deducted.

**Tangible Assets**

Tangible assets are reflected with adjusted cost value according to the inflationary accounting effective as of 01 January 2005 for the entries purchased before 01 January 2005 and acquired cost of entries purchased after 01 January 2005 by deducting the accumulated depreciation.

Tangible assets are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line basis with prorates method based on the estimated useful lives of the assets. Expenses for the repair of property, plant and equipment are normally charged as an expense.

Economic useful lives of assets approximately are as follows:

	<u>Year</u>
Land improvements	10-30
Buildings	50
Machinery, plant and equipments	5-10
Motor vehicles	5
Fixtures and fittings	10

**Intangible Assets**

Intangible assets are reflected with adjusted cost value according to the inflationary accounting effective for the entries purchased before 01 January 2005 and acquired cost of entries purchased after 01 January 2005 by deducting the accumulated amortization.

Intangible assets comprise acquired usage rights, information systems, research and development expenses and other identified rights. They are recorded at acquisition cost and amortized on a straight-line based on pro-rata over their estimated useful lives for a period not exceeding between 10% and 20% for a year.

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**Leasing**

Group acquired assets under finance lease agreements and capitalized at the inception of the lease starting from acquired date. Payables to lease are pursued under financial leasing liability in balance sheet. Calculation of minimum leasing payment is to find out current market value as the valid proportion is calculated practically in financial leasing process then it is, otherwise proportion of interest rate of loan is used as discount factor. Expenses of asset acquisition through financial leasing are included in costs. The liability from financial leasing is decomposed into interest rate and the main loan. Expenses of interest rate are calculated with the fixed interest rate and are issued in related periods.

**Impairment of Assets**

In case of detecting that carrying values of fixed assets fall below the level that can realize / can be gained from this asset in the future due to different events and situations, material and non-material fixed assets are tested in terms of value losses. In the case of being over the value of book value of material and non-material fixed assets realizable value or the value that can be gained from this asset in the future, provision are made for fixed asset value diminution.

**Employee Benefits / Severance Pay**

• **Severance Pay**

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. As of 31 March 2017, such payments are calculated on the basis of 30 days' pay limited to a maximum of TRY 4,426 (31 December 2016: TRY 4,297) per year of employment at the rate of pay applicable at the date of retirement.

Group used "Projection Method" to calculate the termination benefits and the duration to be completed based on the past experience and discounted with rate of Treasury bond at balance sheet date. The calculated profits and losses are reflected in income statements.

• **Social Insurance Premium**

Group, pays social security contribution to social security organization compulsorily. So long as the company pays these premiums, it has no liability. These premiums are reflected as personnel expenses in the period in which they are paid.

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**Taxes**

Taxes on income for the period comprise current tax and the change in the deferred taxes. The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates enacted by the balance sheet date. Deferred tax is accounted for using the “liability” method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable (statutory) profit. Deferred tax is accounted by temporary differences between the values of assets and liabilities in financial statements using “liability method” and the values of financial statements for the legal purpose. Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit. Net deferred tax assets created from term differences deducted in proportion as tax allowances in conditions of there is no certain information for the coming periods.

**Accounting Estimates**

During the preparation of financial statements, the Company management is required to disclose the carrying amount of value of the assets and liabilities stated in the financial statements as of the balance sheet date and to give explanations regarding off balance sheet liabilities, and to provide assumptions that might affect the totals of income and expense realized during the period. However, actual results may vary from these results.

**Provisions, Conditional Liabilities and Conditional Assets**

Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Conditional liabilities and conditional assets

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements of Group if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

**Investments Subject to Equity Pick-up Method**

Equities valued with equity pick-up method are carried at their initial acquisition cost. This amount is accounted by equity pick-up method by restating subject to Group accounting policies calculating the share of company from the net assets.



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**Revenue**

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable. Net sales are calculated after the sales returns and sales discounts are deducted. The main activity of the Group and its subsidiaries manufacture of textiles and agricultural products, sales, marketing, production of electrical energy.

*Sales of goods:*

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

- 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 entity;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Rendering of services:*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The stage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

*Interest income:*

Interest income is accrued in proportion as effective interest rate which reduces estimated cash addition to recorded value of the asset in corresponding period.

*Dividend and other incomes:*

Dividend income which obtained from share investments, is recorded when shareholders' have the right to get dividend.

Other incomes are recorded with the possibility of having the worth giving service or accrual of the facts related with income, making the transfer of risk and benefit, determination of income amount and enrollment of economic benefits related with the procedure.

**Leasing Procedures**

*Operating lease as owner*

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. In operating lease, the rented assets are classified under the tangible fixed assets in the balance sheet. The income from the rent and lease are reflected at the end of procedures in equal amounts in other incomes account. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Group's rental incomes derived from assets subjected to operating lease, are not fixed related to the contracts, those rent incomes are considered as future sales percentage described in the contracts.

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**The Effects of Exchange Rates**

Foreign currency transactions are entered in the accounts with current rates in transaction date. Foreign currency assets and liabilities in the balance sheet are converted to the TRY as the rates in the balance sheet date. Foreign exchange and losses are reflected to the financial statements.

The foreign currency rates for USD, EUR, GBP and CHF used at the end of the period are as following:

	31.03.2017	31.12.2016
USD	3.6386	3.5192
EUR	3.9083	3.7099
GBP	4.5169	4.3189
CHF	3.6437	3.4454

**Derivative Financial Instruments and Instruments to Protect from Risk**

The Group's derivative financial instruments include foreign currency forward contracts and interest rate swap transactions.

At the end of valuation, the derived financial instruments which are appreciated with the reasonable value and associated with income statement will be reflected as a result of valuation to the income sheet.

It has been calculated with comparison of the revalued gains and losses in the forward purchase and sale agreements of foreign currency with the foreign exchange spot rate as of balance sheet date and the revalued original amount calculated with linear method with valid foreign exchange spot rate as of starting date of agreements. Amounts related with income statement have been classified as income/expense accruals under other receivables and other payables in the balance sheet.

**Effects of Change in Currency Rate**

Assets and liabilities in foreign currency and purchase and sale commitments create exchange risk. Foreign exchange risk stemming from depreciation or appreciation of Turkish Lira managed by top management by following the currency position of the Group and taking position according to approved limits.

**Earnings per Share / (Loss)**

The amount of gain / loss per share is calculated by dividing the period gain/ loss of the company with weighted average share unit in the period.

In Turkey, companies can increase their share capital by making distribution of "bonus shares" to existing shareholders from Inflation adjustment difference in shareholder's equity. For the purpose of the earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of "bonus shares" issued without corresponding change in resources by giving them retroactive effect for the period in which they were issued and each earlier period.

**Other Balance Sheet Entries**

Other balance sheet entries are reflected with their book values.

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**Cash Flow Statement**

Cash flow statement is prepared in accordance with communiqué by Capital Market Board.

**Subsequent Events**

Although subsequent events arise after the explanation of the financial information to the public or any announcement related to profitability, it encloses all the events with balance sheet date and authorization date for the diffusion of the balance sheet. Group adjusts the amounts in the financial statements if there exists any events necessitates adjustment.

**Related Parties**

In the presence of one of the following criteria, parties are considered as related to the Company,

- (a) Directly, or indirectly through one or more intermediaries, the party,
  - (i) Controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
  - (ii) Has an interest in Company that gives it significant influence over the Company; or
  - (iii) Has joint control over the Company;
- (b) The party is an associate of the Company,
- (c) The party is a joint venture, in which the Company is a venture,
- (d) The party is member of the key management personnel of the Company or its parent,
- (e) The party is a close member of the family of any individual referred to in (a) or (d),
- (f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e),
- (g) The party has a defined benefit plan for the employees of the Company or a related party of the Company.

Transactions with related parties are transfer of resources or obligations between related parties, regardless of whether a price is charged. Company interacts with its related parties within the frame of ordinary business activities (Note 6).

Details of related parties are as follows:

*Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş. "Osman Akça Tarım Ürünleri"*

Osman Akça Tarım Ürünleri İthalat ve İhracat San. ve Tic. A.Ş. was established on 25 July 1985. Head quarter of The Company is in İzmir. Main activity is established to process the fruit and agricultural products.

*Akçamen Tekstil Sanayi ve Ticaret A.Ş. "Akçamen Tekstil"*

Akçamen Tekstil Sanayi ve Ticaret A.Ş. was established on 26 July 1994. Headquarter of the Company is in İzmir. On 11 November 2008 in the Trade Registry Gazette numbered 7186, the Company's headquarter was changed to Denizli. Main activity is to produce cotton.

*Ak-San Sigorta ve Aracılık Hizmetleri Ltd. Şti. "Aksan Sigorta"*

Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti. was established on 13 March 1997. Head quarter of the Company is in İzmir. Main activity is insurance intermediary services.

*Selin Tekstil Sanayi ve Ticaret A.Ş. "Selin Tekstil"*

Selin Tekstil Sanayi ve Ticaret A.Ş. was established in 1992. Head quarter of The Company is in Denizli. Main activity is outsourcing of textile manufacturing.

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Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. "Akçasaraylı Tekstil"

Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. was established in 1990 in İzmir. It is engaged of the sale of textile products.

A trademark lease contract was made between Menderes Tekstil San. and Tic. A.Ş. and Akça Saraylı Tekstil San. ve Tic. Ltd. Şti. With this contract signed, Akça Saraylı Tekstil San. ve Tic. Ltd.Şti. is obliged to pay 2% of its annual net sales to Menderes Tekstil San. ve Tic. A.Ş. as a leasing fee. Consequently, Akça Saraylı Tekstil San. ve Tic. Ltd. Şti. leased the trademarks of Mendereshome Store-Menderesstore-Menderestore.

Akça Holding A.Ş. "Akça Holding"

Akça Holding A.Ş. was established in 1994 in İzmir. It is engaged in providing financial support to the group firms.

Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş. "Akça Solar"

Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş. was established in 4 September 2012 in Denizli. It is engaged in the production and sale of every kind of renewable energy (sun energy, wind energy, etc.). The Company does not operate yet.

**2.g .Critical Accounting Estimates, Assumptions and Judgments**

Accounting estimates that have important affects on the assets and liabilities are as follows:

*Deferred financing income / losses:*

Available maturity rates are used during calculating the values of treaded of receivables and payable by effective interest rate method.

*Useful lives:*

Tangible and intangible fixed assets are amortisated and depreciated on useful lives.

*Provision for severance pay:*

Provision for severance pay is determined on balance sheet date based on employee turnover rates by calculating employee turnover rates accordingly past experiences and expectations.

*Provisions for litigation:*

When setting aside the provision for legal claims the probability of losing the related case and the results to expect to be suffered in the event that the legal counsel of the Group and management of the Group make their best estimates to calculate the provision.

*Distinction of tangible fixed assets and Investment properties:*

The Group has classified the properties which it owns and rented as investment properties. Registered values of the relevant facilities which recognised together with gas stations on the statutory records of the Group have been classified based on the net cash flow which they will create in the future.

The used assumptions are indicated in the related accounting policies or footnotes.

**2.h. Segment Reporting of Operation Results**

Group mainly operates in textile and agriculture sectors, agricultural production is conducting by Smyrna. Balance sheet items and operating results are given in Note 3.

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**2.i. Accounting of Business Mergers under Common Control**

Public Oversight Accounting and Auditing Standard Authority (POA) has published principal related with transaction under common control in official journal as of 21 July 2013. Due to making up the difference related to applied accounting policies, the accounting principles those are indicated below must be applied hierarchically.

- i) Goodwill should not be included in the financial statements by the reason of accounting through the business mergers including common control business method (pooling of interest),
- ii) While using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of beginning of the reporting period when common control occurs and should be presented by comparatively from the beginning of reporting period when common control occurred,
- iii) The financial statements must be reorganized in accordance with the IAS rules including business accounting when group controller company of consolidation obtains the controlling companies shares those are in business combinations, also for the following periods,
- iv) Due to removal of possible asset-liability mismatch after business mergers subject to common control, "Effect of the Mergers Subject to Common Control" account under the shareholders equity is used as an equaliser.

This decision will enter into force on the date of publication to be valid on annual reporting periods after 31 December 2012. Companies that have different applications of accounting principles should consider the stated accounting principles as change in accounting policy, and make necessary corrections from the first annual financial statements and companies who are obliged to make interim period reporting must give information about the topic in the footnotes.

On 18 July 2016, the Company acquired the share of Tan Elektrik Üretim A.Ş. (Tan Elektrik) management privilege from Akça Group (nomination of more than one half of the members of the board of directors) by paying TL 1,800,000 to common control Smyrna Seracılık Ticaret A.Ş., equal to 15% of total shares. With the general assembly meeting decision held on 21 December 2016, paid-in capital of the Tan Elektrik increased from TRY 12,000,000 to TRY 30,000,000 and the increased portion of TRY 18,000,000 was fully paid by the Company. With this capital increase, the Company's direct shares in Tan Elektrik increased to 66% and direct + indirect shares increased to 67.90%. With the extraordinary general meeting decision held on 21 December 2016, paid-in capital of the Akça Enerji Üretim Otoproduktöre Grubu A.Ş. (subsidiary of the Group) increased from TRY 28,000,000 to TRY 70,000,000 and the increased portion of TRY 42,000,000 was fully paid by the Company. With this capital increase, the Company's direct shares in Akça Enerji increased to 68% and direct + indirect shares increased to 80.42%.

Company evaluate the purchasing transaction by method "combination of rights" within the frame of "Accounting of Business Combinations Under Common Control" oriented resolution (2013-2) Applying the Turkish Accounting Standards published by Public Oversight Accounting and Auditing Standards Authority. Company reorganize consolidate financial statements as if actualize purchasing transaction as start of reporting period that occurred common control and company rendered consolidate financial statements as comparative dating from start of reporting period. Goodwill or negative goodwill is not calculated as a result of these transactions. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted under shareholder's equity as effect of combinations including business subject to common control.

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**NOTE 3 – SEGMENT REPORTING**

<b>31 March 2017</b>	<b>Textile Sector</b>	<b>Agricultural Sector</b>	<b>Energy Sector</b>	<b>Elimination</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	7,441,146	6,545	1,188,919	-	8,636,610
Financial Investments	2,205,127	-	-	-	2,205,127
Trade Receivables	49,406,489	2,318,513	1,704,352	(497,255)	52,932,099
Other Receivables	167,018,912	520,968	12,389	(68,043,669)	99,508,600
Derivative Financial Instruments	469,848	-	-	-	469,848
Inventories	241,171,503	515,803	299,053	-	241,986,359
Biological Assets	-	4,283,659	-	-	4,283,659
Prepaid Expenses	2,803,308	208,161	148,223	-	3,159,692
Current Tax Assets	440,784	55,779	4,258	-	500,821
Other Current Assets	19,812,393	3,829,983	13,196,967	-	36,839,343
<b>Current Assets</b>	<b>490,769,510</b>	<b>11,739,411</b>	<b>16,554,161</b>	<b>(68,540,924)</b>	<b>450,522,158</b>
Financial Investments	76,900,000	950,000	22,450,010	(90,650,010)	9,650,000
Other Receivables	48,052	14,721	100,447	-	163,220
Investments Valued by Equity Pick-up Method	157,913,883	-	-	-	157,913,883
Tangible Assets	119,760,929	21,858,477	129,482,503	-	271,101,909
Intangible Assets	126,811	6,133	17,055	-	149,999
Prepaid Expenses	724,163	125,211	6,487,079	-	7,336,453
Deferred Tax Assets	13,336,122	659,616	4,320,969	(2,337,530)	15,979,177
<b>Non-Current Assets</b>	<b>368,809,960</b>	<b>23,614,158</b>	<b>162,858,063</b>	<b>(92,987,540)</b>	<b>462,294,641</b>
<b>TOTAL ASSETS</b>	<b>859,579,470</b>	<b>35,353,569</b>	<b>179,412,224</b>	<b>(161,528,464)</b>	<b>912,816,799</b>
<b>LIABILITIES</b>					
Financial Borrowings	271,923,844	-	-	-	271,923,844
Current Installments of Long Term Financial Borrowings	45,610,974	3,786,329	7,523,046	-	56,920,349
Trade Payables	118,004,165	1,646,646	2,617,947	(497,255)	121,771,503
Employee Benefits Liabilities	6,330,612	357,195	138,266	-	6,826,073
Other Payables	5,891,557	18,435,495	50,297,015	(68,043,669)	6,580,398
Derivative Instruments	27,516	-	-	-	27,516
Deferred Income	12,259,377	-	-	-	12,259,377
Net Profit Tax Liability for the Period	-	-	-	-	-
Current Provisions	2,035,840	-	102,187	-	2,138,027
<b>Current Liabilities</b>	<b>462,083,885</b>	<b>24,225,665</b>	<b>60,678,461</b>	<b>(68,540,924)</b>	<b>478,447,087</b>
Long Term Borrowings	43,504,847	-	58,475,609	-	101,980,456
Trade Payables	-	-	20,685,850	-	20,685,850
Provisions For Long Term Employee Benefits	27,636,603	518,334	81,721	-	28,236,658
Deferred Income	441,833	-	-	-	441,833
Deferred Tax Liabilities	343,891	586,100	1,737,235	(2,337,530)	329,696
<b>Non-Current Liabilities</b>	<b>71,927,174</b>	<b>1,104,434</b>	<b>80,980,415</b>	<b>(2,337,530)</b>	<b>151,674,493</b>
Paid in Capital	250,000,000	12,000,000	100,000,000	(112,000,000)	250,000,000
Inflationary Adjustments of Shareholders' Equity	485,133	-	-	-	485,133
Effect of Business Mergers Subject to Common Control	-	-	-	(25,567,435)	(25,567,435)
Actuarial Benefit / Loss of the Retirement Plans	799,336	25,503	(4,276)	(4,585)	815,978
Restricted Reserves	10,147,245	62,532	127,759	(127,759)	10,209,777
Retained Earnings / Losses	57,165,816	(3,497,572)	(56,575,319)	44,314,268	41,407,192
Net Profit / Loss for the Period	6,970,881	1,433,007	(5,794,816)	1,195,454	3,804,527
Minority Interest	-	-	-	1,540,047	1,540,047
<b>SHAREHOLDERS' EQUITY</b>	<b>325,568,411</b>	<b>10,023,470</b>	<b>37,753,348</b>	<b>(90,650,010)</b>	<b>282,695,219</b>
<b>TOTAL LIABILITIES</b>	<b>859,579,470</b>	<b>35,353,569</b>	<b>179,412,224</b>	<b>(161,528,464)</b>	<b>912,816,799</b>

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31 March 2017	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
Revenue	122,077,032	9,070,128	5,866,605	(129,035)	136,884,730
Cost of Sales (-)	(98,513,706)	(6,262,234)	(5,018,949)	129,035	(109,665,854)
<b>GROSS PROFIT/LOSS</b>	<b>23,563,326</b>	<b>2,807,894</b>	<b>847,656</b>	-	<b>27,218,876</b>
General Administrative Expenses (-)	(3,321,148)	(141,376)	(269,725)	11,145	(3,721,104)
Marketing Expenses (-)	(4,077,426)	(110,381)	(15,623)	-	(4,203,430)
Research and Development Expenses(-)	-	-	-	-	-
Other Operating Income	2,806,767	114,904	123,021	(11,145)	3,033,547
Other Operating Expenses (-)	(4,118,841)	(53,270)	(1,184,905)	-	(5,357,016)
<b>OPERATING PROFIT/LOSS</b>	<b>14,852,678</b>	<b>2,617,771</b>	<b>(499,576)</b>	-	<b>16,970,873</b>
Income From Investment Activities	55,046	-	-	-	55,046
Expenses From Investment Activities (-)	(74)	-	-	-	(74)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	5,403,489	-	-	-	5,403,489
<b>OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES</b>	<b>20,311,139</b>	<b>2,617,771</b>	<b>(499,576)</b>	-	<b>22,429,334</b>
Financial Income (+)	7,306,529	9,356	12,800	(1,582,352)	5,746,333
Financial Expenses (-)	(19,427,903)	(835,632)	(5,047,948)	1,582,352	(23,729,131)
<b>OPERATING ACTIVITY PROFIT/(LOSS) BEFORE TAXATION</b>	<b>8,189,765</b>	<b>1,791,495</b>	<b>(5,534,724)</b>	-	<b>4,446,536</b>
<b>Operating Activity Tax Income / (Expense)</b>					
- Income/Expense Tax for the period	-	-	-	-	-
- Deferred Tax Income/Expense	(1,218,884)	(358,488)	(260,092)	-	(1,837,464)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>6,970,881</b>	<b>1,433,007</b>	<b>(5,794,816)</b>	-	<b>2,609,072</b>

31 March 2017	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
<b>Details of Assets by Segments</b>					
Total Tangible Assets (Net Book Value)	119,760,929	21,858,477	129,482,503	-	271,101,909
Purchases of Tangible Assets	2,813,547	5,372	3,757,069	-	6,575,988
Depreciation Expenses	3,870,858	558,823	2,664,096	-	7,093,777
Total Assets	21,892,398	2,134,351	1,161,746		25,188,495
Total Liabilities	422,572,637	3,786,340	66,041,249		492,400,226
Net Asset/ (Liability) Position of Foreign Currency Derivative Instruments Out of Financial Statements	(6,997,792)	-	-	-	(6,997,792)
Net Foreign Currency Asset/ Liabilities	(407,678,031)	(1,651,989)	(64,879,503)	-	(474,209,523)
Export	89,835,725	6,672,999	-	-	96,508,724
Import	68,355,863	-	39,504	-	68,395,367
Total Payables	534,011,059	25,330,099	141,658,876	(70,878,454)	630,121,580
Cash Equivalents	(7,441,146)	(6,545)	(1,188,919)	-	(8,636,610)
Net Payables	526,569,913	25,323,554	140,469,957	(70,878,454)	621,484,970
Total Equity	325,568,411	10,023,470	37,753,348	(90,650,010)	282,695,219
Total Capital	852,138,324	35,347,024	178,223,305	(161,528,464)	904,180,189
Net Borrowings/Total Capital Ratio	62%	72%	79%	44%	69%

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**Information On The Geographical Region**

On a country basis distribution of foreign revenue obtained from the Group's textile sector activities are as follows:

<b>Region</b>	<b>01.01- 31.03.2017</b>	<b>01.01- 31.03.2016</b>
Germany	49%	65%
Italy	13%	8%
Holland	10%	2%
Poland	5%	0%
France	5%	5%
England	4%	2%
China	4%	2%
U.S.A.	2%	5%
Others	8%	11%
	100%	100%

**Information About Major Clients**

Group's sales related activities are determined according to market fluctuations in domestic and foreign and conditions of competitions. As of 31 March 2017, it is being taken care of that any certain sector, country, individual and company are concentrated in terms of risk dispersions. The share of the biggest purchaser in the revenue achieved from textile activity is 55,22%. (31.03.2016: 37,70%).

**NOTE 4 – CASH AND CASH EQUIVALENTS**

As of 31 March 2017 and 31 December 2016, the details of cash and cash equivalents are as follows:

	<b>31.03.2017</b>	<b>31.12.2016</b>
Cash	62,986	23,137
<b>Banks</b>	<b>8,531,753</b>	<b>16,753,050</b>
<i>Demand deposits</i>	2,053,953	2,025,142
<i>Time deposits</i>	6,477,800	14,727,908
Interest accruals for banks	41,871	147,338
	<b>8,636,610</b>	<b>16,923,525</b>

As of 31 March 2017 and 31 December 2016, maturity schedule of time deposits in the cash and cash equivalents are as follows:

	<b>31.03.2017</b>	<b>31.12.2016</b>
Within 1 month	2,111,480	4,486,078
1-3 months	4,366,320	10,241,830
	<b>6,477,800</b>	<b>14,727,908</b>



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As of 31 March 2017, effective interest rates of time deposits in USD is 2.55% (31.12.2016: for TRY 9.32%, USD 1.86%) respectively.

As of 31 March 2017, average maturity date of time deposits is 43 days (31 December 2016: 45 days). As of 31 March 2017, time deposits consist of 1,780,300 USD (TRY 6,477,800) (31.12.2016: TRY 2,932,798 and USD 3,351,645 – (TRY 11,795,110)).

As of 31 March 2017, the Group's time deposits within the 3 months have hypothec against loans used from Şekerbank T.A.Ş., with USD 1,650,000 (TRY 6,003,690) (31.12.2016: USD 2,450,000 (TRY 8,622,040)).

**NOTE 5 – FINANCIAL INVESTMENTS**

**Short term financial investments**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Deposits with maturities over 3 months	2,183,160	3,343,240
Bank interest accruals	21,967	17,140
	<b>2,205,127</b>	<b>3,360,380</b>

As of 31 March 2017, the average maturity of time deposits are 94 days. (31.12.2016: 135). As of 31 March 2017, time deposit are consist of USD 600,000 (TRY 2,183,160) (31.12.2016: USD 950,000 (TRY 3,343,240)).

As of 31 March 2017, the blockage's amount more than 3 months on bank deposits of the Group are USD 600,000 (TRY 2,183,160) for the borrowings which are taken from Şekerbank T.A.Ş. (31.12.2016: USD 950,000 (TRY 3,343,240)).

**Long term financial investments**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	9,650,000	9,650,000
	<b>9,650,000</b>	<b>9,650,000</b>

As of 31 March 2017 and 31 December 2016, long term financial investments are consist of Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş. subsidiary amount with 8.04% belonging to Akça Enerji Üretim Otoprodüktör Grubu A.Ş., subsidiary of the Group.

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**NOTE 6 – RELATED PARTY TRANSACTIONS**

**i) Due from / to related parties:**

**a) Trade receivables from related parties (Note 7):**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Menderes Tekstil Pazarlama A.Ş.	19,891,224	13,271,513
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	2,625,749	2,228,880
Aktur Araç Muayene İstasyonları İşl. A.Ş.	20,520	-
Akca Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	4,323	-
Unearned interests (-)	(287,681)	(198,344)
	<b>22,254,135</b>	<b>15,302,049</b>

**b) Trade payables to related parties (Note 7):**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Selin Tekstil Sanayi ve Ticaret A.Ş.	9,577,484	7,597,687
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	152,771	-
Akçamen Tekstil A.Ş.	-	143,490
Unearned interests (-)	(61,032)	(41,019)
	<b>9,669,223</b>	<b>7,700,158</b>

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**c) Other receivables from related parties (Note 9):**

	<b>31.03.2017</b>	<b>31.12.2016</b>
<b>Due from shareholders</b>		
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	94,739,666	95,754,169
<b>Other receivables from related parties</b>		
Menderes Tekstil Pazarlama A.Ş.	33,000	-
Akça Solar Üretim Sanayi Ticaret A.Ş.	26,627	136,269
	<b>94,799,293</b>	<b>95,890,438</b>

**d) Other payables to related parties (Note 9):**

	<b>31.03.2017</b>	<b>31.12.2016</b>
<b>Due to shareholders</b>		
Rıza Akça	626,443	491,342
Akça Holding A.Ş.	-	179,596
<b>Other payables to related parties</b>		
Akça Solar Üretim Sanayi Ticaret A.Ş.	-	181,829
	<b>626,443</b>	<b>852,767</b>

**e) Advances given to related parties:**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Rıza Akça	60,795	93,969
	<b>60,795</b>	<b>93,969</b>

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**ii) Major sales to related parties and major purchases from related parties:**

**a) Sales to related parties:**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Menderes Tekstil Pazarlama A.Ş.	19,491,142	14,758,392
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	922,582	708,438
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	49,153	20,466
Aktur Araç Muayene İstasyonları İşl. A.Ş.	19,000	-
	<b>20,481,877</b>	<b>15,487,296</b>

**b) Purchases of fixed assets from related parties**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	38,290	-
Akçamen Tekstil Sanayi Ticaret A.Ş.	-	775,500
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	-	46,610
	<b>38,290</b>	<b>822,110</b>

**c) Purchases from related parties:**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Selin Tekstil Sanayi ve Ticaret A.Ş.	10,291,251	9,905,000
Akça Holding A.Ş.	8,631	5,313
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	-	1,019
Aktur Araç Muayene İstasyonları İşl. A.Ş.	494	256
	<b>10,300,376</b>	<b>9,911,588</b>

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**iii) Other income and expenses resulting from transactions with related parties:**

**a) Benefits provided to senior management (Member of the board of directors, general manager and deputy general manager), gross:**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Benefits provided to senior management	89,959	120,549
	<b>89,959</b>	<b>120,549</b>

**b) Service expenses paid to related parties:**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Akça Holding A.Ş.	142,966	129,557
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	50,299	42,660
	<b>193,265</b>	<b>172,217</b>

**c) Rent income from related parties:**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	22,950	21,000
Akça Holding A.Ş.	22,950	21,000
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	23,100	21,000
Selin Tekstil Sanayi ve Ticaret A.Ş.	8,100	8,100
Menderes Tekstil Pazarlama A.Ş.	3,210	3,210
Akçamen Tekstil Sanayi Ticaret A.Ş.	2,580	2,580
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	2,100	2,100
	<b>84,990</b>	<b>78,990</b>

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**d) Rent expenses paid to related parties:**

	<b>01.01.-</b> <b>31.03.2017</b>	<b>01.01.-</b> <b>31.03.2016</b>
Menderes Tekstil Pazarlama A.Ş.	99,000	90,000
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	9,066	8,730
	<b>108,066</b>	<b>98,730</b>

**e) Service income from related parties:**

	<b>01.01.-</b> <b>31.03.2017</b>	<b>01.01.-</b> <b>31.03.2016</b>
Menderes Tekstil Pazarlama A.Ş.	19,350	17,700
	<b>19,350</b>	<b>17,700</b>

**f) Foreign exchange income from related parties (Note 27.1):**

	<b>01.01.-</b> <b>31.03.2017</b>	<b>01.01.-</b> <b>31.03.2016</b>
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	3,404	201,179
Akça Holding A.Ş.	-	1,364
	<b>3,404</b>	<b>202,543</b>

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**g) Interest income from related parties (Note 27.1):**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	2,306,314	2,852,148
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	-	105,768
Akça Holding A.Ş.	-	11,317
Akça Solar Enerji Üretim San. ve Tic. A.Ş.	3,664	6,418
	<b>2,309,978</b>	<b>2,975,651</b>

**h) Foreign exchange losses paid to the related parties (Note 27.2):**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	101,197
Akça Holding A.Ş.	-	6,603
	-	<b>107,800</b>

**i) Interest expenses paid to related parties (Note 27.2):**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	9,034
Akça Holding A.Ş.	-	431
	-	<b>9,465</b>

**j) Maturity interest expenses paid to related parties (Note 27.2):**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Akçamen Tekstil Sanayi Ticaret A.Ş.	-	4,760
Akça Solar Üretim Sanayi Ticaret A.Ş.	-	4,475
	-	<b>9,235</b>

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**NOTE 7 – TRADE RECEIVABLES AND TRADE PAYABLES**

**Short Term Trade Receivables**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Trade receivables	28,066,302	27,188,384
Cheques and notes	1,335,287	1,065,695
Unearned interest on trade receivables	(149,749)	(104,426)
Doubtful trade receivables	25,376	25,376
Provision for doubtful receivables (-)	(25,376)	(25,376)
Income accruals	1,426,124	1,291,712
<b>Trade Receivables From Third Parties</b>	<b>30,677,964</b>	<b>29,441,365</b>
Trade receivables from related parties (Note 6-i-a)	22,541,816	15,500,393
Unearned interests on receivables from related parties (Note 6-i-a)	(287,681)	(198,344)
<b>Trade Receivables From Related Parties</b>	<b>22,254,135</b>	<b>15,302,049</b>
<b>Total Short-Term Trade Receivables</b>	<b>52,932,099</b>	<b>44,743,414</b>

As of 31 March 2017, the average maturity of trade receivables are 32 days (31 December 2016: 25 days).

Maturity schedule of notes receivables as of 31 March 2017 and 31 December 2016 are as follows:

	<b>31.03.2017</b>	<b>31.12.2016</b>
1-30 days	163,850	416,976
31-60 days	135,955	6,000
61-90 days	135,901	206,009
91-120 days	213,370	244,710
121-150 days	173,789	192,000
151-180 days	155,175	-
181-210 days	296,110	-
211-240 days	61,137	-
	<b>1,335,287</b>	<b>1,065,695</b>



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As of 31 March 2017 and 31 December 2016, provision for doubtful receivables movement schedule is as follows:

	<b>31.03.2017</b>	<b>31.12.2016</b>
Opening balance	25,376	543,793
Collections for the period	-	-
Offsetting of balances that can not be collected (*)	-	(521,773)
Provision for the period	-	3,356
<b>Closing Balance</b>	<b>25,376</b>	<b>25,376</b>

(\*)The balances not available for collection and the provision reserved before are offsetted with reciprocatively.

**Short Term Trade Payables**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Trade payables	81,058,691	64,733,488
Unearned interests on trade payables	(860,170)	(769,739)
Notes payables	31,172,715	15,794,011
Unearned interests on payables	(283,574)	(158,466)
Expense accruals	1,014,618	1,849,321
<b>Trade Payables To Third Parties</b>	<b>112,102,280</b>	<b>81,448,615</b>
Payables to related parties (Note 6-i-b)	9,730,255	7,741,177
Unearned interests on notes payables to related parties (Note 6-i-b)	(61,032)	(41,019)
<b>Trade Payables to Related Parties</b>	<b>9,669,223</b>	<b>7,700,158</b>
<b>Total Short Term Trade Payables</b>	<b>121,771,503</b>	<b>89,148,773</b>

As of 31 March 2017, the average maturity of trade payables are 87 days (31 December 2016: 52 days).

As of 31 March 2017, sureties were given amounting to USD 7,711,799 (TRY 28,060,153) for trade payables of the Group by bank (31.12.2016: USD 2,766,613 (TRY 9,736,264) and EUR 110,900 (TRY 411,428)). (Note:18)

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As of 31 March 2017 and 31 December 2016, maturity breakdown of notes payables are as follows:

	<b>31.03.2017</b>	<b>31.12.2016</b>
1 – 30 days	6,054,087	5,481,068
31 – 60 days	7,196,162	4,514,415
61 – 90 days	9,275,715	2,754,855
91 – 120 days	4,487,831	882,831
121 – 150 days	3,101,160	2,160,842
151 – 180 days	1,057,760	-
	<b>31,172,715</b>	<b>15,794,011</b>

**Long Term Trade Payables**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Trade Payables	20,685,850	19,635,759
	<b>20,685,850</b>	<b>19,635,759</b>

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**NOTE 8 – FINANCIAL BORROWINGS**

	<b>31.03.2017</b>	<b>31.12.2016</b>
<b>Short Term Borrowings:</b>		
TRY borrowings	277,988	42,319
USD borrowings	98,096,351	144,072,581
EUR borrowings	171,796,206	110,248,821
GBP borrowings	1,044,164	368,570
<b>Accrued Interest of Short Term Borrowings:</b>		
USD accrued interest of borrowings	557,077	404,831
EUR accrued interest of borrowings	151,959	278,302
GBP accrued interest of borrowings	99	69
<b>Short Term Financial Borrowings</b>	<b>271,923,844</b>	<b>255,415,493</b>
<b>Lease Payables:</b>		
USD lease payables, net	5,271,775	5,604,488
<b>Borrowings</b>	16,165,262	3,076,660
USD borrowings	33,758,060	22,869,303
EUR borrowings		
<b>Accrued Interests of Long Term Borrowings</b>		
USD accrued interest of borrowings	710,987	347,830
EUR accrued interest of borrowings	1,014,265	1,070,908
<b>Current Installments of Long-Term Borrowings</b>	<b>56,920,349</b>	<b>32,969,189</b>
<b>Long Term Lease Payables:</b>		
EUR lease payables, net	1,596,255	2,547,808
<b>Long Term Borrowings:</b>		
USD borrowings	19,271,757	18,299,634
EUR borrowings	81,112,444	85,272,727
<b>Long Term Financial Borrowings</b>	<b>101,980,456</b>	<b>106,120,169</b>
<b>Total Financial Liabilities</b>	<b>430,824,649</b>	<b>394,504,851</b>

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As of 31 March 2017 and 31 December 2016, maturity analyses of borrowings and other financial borrowings are as follows:

	<b>31.03.2017</b>	<b>31.12.2016</b>
Within 3 months	149,350,465	120,843,551
Between 3 - 12 months	171,787,566	159,834,703
Between 1 - 5 years	69,648,678	73,090,446
More than 5 years	30,735,523	30,481,915
	<b>421,522,232</b>	<b>384,250,615</b>

As of 31 March 2017 and 31 December 2016, maturity schedule of long term bank borrowings are as follows:

	<b>31.03.2017</b>	<b>31.12.2016</b>
Between 1-2 years	22,007,437	26,501,708
Between 2-3 years	18,709,751	19,719,706
Between 3-4 years	14,801,451	14,491,839
Between 4-5 years	14,130,037	12,377,195
Between 5-6 years	6,935,021	6,958,956
Between 6-7 years	6,935,021	6,526,750
Between 7-8 years	5,014,679	4,983,348
Between 8-9 years	2,912,714	2,750,343
Between 9-10 years	2,912,714	2,664,143
Between 10-11 years	2,912,714	2,664,143
Between 11-12 years	1,732,408	2,664,143
Between 12-13 years	552,101	423,363
Between 13-14 years	552,101	423,363
Between 14-15 years	276,052	423,361
	<b>100,384,201</b>	<b>103,572,361</b>

As of 31 March 2017, effective interest rates for USD, EUR and GBP bank loans are 3.88%, 2.84% and 3.40% (31.12.2016: USD 3.24%, EUR 3.32% and GBP 3.40%) respectively.

For the bank loans used, the Group has a pledge on their bank deposits.

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions is USD 130,950,000 (TRY 476,474,670), EUR 21,000,000 (TRY 82,074,300) and TRY 73,910,000.

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As of 31 March 2017 and 31 December 2016, the details of financial leasing borrowings of Group are as follows:

	<b>31.03.2017</b>	<b>31.12.2016</b>
Short term lease payables	5,454,665	5,835,314
Cost of deferred lease payables (-)	(182,890)	(230,826)
	<b>5,271,775</b>	<b>5,604,488</b>
	<b>31.03.2017</b>	<b>31.12.2016</b>
Long term lease payables	1,624,748	2,598,464
Cost of deferred lease payables (-)	(28,493)	(50,656)
	<b>1,596,255</b>	<b>2,547,808</b>

As of 31 March 2017, the repayment schedule of lease payables are as follows:

	<b>Lease payables</b>	<b>Cost of deferred lease payables</b>	<b>Total liabilities</b>
Between 0 – 1 years	5,454,665	(182,890)	5,271,775
Between 1 – 2 years	1,593,544	(28,331)	1,565,213
Between 2 – 3 years	31,204	(162)	31,042
	<b>7,079,413</b>	<b>(211,383)</b>	<b>6,868,030</b>

As of 31 December 2016, the repayment schedule of lease payables are as follows:

	<b>Lease payables</b>	<b>Cost of deferred lease payables</b>	<b>Total liabilities</b>
Between 0 – 1 years	5,835,314	(230,826)	5,604,488
Between 1 – 2 years	2,480,094	(49,450)	2,430,644
Between 2 – 3 years	118,370	(1,206)	117,164
	<b>8,433,778</b>	<b>(281,482)</b>	<b>8,152,296</b>

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**NOTE 9 – OTHER RECEIVABLES AND PAYABLES**

**Other Current Receivables**

**Other Current Receivables**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Deposit and guarantees given	43,310	11,700
VAT return receivables	4,621,195	3,182,540
Other receivables	44,802	1,998,969
Checks and notes received as advance	-	50,000
<b>Other Receivables from Third Parties</b>	<b>4,709,307</b>	<b>5,243,209</b>
Receivables from shareholders (Note 6-i-c) (*)	94,739,666	95,754,169
Receivables from related parties (Note 6-i-c)	59,627	136,269
<b>Other Receivables From Related Parties</b>	<b>94,799,293</b>	<b>95,890,438</b>
<b>Total Other Current Receivables</b>	<b>99,508,600</b>	<b>101,133,647</b>

As of 31 March 2017, non-trade receivables from related parties comprise 21.04% of total current assets and 10.39% of total assets. (As of 31 December 2016, it composes 24.94% of the total current assets and 11.44% of total assets).

(\*) The amount of TRY 94,739,666 receivables from shareholders consists of financial receivables from Osman Akça Tarım Ürün. İth. İhr. San. Ve Tic. A.Ş. and is not based on any type of protocol. The amount has been exhibiting increases and decreases in the period, interest for the amount is calculated and reflected to the accompanying consolidated financial statements. For the period of 01.01-31.03.2017, the calculated interest for the amount, TRY 2,306,314 is recorded on the accompanying income statement.

**Other Non-Current Receivables**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Deposits and guarantees given	163,220	175,624
	<b>163,220</b>	<b>175,624</b>

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**Other Current Payables**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Deposit and guarantees received	8,400	-
Taxes and funds payables	1,257,295	1,684,599
Provision of tax base increase under Law No. 6736	4,671,087	1,647,699
Checks and notes given as advance	17,173	-
<b>Other Payables to Third Parties</b>	<b>5,953,955</b>	<b>3,332,298</b>
Payables to shareholders (Note 6-i-d)	626,443	670,938
Payables to related parties (Note 6-i-d)	-	181,829
<b>Other Payables to Related Parties</b>	<b>626,443</b>	<b>852,767</b>
<b>Total Other Current Payables</b>	<b>6,580,398</b>	<b>4,185,065</b>

**NOTE 10 – DERIVATIVE INSTRUMENTS**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Income accrual of forward exchange	469,848	444,784
	<b>469,848</b>	<b>444,784</b>
	<b>31.03.2017</b>	<b>31.12.2016</b>
Expense accrual of forward exchange	27,516	-
	<b>27,516</b>	<b>-</b>

**NOTE 11 – INVENTORIES**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Raw materials	108,629,660	88,680,484
Work in progress	109,155,719	60,271,642
Finished goods	23,545,717	26,581,922
Merchandises	655,263	597,620
	<b>241,986,359</b>	<b>176,131,668</b>

All of the Group inventory is covered by insurance coverage.

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**NOTE 12 – BIOLOGICAL ASSETS**

**Current Biological Assets**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Biological assets (Tomato)	4,283,659	5,758,644
	<b>4,283,659</b>	<b>5,758,644</b>

Group's biological assets consist of tomatoes. If available impairment and cost is indicated after provision in the consolidated financial statements due to no presence of active market for growing tomatoes, they are reflected in the accompanying consolidated financial statements with their cost values, if there is impairment, they are reflected to financial statements after accounting of provision.

**NOTE 13 – PREPAID EXPENSES AND DEFERRED INCOME**

**Short Term Prepaid Expenses**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Order advances given	2,178,711	634,335
Prepaid expenses	900,985	1,050,227
Advances given for business purposes	79,996	95,076
	<b>3,159,692</b>	<b>1,779,638</b>

**Long Term Prepaid Expenses**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Advances given for purchases of tangible assets	7,129,529	1,854,883
Prepaid expenses	206,924	211,026
	<b>7,336,453</b>	<b>2,065,909</b>

**Short Term Deferred Income**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Advances received	11,948,643	14,984,940
Deferred income	310,734	310,727
	<b>12,259,377</b>	<b>15,295,667</b>

**Long Term Deferred Income**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Deferred income	441,833	518,458
	<b>441,833</b>	<b>518,458</b>



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**NOTE 14 – ASSETS RELATED TO CURRENT YEAR TAX**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Prepaid taxes and funds	500,821	479,406
	<b>500,821</b>	<b>479,406</b>

**NOTE 15 – INVESTMENTS VALUED BY EQUITY PICK-UP METHOD**

As of 31 March 2017 and 31 December 2016, the companies accounted according to the equity pick up method are as follows:

	<b>31.03.2017</b>	<b>Share(%)</b>	<b>31.12.2016</b>	<b>Share (%)</b>
Menderes Tekstil Pazarlama A.Ş.	8,821,264	45%	8,664,532	45%
Aktur Araç Muayene İstasyon İşletmeleri A.Ş.	149,092,619	48%	143,845,862	48%
	<b>157,913,883</b>		<b>152,510,394</b>	

The total assets, liabilities and owner's equity of the investments which are evaluated by the equity pick up method with their summary of income statement related to the periods ended 31 March 2017 and 31 December 2016, are as follows:

*Menderes Tekstil Pazarlama A.Ş.*

	<b>31.03.2017</b>	<b>31.12.2016</b>
Current assets	29,516,293	22,953,623
Non-current assets	10,457,120	10,498,801
<b>Total Assets</b>	<b>39,973,413</b>	<b>33,452,424</b>
Current liabilities	19,919,232	13,796,692
Non-current liabilities	451,372	401,216
Shareholders' equity	19,602,809	19,254,516
<b>Total Equities</b>	<b>39,973,413</b>	<b>33,452,424</b>
Sales, net	20,954,972	67,785,471
Cost of sales	(20,224,832)	(65,071,076)
Net profit / (loss)	333,449	(6,929,726)

*Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.*

	<b>31.03.2017</b>	<b>31.12.2016</b>
Current assets	71,109,960	78,535,787
Non-current assets	334,710,153	342,969,701
<b>Total Assets</b>	<b>405,820,113</b>	<b>421,505,488</b>
Current liabilities	35,945,281	63,295,852
Non-current liabilities	59,265,209	58,530,757
Shareholders' equity	310,609,623	299,678,879
<b>Total Equities</b>	<b>405,820,113</b>	<b>421,505,488</b>
Sales, net	67,133,322	262,268,806
Cost of sales	(58,691,745)	(224,037,011)
Net profit / (loss)	12,571,405	42,143,262

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**NOT 16 – TANGIBLE FIXED ASSETS**

Cost Value	Land	Land Improvements	Buildings	Property, plant and equipment	Vehicles	Fixtures and fittings	Construction in progress	Total
01 January 2016 opening balance	4,765,171	67,260,925	69,060,171	292,612,606	1,909,025	12,412,526	444,124	448,464,548
Additions	-	-	289,665	4,572,047	567,058	1,589,478	43,149,513	50,167,761
Disposals	-	-	(573,948)	(98,609)	(136,125)	(109,074)	-	(917,756)
Transfers	-	5,961,482	980,808	29,234,264	-	(456,160)	(35,720,394)	-
31 December 2016 closing balance	4,765,171	73,222,407	69,756,696	326,320,308	2,339,958	13,436,770	7,873,243	497,714,553
Additions	-	-	-	4,191,605	100,745	662,004	1,621,634	6,575,988
Disposals	-	-	-	(38,290)	(54,895)	(9,987)	(7,273)	(110,445)
31 March 2017 closing balance	4,765,171	73,222,407	69,756,696	330,473,623	2,385,808	14,088,787	9,487,604	504,180,096
<b>Accumulated Depreciation</b>								
01 January 2016 opening balance	-	9,444,565	16,531,528	170,578,254	921,270	3,865,614	-	201,341,231
Additions	-	3,919,179	1,388,499	17,917,331	287,884	1,652,318	-	25,165,211
Disposals	-	-	(104,917)	(84,581)	(116,317)	(96,355)	-	(402,170)
Transfers	-	414,734	-	(293,158)	-	(121,576)	-	-
31 December 2016 closing balance	-	13,778,478	17,815,110	188,117,846	1,092,837	5,300,001	-	226,104,272
Additions	-	940,204	350,970	5,250,760	92,244	434,328	-	7,068,506
Disposals	-	-	-	(38,290)	(54,895)	(1,406)	-	(94,591)
31 March 2017 closing balance	-	14,718,682	18,166,080	193,330,316	1,130,186	5,732,923	-	233,078,187
<b>31.12.2016, Net Book Value</b>	<b>4,765,171</b>	<b>59,443,929</b>	<b>51,941,586</b>	<b>138,202,462</b>	<b>1,247,121</b>	<b>8,136,769</b>	<b>7,873,243</b>	<b>271,610,281</b>
<b>31.03.2017, Net Book Value</b>	<b>4,765,171</b>	<b>58,503,725</b>	<b>51,590,616</b>	<b>137,143,307</b>	<b>1,255,622</b>	<b>8,355,864</b>	<b>9,487,604</b>	<b>271,101,909</b>

As of 31 March 2017, the depreciation expense of tangible fixed assets for the period is TRY 7,068,506 (31 December 2016: TRY 25,165,211).

As of 31 March 2017, tangible assets are insured for TRY 7,559,105, EUR 32,201,500 (TRY 125,853,122) and USD 114,375,000 (TRY 416,164,875). (31 December 2016: TRY 3,055,254; EUR 21,921,500 (TRY 81,326,573) and USD 112,730,000 (TRY 396,719,416)).

Total amount of mortgage on lands and buildings for tangible assets of the Group given to financial institutions are USD 130,950,000 (TRY 476,474,670), EUR 21,000,000 (TRY 82,074,300) and TRY 73,910,000.

As of 31 March 2017, net book value of leasing machines is TRY 14,476,906. (31.12.2016: TRY 16,564,907)

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**NOTE 17 – INTANGIBLE ASSETS**

<b>Cost Value</b>	<b>Rights</b>	<b>Other intangible assets</b>	<b>Total</b>
01 January 2016 opening balance	484,787	326,035	810,822
Additions	14,176	69,589	83,765
Disposals	-	-	-
31 December 2016 closing balance	498,963	395,624	894,587
Additions	-	17,252	17,252
Disposals	-	-	-
31 March 2017 closing balance	498,963	412,876	911,839
<b>Accumulated Depreciation</b>			
01 January 2016 opening balance	413,295	189,005	602,300
Additions	58,911	75,358	134,269
Disposals	-	-	-
31 December 2016 closing balance	472,206	264,363	736,569
Additions	4,506	20,765	25,271
Disposals	-	-	-
31 March 2017 closing balance	476,712	285,128	761,840
<b>31.12.2016, Net Book Value</b>	<b>26,757</b>	<b>131,261</b>	<b>158,018</b>
<b>31.03.2017, Net Book Value</b>	<b>22,251</b>	<b>127,748</b>	<b>149,999</b>

As of 31 March 2017, the amortization expense of intangible assets for the period is TRY 25,271 (31 December 2016: TRY 134,269).

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**NOTE 18 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

As of 31 March 2017 and 31 December 2016, the Group's guarantee / security / mortgage position are as follows:

<b>Guarantees, security and mortgage (GSM) given by the Group</b>	<b>31.03.2017</b>	<b>31.12.2016</b>
A. Total Amount of GSM given on behalf of legal entity	806,135,145	766,664,266
B. Total Amount of GSM given for partnerships which included in full consolidation	33,340,457	31,647,970
C. Total Amount of GSM given for the purpose of guaranteeing third party loans to carry the regular trade activities	None	None
D. Total Amount of other GSM given	None	None
<i>i. Total Amount of GSM given for the Parent Company</i>	None	None
<i>ii. Total Amount of GSM Given for Other Group Companies not Included in B and C Clauses</i>	None	None
<i>iii. Total Amount of GSM Given for Third Parties not Included in C Clause</i>	None	None
<b>Total</b>	<b>839,475,602</b>	<b>798,312,236</b>

For the credits, avals do not exist in favor of related parties by Group. For credit contracts of the Group, USD 112,250,000 (TRY 408,432,850), EUR 7,500,000 (TRY 29,312,250 TL) and TRY 107,500,000 avals are provided by related parties (Akça Holding and Osman Akça) (31 December 2016: USD 113,750,000 (TRY 400,309,00), EUR 7,500,000 (TRY 27,824,250) and TRY 107,500,000).

As of 31 March 2017, the details of the guarantee given by the subsidiary Tan Elektrik for the investment loan are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Commerzbank AG	EUR	8,530,680	3.9083	33,340,457
				<b>33,340,457</b>

As of 31 March 2017, details of mortgage on lands and buildings are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	TRY	72,310,000	1.0000	72,310,000
Türkiye Vakıflar Bankası T.A.O	USD	130,950,000	3.6386	476,474,670
Türkiye Finans Katılım Bankası A.Ş.	TRY	1,600,000	1.0000	1,600,000
Türkiye Vakıflar Bankası T.A.O	EUR	21,000,000	3.9083	82,074,300
				<b>632,458,970</b>

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As of 31 March 2017, details of the guarantee letters given are as follows:

Details of Guarantee Letters Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Electricity and natural gas distribution companies	TRY	2,181,921	1.0000	2,181,921
Energy Market Regulatory Authority	TRY	2,219,902	1.0000	2,219,902
Customs administration	TRY	5,652,743	1.0000	5,652,743
Credit guarantee	USD	1,013,636	3.6386	3,688,216
Credit guarantee	EUR	2,760,000	3.9083	10,786,908
Food, Agriculture Livestock Directorate	TRY	625,669	1.0000	625,669
Public institutions	TRY	1,090,899	1.0000	1,090,899
				<b>26,246,258</b>

As of 31 March 2017, bank details of the guarantee letters given are as follows:

Bank Details of Guarantee Letters Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O.	TRY	10,609,255	1.0000	10,609,255
Türkiye Vakıflar Bankası T.A.O.	EUR	100,000	3.9083	390,830
Türkiye Finans Katılım Bankası A.Ş.	TRY	58,000	1.0000	58,000
Halk Bank A.Ş.	TRY	1,103,880	1.0000	1,103,880
Denizbank A.Ş.	EUR	2,660,000	3.9083	10,396,078
Türkiye Finans Katılım Bankası A.Ş.	USD	1,013,636	3.6386	3,688,215
				<b>26,246,258</b>

As of 31 March 2017, avals which are given to trade receivables by the Group are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	USD	7,711,799	3.6386	28,060,153
				<b>28,060,153</b>

As of 31 March 2017, the Group's time deposits within the 3 months have hypothec against loans used from Şekerbank T.A.Ş, USD 1,650,000 (TRY 6,003,690) (31.12.2016: USD 2,450,000 (TRY8,622,040)).

As of 31 March 2017, the Group's time deposits longer than 3 months have hypothec against loans used from Şekerbank T.A.Ş. USD 600,000 (TRY 2,183,160 ) (31.12.2016: USD 950,000 (TRY 3,343,240 )).

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As of 31 March 2017, bank details of the general borrowing contracts are as follows:

General Borrowing Contracts:	FX Currency	FX Amount	FX Rate	TRY Equivalent
Albarakaturk A.Ş.	TRY	15,000,000	1.0000	15,000,000
Denizbank A.Ş.	USD	9,000,000	3.6386	32,747,400
Eximbank A.Ş.	USD	25,000,000	3.6386	90,965,000
Finansbank A.Ş.	TRY	13,000,000	1.0000	13,000,000
Halk Bankası A.Ş.	TRY	10,000,000	1.0000	10,000,000
İşbankası A.Ş.	USD	9,500,000	3.6386	34,566,700
Odea Bank A.Ş.	TRY	33,000,000	1.0000	33,000,000
Şekerbank A.Ş.	USD	3,750,000	3.6386	13,644,750
Şekerbank A.Ş.	TRY	2,500,000	1.0000	2,500,000
Şekerbank A.Ş.	EUR	7,500,000	3.9083	29,312,250
Türkiye Finans Katılım Bankası A.Ş.	TRY	30,000,000	1.0000	30,000,000
Akbank T.A.Ş.	TRY	4,000,000	1.0000	4,000,000
Vakıfbank A.Ş.	USD	65,000,000	3.6386	236,509,000
				<b>545,245,100</b>

As of 31 March 2017, details of the guarantee notes given are as follows:

Guarantee Notes Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Eximbank	USD	184,250	3.6386	670,412
Eximbank	EUR	790,265	3.9083	3,088,593
				<b>3,759,005</b>

As of 31 March 2017, bank details of the bonds are as follows:

Bond	Bank Name	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türk Eximbank	Türkiye Vakıflar Bankası T.A.O.	USD	4,500,000	3.6386	16,373,700
Türk Eximbank	Türkiye Vakıflar Bankası T.A.O.	EUR	15,700,000	3.9083	61,360,310
Türk Eximbank	Türkiye Finans Katılım Bankası A.S	USD	1,000,000	3.6386	3,638,600
Türk Eximbank	Halkbank A.Ş.	EUR	6,600,000	3.9083	25,794,780
Türk Eximbank	Finansbank A.Ş.	EUR	900,000	3.9083	3,517,470
T. C. Merkez Bankası	Finansbank A.Ş.	EUR	850,000	3.9083	3,322,055
Türk Eximbank	Şekerbank T.A.Ş.	EUR	1,340,000	3.9083	5,237,122
T. C. Merkez Bankası	Denizbank A.Ş.	EUR	3,000,000	3.9083	11,724,900
Türk Eximbank	Denizbank A.Ş.	EUR	2,000,000	3.9083	7,816,600
T. C. Merkez Bankası	İşbankası A.Ş.	EUR	1,250,000	3.9083	4,885,375
					<b>143,670,912</b>

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**NOTE 19 – SHORT TERM PROVISIONS**

**Other Short Term Provisions**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Provision for the lawsuits	202,513	190,513
Provision for unused personnel leave	1,935,514	1,683,347
	<b>2,138,027</b>	<b>1,873,860</b>

**Long Term Provisions for Employee Benefits**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Provision for severance pay	28,236,658	26,646,229
	<b>28,236,658</b>	<b>26,646,229</b>

For the period of 01 January – 31 March 2017, average personnel number including subcontractors employed by the Group is 3,953 (01.01-31.12.2016: 4,016). The rate of retirement probability used is 98% (01.01-31.12.2016: 98%).

For the period ended at 31 March 2017 and 31 December 2016, the movement schedule of severance pay provision is as follows:

	<b>31.03.2017</b>	<b>31.12.2016</b>
Balance of 1 January	26,646,229	18,095,801
Increase in the period	2,974,007	9,147,824
Interest cost	403,834	1,260,330
Payments	(1,587,558)	(3,283,080)
Actuarial profit/(loss)	(199,854)	1,425,354
<b>Balance at the end of the period</b>	<b>28,236,658</b>	<b>26,646,229</b>

**NOTE 20 – EMPLOYEE BENEFIT LIABILITIES**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Due to personnel	5,384,948	4,753,791
Social security deductions payable	1,441,125	1,731,782
	<b>6,826,073</b>	<b>6,485,573</b>

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**NOTE 21 – OTHER CURRENT ASSETS AND LIABILITIES**

**Other Current Assets**

	<b>31.03.2017</b>	<b>31.12.2016</b>
VAT carried forward	35,850,724	32,120,551
Provision of tax base increase under Law No. 6736	988,619	1,647,699
	<b>36,839,343</b>	<b>33,768,250</b>

**NOTE 22 – SHARE CAPITAL**

**22.1 Paid in Capital**

As of 31 March 2017, Group's paid in capital was divided into 250,000,000 shares as each valued at TRY 1 nominally (31 December 2016: 250,000,000 units).

As of 31 March 2017 and 31 December 2016, Group's paid in capital is as follows:

	<b>31.03.2017</b>		<b>31.12.2016</b>	
	<b>Share (%)</b>	<b>TL</b>	<b>Share (%)</b>	<b>TL</b>
<b>Shareholders:</b>				
Public Offered Shares	47.32%	118,289,943.63	47.32%	118,289,943.63
Akça Holding A.Ş.	50.29%	125,729,500.53	50.29%	125,729,500.53
Others	2.39%	5,980,555.84	2.39%	5,980,555.84
<b>Total</b>	<b>100.00%</b>	<b>250,000,000</b>	<b>100.00%</b>	<b>250,000,000</b>

According to Group's main article of association, more than half of the Members of Board required to be elected from the candidates which are pointed out from A Group shareholders.

**22.2 Inflation Adjustments of Shareholders' Equity**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Inflation adjustment of shareholders' equity	485,133	485,133
	<b>485,133</b>	<b>485,133</b>

**22.3 Accumulated Other Comprehensive Income/(Expenses) not to be reclassified on Profit or (Loss)**

**22.3.1 Defined Benefit Plans Re-Measurement Gains (Losses)**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Defined Benefit Plans Re-Measurement Gains (Losses)	815,978	656,789
	<b>815,978</b>	<b>656,789</b>



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**22.4 Restricted Reserves**

	<b>31.03.2017</b>	<b>31.12.2016</b>
Legal reserves	10,209,777	10,209,777
	<b>10,209,777</b>	<b>10,209,777</b>

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5 %, until the total reserve reaches a maximum of 20 % of the Group's share capital. The second legal reserve is appropriated at the rate of 10 % of all distributions in excess of 5 % of the Group's share capital. The first and second legal reserves are not available for distribution unless they exceed 50 % of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

**Profit Distribution**

Dividend Capital Markets Board Communiqué prepared in accordance with article 13 of the "Profit Share Guide", published in the Official Gazette dated 23 January 2014 and entered into force on 1 February 2014. Regulations and explanations which are in the dividends declaration and dividends guide are summarized as follows: profit distribution will be determined by the general assembly, the dividend Distribution Policy is still within the framework of the decision of the general assembly will be distributed. Of subsidiaries profit distribution policy when determining whether or not to profit distribution or shall decide. In this context, profit distribution is arbitrary in principle. The CMB of the company's profit distribution policy according to the qualities of the different principles will be able to identify.

If subsidiaries profit distribution policies: Profit not distributed, share of profit rates, and these rates apply to the account pen, methods of payment and time, the share of profit in cash or as bonus shares cannot be distributed (for companies traded on the stock exchange), distributed profit share advance issues not regulated.

Amount of dividend to be distributed to the upper limit, in the statutory records, the relevant sources of profit distribution of the distributable amount to much. The profit share, as of the date of distribution to the existing shares, as a rule, are distributed evenly. Of shares acquired date of issuance and shall not be taken into account. Of shares acquired date of issuance and shall not be taken into account. According to the Turkish code of Commerce reserves to be allocated to the contract and the profit distribution policy prescribed for partners share of profit is not allocated unless otherwise reserve, to transfer profit to the next year.

Provided in the articles of privileged shares to owners of redeemed shares or, to the members of the board of directors, employees and non-shareholders, other persons may be given a share of the profits. However, the dividend determined for the shareholders in cash, and payment of dividend shares to owners, board members, employees and other persons, the dividend may not be paid. Communiqué, in principle, with the exception of preferred shares, deemed to be paid to the person in relation to the dividend amount in the articles of incorporation, a determination is not made, distributed to them the maximum amount to be distributed to the shareholders, a dividend of up to 1/4 could be envisaged. Share of persons other than the owner of the profit share to be distributed, and the payment in instalments, the installment amounts, to the shareholders of installment payments to be made in proportion to, and shall be paid according to the same principles.

The new Capital Market Law and, therefore, the new Communiqué, the subsidiaries of the possibility of a donation. However, it is in the articles of association, the terms to be sought. The amount of the donations by the general assembly, which can be determined with the CMB upper limit will be able to bring.

Shares of companies traded on the stock exchange, in relation to the profit distribution proposal of the board of directors or on the distribution of profit share advance of the decision of the board of directors. Statement of profit distribution or dividend advance distribution table announced to the public. Profit distribution table for the usual late on the agenda of the general assembly announced the date of public disclosure is mandatory.

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**22.5 Retained Earnings / Losses**

In accordance with the communiqué Serial: XI No: 29, effective from 1 January 2008, and its related announcements, "Paid-in Share Capital", "Restricted Reserves Appropriated from Profit" and "Share Premium" should be presented with statutory amounts. The restatement differences arise during the application of the communiqué should be presented in "Adjustment to Share Capital", if the difference is resulted from paid-in share capital and not has not added to capital yet; should be presented in "Retained Earnings / Losses", if the difference is resulted from "Restricted Reserves Appropriated from Profit" and "Share Premium" and has not been subject to profit distribution or has not added to capital yet.

According to the decision dated 30 December 2003 and numbered 66/1630 of Capital Market Board, "Previous Year's Losses" account which arises from first time application of inflation adjustment on financial statements is taken into consideration as deductible item, during the calculation of distributable profit for the inflation adjusted financial statements under the profit distribution principles of the Capital Market Board. Nonetheless, it is also possible to set off "Previous Year's Losses" with the Company's current profit and accumulated profit. The remaining part of prior year' loss is possibly set off extraordinary reserves, legal reserves and inflation effect on shareholder's equity account, respectively.

In accordance with Turkish Commercial Code, legal reserves consist of first and second legal reserves. Until the Company's legal reserve reaches 20% of the nominal paid-up share capital, legal reserves are set aside as the first 5% of net income. The second legal reserve, on 5% of the Company's share capital is divided into 10% of all profits from the distribution. According to the Turkish Commercial Code, legal reserves for distribution unless they exceed 50%, but can be used to offset losses at the point of profit reserves have been exhausted.

**22.6 Minority Interest**

The details of the minority interests as of 31 March 2017 are as follows:

<b>31 March 2017</b>	<b>Total Shareholders' Equity</b>	<b>Profit/(Loss) of the Period</b>	<b>Parent Company Share</b>	<b>Minority Interest</b>	<b>Minority part of Shareholders' Equity</b>	<b>Minority part of Profit/(Loss)</b>	<b>Minority Total comprehensive income / (loss)</b>
Smryna	10,023,470	1,433,007	79.17%	20.83%	2,088,224	298,543	299,092
Tan Elektrik	10,374,138	(2,869,457)	67.90%	32.10%	2,048,434	(921,096)	(921,029)
Akça Enerji	27,379,207	(2,925,359)	80.42%	19.58%	(2,596,611)	(572,902)	(572,823)
					<b>1,540,047</b>	<b>(1,195,455)</b>	<b>(1,194,760)</b>

The details of the minority interests as of 31 December 2016 are as follows:

<b>31 December 2016</b>	<b>Total Shareholders' Equity</b>	<b>Profit/(Loss) of the Period</b>	<b>Parent Company Share</b>	<b>Minority Interest</b>	<b>Minority part of Shareholders' Equity</b>	<b>Minority part of Profit/(Loss)</b>	<b>Minority Total comprehensive income / (loss)</b>
Smryna	8,587,829	(2,637,940)	79.17%	20.83%	1,789,132	(549,571)	(552,668)
Tan Elektrik	13,243,386	(9,082,789)	67.90%	32.10%	2,969,463	(2,915,575)	(2,917,852)
Akça Enerji	30,304,165	(14,667,351)	80.42%	19.58%	(2,023,788)	(2,872,453)	(2,870,741)
					<b>2,734,807</b>	<b>(6,337,599)</b>	<b>(6,341,261)</b>

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**NOTE 23 – SALES AND COST OF SALES**

**23.1 Sales**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Domestic sales	37,971,723	32,004,463
Export sales	98,116,036	77,963,153
Other sales	882,811	194,352
	<b>136,970,570</b>	<b>110,161,968</b>
Sales returns	(85,840)	(74,683)
<b>Sales Income, (net)</b>	<b>136,884,730</b>	<b>110,087,285</b>

**23.2 Cost of Sales**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Direct material expenses	95,251,679	93,940,185
Direct labor expenses	29,061,415	26,789,617
General production expenses	12,382,263	4,463,724
Depreciation expenses	3,279,690	3,727,150
<u>Change in semi-finished goods</u>		
1. Beginning semi-finished goods (+)	60,271,642	69,950,218
2. Ending semi-finished goods (-)	(109,155,719)	(104,902,600)
Cost of finished goods produced	91,090,970	93,968,294
<u>Changes in finished goods inventory</u>		
1. Beginning inventory (+)	26,581,922	31,613,988
2. Ending inventory (-)	(23,545,717)	(38,989,661)
Cost of finished goods sold	94,127,175	86,592,621
<u>Cost of merchandises</u>		
1. Beginning merchandise inventory (+)	597,620	418,633
2. Purchases during the period (+)	3,180,880	1,389,401
3. Ending merchandise inventory (-)	(655,263)	(679,672)
Cost of merchandises sold	3,123,237	1,128,362
Cost of other service rendered	313,118	463,081
Cost of other sales	950,176	-
Cost of biological assets	5,574,376	2,234,597
Depreciation of biological assets	558,823	588,073
Energy costs	2,354,853	1,226,397
Energy depreciation	2,664,096	1,481,162
<b>Cost of sales, net</b>	<b>109,665,854</b>	<b>93,714,293</b>

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As of 01 January – 31 March 2017 and 31 December 2016, for each main production group, quantities of goods and services:

	<b>Unit</b>	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Yarn	Kg	3,485,035	3,028,961
Raw Clothing	Mt2	31,571,089	33,553,370
Finishing Cloth	Mt2	38,905,909	30,292,785
Lining	Mt2	5,879,330	4,757,496
Linens, Sheets, Curtains, Pillows	Piece	3,743,498	3,000,239
Electricity	Kwh	39,953,063	29,058,107
Cotton Waste	Kg	13,617	91,628
Piece of Cloth	Kg	412,429	823,086
Yarn Waste	Kg	212,460	234,179
Textile Trash Powder	Kg	56,510	11,760
Tomato	Kg	1,578,910	1,672,476

As of 01 January – 31 March 2017 and 2016, for each main sales group, quantities of goods and services:

	<b>Unit</b>	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Yarn	Kg	410,958	1,604,376
Finishing Cloth	Mt2	4,088,742	3,272,453
Lining	Mt2	4,859,245	4,987,693
Linens, Sheets, Curtains, Pillows	Piece	3,671,703	2,639,190
Electricity	Kwh	18,847,713	11,740,110
Cotton Waste	Kg	19,940	99,300
Piece of Cloth	Kg	641,300	704,260
Yarn Waste	Kg	233,640	266,200
Textile Trash Powder	Kg	58,474	11,760
Tomato	Kg	1,578,910	1,672,476

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**NOTE 24 –GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Marketing, sales and distribution expenses	4,203,430	3,583,112
General administrative expenses	3,721,104	3,579,377
	<b>7,924,534</b>	<b>7,162,489</b>

**24.1 Marketing Expenses**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Personnel expenses	1,420,813	1,396,305
Export expenses	2,198,664	1,464,962
Transportation of domestic sale	125,828	223,779
Depreciation expenses	5,073	6,740
Other expenses	224,422	75,077
Severance pay	39,940	85,584
Fair expenses	188,690	330,665
	<b>4,203,430</b>	<b>3,583,112</b>

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**24.2 General Administrative Expenses**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Personnel expenses	1,028,561	1,118,948
Insurance expenses	313,447	46,318
Representation and accommodation expenses	10,946	44,914
Communication expenses	90,521	29,582
Rent expenses	82,752	67,401
Education and consultancy expenses	77,825	268,435
Capital market expenses	27,520	6,090
Repair and maintenance expenses	48,711	24,494
Travelling expenses	96,116	63,288
Membership expenses	43,874	1,610
Tax and duty expenses	143,489	93,215
Shares in holding cost (*)	188,394	125,157
Notary and insurance costs	15,004	6,251
Aid and donation expenses	194,611	900
Consulting expenses	67,544	75,177
Electricity expenses	30,170	90,570
Lawsuit expenses and provisions	30,442	25,932
Provision for severance pay expense	122,486	620,817
Provision for unused personnel leave	252,167	483,886
Depreciation expenses	586,095	143,124
Office rent expenses	99,829	120,158
Other expenses	170,600	123,110
	<b>3,721,104</b>	<b>3,579,377</b>

(\*)It consists of personnel expenses reflected to the Group by Akça Holding.

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**NOTE 25 – OTHER OPERATING INCOME/ (EXPENSES)**

**25.1 Other Income From Operating Activities**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Reversal of unnecessary provision	45,824	8,976
Foreign exchange gains related to commercial activities	1,263,357	985,434
Discount income / expenses on payables, net	1,507,546	1,241,671
Incentive and support income	9,308	35,286
Rental income	115,558	124,748
Other income and profit	91,954	741,848
	<b>3,033,547</b>	<b>3,137,963</b>

**25.2 Other Expenses From Operating Activities (-)**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Commissions expenses	215,371	112,294
Exchange losses in trade operations	3,044,761	1,315,818
Discount income / (expenses) on trade receivables	1,406,654	894,286
Other expenses and losses	690,230	744,454
	<b>5,357,016</b>	<b>3,066,852</b>

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**NOTE 26 – INVESTMENT ACTIVITIES INCOME / EXPENSE**

**26.1 Income from Investment Activities**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Profit on sale of fixed assets	55,046	70,984
	<b>55,046</b>	<b>70,984</b>

**26.2 Expenses from Investment Activities (-)**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Losses on sale of fixed assets	74	4,433
	<b>74</b>	<b>4,433</b>

**26.3 Profit / Loss From Investments Evaluated by Equity Pick-up Method**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Shares Related with Investment Valued by the Equity Pick-up Method	5,403,489	(311,211)
	<b>5,403,489</b>	<b>(311,211)</b>



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**NOTE 27 – FINANCIAL INCOME / EXPENSES**

**27.1 Financial Income**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Interest income	102,529	2,106,422
Maturity differences income from related parties (6-iii-g)	2,309,978	2,975,651
Foreign exchange income regarding financial activities	2,629,043	8,922,622
Foreign exchange income from related parties (6-iii-f)	3,404	202,543
Foreign exchange income arising from future contracts	701,379	1,274,189
	<b>5,746,333</b>	<b>15,481,427</b>

**27.2 Financial Expenses (-)**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Foreign exchange losses	18,585,832	680,285
Interest expenses	3,457,703	5,930,808
Foreign exchange losses arising from futures contracts	567,069	1,871,419
Commission expenses of borrowings	550,842	152,875
Maturity differences expenses	151,694	2,065,537
Interest expenses from related parties (6-iii-i)	-	9,465
Foreign exchange losses on related parties (6-iii-h)	-	107,800
Maturity differences expenses from related parties (6-iii-j)	-	9,235
Other financial expenses	415,991	319,253
	<b>23,729,131</b>	<b>11,146,677</b>

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**NOTE 28 – TAX ASSETS AND LIABILITIES**

Group is liable to corporation tax valid in Turkey. The necessary provisions are made on the attached financial statements for expected tax liabilities related to the group's current period activity results.

Corporation tax rate that will be accrued over corporation tax base is calculated over the tax base that remains after adding expenses recorded as expense in determination of commercial earnings that are non-deductible from tax base and subtracting tax-exempt profit, tax-free income and other deductions (if there are losses from previous years and used investment allowances if preferred).

The applied effective interest rate in the year of 2017 is 20% (2016: 20%)

Permanent tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 20% in 2017 (2016: 20%).

There is no absolute and certain confirmation procedure related to tax evaluation in Turkey. Companies prepare their tax return between 1-25 Aprils coming after the related year's balancing period (for the companies having special account period, between 1-25 of fourth month following the closing of period). These tax returns and related accounting records may be inspected and changed by tax department in five years.

There are some exceptions on Corporation Tax Law. These exceptions that company will possibly utilize are explained as below;

*Taxable losses*

According to Turkish Tax Legislation, deduction of financial losses which are decelerated on financial statements, are possible to deduct from profit of the company with the condition not exceeding 5 years. However, financial losses are not possible to be set-off from previous year profits.

*Issue Premium Exception*

The Premium income provided by the disposing of stocks, formed while the establishments of Incorporated Companies or while increasing their capital, below their nominal values is an exemption from Corporation tax.

*The Real Estate and Subsidiary Share Sales Gain Exemption*

The 75% of income of corporations composed of subsidiary shares, real estates, privilege, and promoter's stock and perpetual bonds are exemptions of Corporation tax. In order to benefit from exemption, the questioned income should be kept in a fund account in liabilities and should not be removed of operation during 5 years. The sale price should be received at the end of the following 2nd calendar year. Corporations getting income from the sale of such kind of values they own, like Stocks and bonds and real estate trading and renting are beyond the scope of exemption.

*Investment Allowance Exemptions*

Post abolishment of the law numbered 5479, temporary 69 th article is added to Income Tax Legislation related investment allowance.

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According to this execution, Income and Corporation Taxpayers;

a. As of 31 December 2005, its existence is subject and the investment allowance amount that was not able to be deducted from 2005 earnings,

b. In the extent of investment incentive certificate which were issued and based on the application before 24 April 2003, ante abolishment of Income Tax Legislation numbered 193 and dated 09 April 2003 and law numbered 4842, in the extent of certificate the commenced investment projects relying on 1, 2, 3, 4, 5 and 6th the article of appendix and the ones commenced after 01 January 2006,

c. In the extent of abolished 19th article of Income Tax Legislation numbered 193, the started investments prior to 01 January 2006, in terms of economical and technical completeness the ones started post the date,

In terms of regulatory provisions effective on 31 December 2005, calculated amounts of exemptions from investment allowances, again in the extent of legal provisions valid on 31 December 2005 (including tax rate related legal provisions) was deducted merely from earnings of 2006, 2007 and 2008. However, with the decision numbered 2006/95, which was taken during the meeting of the Constitutional Court on 15 October 2009, the phrase "... only related to the years 2006, 2007 and 2008..." which was a part of the Temporary Article 69 of the Income Tax Law was cancelled and the cancellation became effective from the date the decision has been published in the Official Gazette on 8 January.2010. According to the decision, the investment incentive amount outstanding that cannot be deducted from 2008 taxable income previously will be deducted from taxable income of the subsequent profitable years.

Regarding the cancellation decision taken by the Constitutional Court, an amendment was made in the 69th article in Income Tax Regulation using the regulation numbered 6009 and dated 23/07/2010. Consequently, in compliance with the cancellation decision of the Constitutional Court, the year limitation has been abolished and investment allowance has been limited to 25% of the profit. Corporate tax ratio of 30% in the previous regulation for the ones who benefit from investment allowance has been decreased to the effective corporate tax with the amendment made (2010: 20%).

Within the frame of the Communiqué "Decision regarding Government Incentive Assistance in Investment" dated 16 July 2009 and numbered 2009/01, newly investing companies are held subject to investment incentives based on the some regions.

Investment incentives and grants are; discount in corporation and income taxes (differs from region to region), provision for the investment, interest support.

Group is qualified for the investment incentives stated above due to the current and future investment expenditures. The investment area is within the 2nd Region according to the law numbered 5520, article 32/A; so the Company is qualified for 55% discount on corporation tax rate, which reduces corporation tax rate to 9% in accordance with Communiqué, 20% of total investment expenditures will be deducted from accrued corporation tax amount in the coming periods.

**Withholding tax**

In addition to Corporation tax, it is required to calculate withholding tax from the dividends distributed by full pledge taxpayer enterprise and include in its income tax base and except dividends distributed by foreign companies to its subsidiary in Turkey. As of 23 July 2006 income tax stoppage rate was changed as 15%. Dividends that are added to capital without distribution are not subject to income tax stoppage. It is necessary to make tax withholding at 19.8% over investment allowance balance utilized based on investment incentive certificate taken before 24 April 2003. 40% or 30% of group activities directly related to production investment certificate investment expenses made after this date can be deducted. Tax withholding cannot be made on investment expenses without incentive certificate.

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*Deferred Tax:*

The potential deferred tax assets/(liabilities) of the Group represents the tax effects of temporary differences, arising between the financial statements reported for Communiqué purposes and the statutory tax financial statements. Such differences arise due to the different treatment of certain items of income and expense included in the Communiqué financial statements compared to the local tax return, in accordance with applicable tax laws.

As of balance sheet date, accumulated temporary differences and deferred tax assets and liabilities prepared by using current applicable tax rate is as follows:

	31.03.2017		31.12.2016	
	Cumulative temporary differences	Deferred tax asset / (liability)	Cumulative temporary differences	Deferred tax assets / (liability)
<u>Deferred tax assets:</u>				
Unearned interests on receivables	437,430	87,486	302,770	60,554
Severance pay provision	28,236,658	5,647,332	26,646,229	5,329,245
Unused leave provisions	1,935,514	387,103	1,683,347	336,669
Reversal of capitalized financial expenses	25,522,959	5,104,592	34,530,925	6,906,185
Tangible assets (except land, building, land improvements and depreciations excluded), net	14,889,203	3,577,368	14,349,651	3,442,151
Tangible assets (land, building, land improvements and depreciations ), net	11,705,534	199,257	12,693,608	269,437
Deductible retained losses	1,442,983	288,597	3,254,308	650,862
Other	3,437,234	687,442	4,115,021	823,007
<b>Deferred tax assets</b>		<b>15,979,177</b>		<b>17,818,110</b>
<u>Deferred tax liabilities:</u>				
Liability discounts	1,204,776	240,955	969,224	193,842
Forward	442,332	88,466	444,784	88,957
Other	1,373	275	41,981	8,395
<b>Deferred tax liabilities</b>		<b>329,696</b>		<b>291,194</b>
<b>Deferred tax assets / (liabilities), net</b>		<b>15,649,481</b>		<b>17,526,916</b>

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For the period ended 31 March 2017 and 31 December 2016, movements of deferred tax assets and liabilities are as follows:

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.12.2016</b>
Deferred tax assets/(liabilities), net	(1,837,464)	(3,440,991)
	<b>(1,837,464)</b>	<b>(3,440,991)</b>

<b>Deferred Tax (Asset) / Liability Movements</b>	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.12.2016</b>
Opening balance	17,526,916	20,682,836
Deferred tax income / (expense)	(1,837,464)	(3,440,991)
Actuarial (gain) / loss effect prior periods	(39,971)	285,071
<b>Closing balance</b>	<b>15,649,481</b>	<b>17,526,916</b>

**NOT 29 – EARNINGS PER SHARE**

	<b>01.01.- 31.03.2017</b>	<b>01.01.- 31.03.2016</b>
Net profit / (loss) for the period	3,804,527	9,759,117
Weighted-average number of shares outstanding (per share with TRY 1 value)	250,000,000	250,000,000
<b>Profit per share (TRY)</b>	<b>0.0152</b>	<b>0.0390</b>

**NOTE 30 – FINANCIAL INSTRUMENTS**

<b>Financial assets</b>	<b>31.03.2017</b>	<b>31.12.2016</b>
Liquid assets	8,636,610	16,923,525
Trade receivables	52,932,099	44,743,414
Other receivables	99,671,820	101,309,271
Financial assets	11,855,127	13,010,380
<b>Financial liabilities</b>		
Borrowings	423,956,619	386,352,555
Lease payables	6,868,030	8,152,296
Other payables	6,580,398	4,185,065
Trade payables	142,457,353	108,784,532

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**NOTE 31 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**

**Financial Instruments**

**Credit Risk**

Group is subject to credit risk arising from trade receivables related to credit sales and deposits at banks. These risks are managed by limiting the aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary and making only cash based sales to customer considered as having a higher risk. Collect ability of trade receivables are evaluated by management depending on their past experiences and current economic condition, and presented in the financial statements net of adequate doubtful provision.

Group allocated the provision for doubtful receivables if there is objective evidence about the loan/credit will not stay the collection of the possibilities. Moreover, a possible impairment of financial assets are reviewed for the purpose of determining the carrying value and fair value of financial assets and is tested by comparing.

As of 31 March 2017, maximum net credit risk is as follows:

Credit risks exposed by types of financial instruments	Trade Receivables		Other Receivables		Time Deposits
	Related Party	Third Party	Related Party	Third Party	
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	22,254,135	30,677,964	94,799,293	4,872,527	10,714,913
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	22,254,135	30,677,964	94,799,293	4,872,527	10,714,913
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-
The part under guarantee with collateral etc.	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	25,376	-	-	-
Impairment (-)	-	(25,376)	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

31 December 2016, maximum net credit risk is as follows:

Credit risks exposed by types of financial instruments	Trade Receivables		Other Receivables		Time Deposits
	Related Party	Third Party	Related Party	Third Party	
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	15,302,049	29,441,365	95,890,438	5,418,833	16,753,050
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	15,302,049	29,441,365	95,890,438	5,418,833	16,753,050
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-
The part under guarantee with collateral etc.	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	25,376	-	-	-
Impairment (-)	-	(25,376)	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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**Liquidity risk**

Liquidity risk is the Group's possibility of not fulfilling net funding liabilities. Occurrence of events like deteriorations in markets or decrease in credit score that causes decreases in fund resources, are reasons of liquidity risk.

As of 31 March 2017, Group's liquidity risk table is as follows:

<b>Liabilities</b>		<b>31 March 2017</b>				
<b>Maturities according to agreement</b>	<b>Book Value</b>	<b>Contractual total cash out flow (=I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>3 - 12 months (II)</b>	<b>1- 5 Years (III)</b>	<b>More than 5 Years (IV)</b>
<b>Financial Liabilities Non Derivatives</b>						
Financial borrowings	423,956,619	454,740,304	156,735,748	179,849,280	83,595,120	34,560,156
Financial leasing	6,868,030	7,079,413	1,490,816	3,963,849	1,624,748	-
Trade payables	142,457,353	143,662,129	102,814,748	20,161,531	7,387,804	13,298,046
- <i>Related parties</i>	9,669,223	9,730,255	9,730,255	-	-	-
- <i>Other parties</i>	132,788,130	133,931,874	93,084,493	20,161,531	7,387,804	13,298,046
Other liabilities	25,665,848	25,665,848	12,771,627	12,894,221	-	-
- <i>Related parties</i>	626,443	626,443	-	626,443	-	-
- <i>Other parties</i>	25,039,405	25,039,405	12,771,627	12,267,778	-	-
	<b>598,947,850</b>	<b>631,147,694</b>	<b>273,812,939</b>	<b>216,868,881</b>	<b>92,607,672</b>	<b>47,858,202</b>

As of 31 December 2016, Group's liquidity risk table is as follows:

<b>Liabilities</b>		<b>31 December 2016</b>				
<b>Maturities according to agreement</b>	<b>Book Value</b>	<b>Contractual total cash out flow (=I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>3 - 12 months (II)</b>	<b>1- 5 Years (III)</b>	<b>More than 5 Years (IV)</b>
<b>Financial Liabilities Non Derivatives</b>						
Financial borrowings	386,352,555	412,645,312	125,351,180	166,770,316	86,309,533	34,214,283
Financial leasing	8,152,296	8,433,779	1,713,779	4,121,534	2,598,466	-
Trade payables	108,784,532	109,753,756	76,441,725	13,676,272	7,012,771	12,622,988
- <i>Related parties</i>	7,700,158	7,741,177	7,741,177	-	-	-
- <i>Other parties</i>	101,084,374	102,012,579	68,700,548	13,676,272	7,012,771	12,622,988
Other liabilities	25,966,305	25,966,305	9,848,426	16,117,879	-	-
- <i>Related parties</i>	852,767	852,767	-	852,767	-	-
- <i>Other parties</i>	25,113,538	25,113,538	9,848,426	15,265,112	-	-
	<b>529,255,688</b>	<b>556,799,152</b>	<b>213,355,110</b>	<b>200,686,001</b>	<b>95,920,770</b>	<b>46,837,271</b>

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**Interest Rate Risk**

The Group's financial liabilities exposure the Group to interest rate risk. The Group's financial liabilities mainly consist of fixed rate borrowings. As of 31 March 2017, according to the current balance sheet position, in the case of 1% decrease / increase and keeping fixed all the variables the Group's net profit will increase / decrease TRY 1,700,617.

**Foreign currency risk**

The effects occurring from exchange rate fluctuation, in case of having foreign currency assets, liabilities, off-balance sheet liabilities, are foreign currency risk. Transactions in foreign currencies during the year have been translated at the exchange rate prevailing at dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the statement of profit/loss. Monetary liabilities of the Company exceed monetary assets of the Company; in case of exchange rate rise, the Company is exposed to foreign currency risk.

As of 31 March 2017, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 47,420,953 more / less.

**Foreign currency risk sensitivity**

	Profit / (Loss)		Shareholders' Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
	In the case of increasing / losing value of TRY by 10% against USD			
1-USD net asset / liability	(15,632,512)	15,632,512	(15,632,512)	15,632,512
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(15,632,512)	15,632,512	(15,632,512)	15,632,512
	In the case of increasing / losing value of TRY by 10% against EUR			
4- EUR net asset / liability	(31,685,927)	31,685,927	(31,685,927)	31,685,927
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(31,685,927)	31,685,927	(31,685,927)	31,685,927
	In the case of increasing / losing value of TRY by 10% against GBP			
7- GBP net asset / liability	(102,836)	102,836	(102,836)	102,836
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	(102,836)	102,836	(102,836)	102,836
	In the case of increasing / losing value of TRY by 10% against CHF			
10- CHF net asset / liability	322	(322)	322	(322)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect(10+11)	322	(322)	322	(322)
<b>TOTAL (3+6+9+12)</b>	<b>(47,420,953)</b>	<b>47,420,953</b>	<b>(47,420,953)</b>	<b>47,420,953</b>



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As of 31 December 2016, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 42,079,104 more / less.

*Foreign currency risk sensitivity*

	Profit / (Loss)		Shareholders' Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In the case of increasing / losing value of TRY by 10% against USD				
1-USD net asset / liability	(16,187,306)	16,187,306	(16,187,306)	16,187,306
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(16,187,306)	16,187,306	(16,187,306)	16,187,306
In the case of increasing / losing value of TRY by 10% against EUR				
4- EUR net asset / liability	(25,970,261)	25,970,261	(25,970,261)	25,970,261
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(25,970,261)	25,970,261	(25,970,261)	25,970,261
In the case of increasing / losing value of TRY by 10% against GBP				
7- GBP net asset / liability	74,204	(74,204)	74,204	(74,204)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	74,204	(74,204)	74,204	(74,204)
In the case of increasing / losing value of TRY by 10% against CHF				
10- CHF net asset / liability	4,259	(4,259)	4,259	(4,259)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect(10+11)	4,259	(4,259)	4,259	(4,259)
<b>TOTAL (3+6+9+12)</b>	<b>(42,079,104)</b>	<b>42,079,104</b>	<b>(42,079,104)</b>	<b>42,079,104</b>

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As of 31 March 2017, amounts of assets and liabilities of the Group in foreign currency are as follows:

	31 March 2017				
	TRY equivalent functional currency	USD	EUR	GBP	CHF
1. Trade Receivables	11,618,524	307,684	2,104,511	503,426	-
2a. Monetary Financial Assets (including cash and banks)	10,509,893	2,725,860	150,431	94	885
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	854,952	-	218,753	-	-
<b>4. Current Assets (1+2+3)</b>	<b>22,983,369</b>	<b>3,033,544</b>	<b>2,473,695</b>	<b>503,520</b>	<b>885</b>
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	2,205,126	606,037	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>2,205,126</b>	<b>606,037</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>25,188,495</b>	<b>3,639,581</b>	<b>2,473,695</b>	<b>503,520</b>	<b>885</b>
10. Trade Payables	50,471,535	12,810,996	986,988	-	-
11. Financial Liabilities	328,566,204	31,751,134	54,241,554	231,190	-
12a. Other monetary financial liabilities	11,382,030	6,460	2,906,257	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
<b>13. Current Liabilities (10+11+12)</b>	<b>390,419,769</b>	<b>44,568,590</b>	<b>58,134,799</b>	<b>231,190</b>	<b>-</b>
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	101,980,457	5,296,476	21,162,321	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>101,980,457</b>	<b>5,296,476</b>	<b>21,162,321</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities</b>	<b>492,400,226</b>	<b>49,865,066</b>	<b>79,297,120</b>	<b>231,190</b>	<b>-</b>
<b>19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)</b>	<b>(6,997,792)</b>	<b>3,262,500</b>	<b>(4,250,000)</b>	<b>(500,000)</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative assets	19,148,133	5,262,500	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	26,145,925	2,000,000	4,250,000	500,000	-
<b>20. Net foreign currency asset / liabilities (9-18+19)</b>	<b>(474,209,523)</b>	<b>(42,962,985)</b>	<b>(81,073,425)</b>	<b>(227,670)</b>	<b>885</b>
<b>21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(468,066,683)</b>	<b>(46,225,485)</b>	<b>(77,042,178)</b>	<b>272,330</b>	<b>885</b>
<b>22. Fair value of derivative instruments used in foreign currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Exports(*)</b>	<b>96,508,724</b>	<b>415,832</b>	<b>7,053,808</b>	<b>641,676</b>	<b>-</b>
<b>24. Imports</b>	<b>68,395,367</b>	<b>16,881,154</b>	<b>1,492,744</b>	<b>40</b>	<b>14,874</b>

(\*)The Group has TRY 64,213,560 export for the period of 01.01.-31.03.2017.

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As of 31 December 2016, amounts of assets and liabilities of the Group in foreign currency are as follows:

	<b>31 December 2016</b>				
	<b>TRY equivalent functional currency</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>CHF</b>
1. Trade Receivables	12,884,542	221,610	2,847,102	357,079	-
2a. Monetary Financial Assets (including cash and banks)	16,060,849	3,880,061	637,010	71	12,361
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	1,954,169	497,358	54,952	-	-
<b>4. Current Assets (1+2+3)</b>	<b>30,899,560</b>	<b>4,599,029</b>	<b>3,539,064</b>	<b>357,150</b>	<b>12,361</b>
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	3,360,382	954,871	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>3,360,382</b>	<b>954,871</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>34,259,942</b>	<b>5,553,900</b>	<b>3,539,064</b>	<b>357,150</b>	<b>12,361</b>
10. Trade Payables	28,149,846	6,734,138	1,199,781	-	-
11. Financial Liabilities	288,342,294	42,027,138	37,756,226	85,338	-
12a. Other monetary financial liabilities	14,092,697	187,400	3,620,906	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
<b>13. Current Liabilities (10+11+12)</b>	<b>330,584,837</b>	<b>48,948,676</b>	<b>42,576,913</b>	<b>85,338</b>	<b>-</b>
14. Trade Payables	19,635,759	-	5,292,800	-	-
15. Financial Liabilities	106,120,169	5,199,941	23,671,942	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>125,755,928</b>	<b>5,199,941</b>	<b>28,964,742</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>456,340,765</b>	<b>54,148,617</b>	<b>71,541,655</b>	<b>85,338</b>	<b>-</b>
<b>19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)</b>	<b>1,289,784</b>	<b>2,597,600</b>	<b>(2,000,000)</b>	<b>(100,000)</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative assets	9,141,474	2,597,600	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	7,851,690	-	2,000,000	100,000	-
<b>20. Net foreign currency asset / liabilities (9-18+19)</b>	<b>(420,791,039)</b>	<b>(45,997,117)</b>	<b>(70,002,591)</b>	<b>171,812</b>	<b>12,361</b>
<b>21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(424,034,992)</b>	<b>(49,092,075)</b>	<b>(68,057,543)</b>	<b>271,812</b>	<b>12,361</b>
<b>22. Fair value of derivative instruments used in foreign currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Exports(*)</b>	<b>514,218,847</b>	<b>57,567,835</b>	<b>32,657,548</b>	<b>1,346,856</b>	<b>-</b>
<b>24. Imports</b>	<b>207,764,874</b>	<b>52,681,918</b>	<b>14,156,769</b>	<b>6,762</b>	<b>23,863</b>

(\*)The Group has TRY 226,839,649 export for the period of 01.01.-31.12.2016.

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT**  
**31 MARCH 2017**

(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

**NOTE 32 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES)**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Group using available markets information in Turkey and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented here in are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are utilized for the current values of financial instruments which are predictable in practice;

Financial Assets

Monetary assets for which fair value approximates carrying value:

- Balances denominated in foreign currencies are converted at period exchange rates.
- The fair value of certain financial assets carried at cost, including cash and cash equivalents are considered to approximate their respective carrying amounts in the financial statements.
- The carrying value of trade receivables, net of allowances for possible non-recovery of uncollectible are considered to approximate their fair values.

Financial Liabilities

Monetary liabilities for which fair value approximates carrying value:

- The fair value of short-term bank loans and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.
- The fair values of long-term bank borrowings, which are denominated in foreign currencies and converted at period exchange rates, are considered to approximate their carrying values.
- The carrying amount of accounts payable and accrued expenses reported in the financial statements for estimated third party payer set TRY amounts approximates its fair values.

Capital Risk Management

In capital management, the Company aims at enhancing profitability while keeping a reasonable leverage, on the other hand rendering sustainability in its operations.

The Company follows capital by using debt to equity ratio. This rate is found by dividing net debt to total equity. Net debt is calculated by deducting cash and cash equivalents from total payable amount (as shown in balance sheet, trade and other payables and loans). Total capital, as shown in balance sheet, is calculated by adding up equity and net debt.

As of 31 March 2017 and 31 December 2016, net debt / total equity ratio is as follows:

	<b>31.03.2017</b>	<b>31.12.2016</b>
Total debts	630,121,580	558,585,429
Liquid assets	(8,636,610)	(16,923,525)
Net debt	621,484,970	541,661,904
Total equity	282,695,219	279,926,263
Total capital	904,180,189	821,588,167
Net Debt/Total Equity Ratio	69%	66%