

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
FINANCIAL STATEMENTS
AND AUDITORS' REPORT
FOR THE YEAR ENDED AT 31 DECEMBER 2016

CONTENTS	PAGE
Independent Auditor's Report	1-2
Consolidated Financial Statements	3-4
Consolidated Income Statements and Other Comprehensive Income Statements	5
Consolidated Changes in Equity Statements	6
Consolidated Cash Flows Statements	7-8
Notes to the Consolidated Financial Statements	9-74
NOTE 1 Organization and Nature of Activities.....	9-10
NOTE 2 Basis of Presentation of Financial Statements.....	11-30
NOTE 3 Business Mergers	31
NOTE 4 Segment Reporting.....	32-34
NOTE 5 Cash and Cash Equivalents	35
NOTE 6 Financial Investments.....	36
NOTE 7 Related Party Transactions	37-42
NOTE 8 Trade Receivables and Trade Payables.....	43-44
NOTE 9 Financial Borrowings.....	45-47
NOTE 10 Other Receivables and Payables.....	48-49
NOTE 11 Derivative Instruments.....	49
NOTE 12 Inventories.....	49
NOTE 13 Biological Assets.....	50
NOTE 14 Prepaid Expenses and Deferred Income.....	50
NOTE 15 Current Period Tax Income Assets.....	51
NOTE 16 Investments Valued with Equity Pick-up Method.....	51
NOTE 17 Tangible Fixed Assets	52
NOTE 18 Intangible Assets	53
NOTE 19 Provisions, Contingent Assets and Liabilities.....	54-56
NOTE 20 Short Term Provisions.....	57
NOTE 21 Employee Benefit Liabilities.....	57
NOTE 22 Other Current Assets and Liabilities.....	58
NOTE 23 Share Capital.....	58-60
NOTE 24 Sales and Cost of Sales.....	61-62
NOTE 25 General Administrative Expenses and Marketing Expenses.....	63-64
NOTE 26 Other Operating Income/(Expenses).....	65
NOTE 27 Investment Activities Income / Expense.....	66
NOTE 28 Finance Income / Expenses.....	67
NOTE 29 Tax Assets and Liabilities.....	68-71
NOTE 30 Earnings Per Share.....	71
NOTE 31 Financial Instruments.....	71
NOTE 32 Nature and Level of Risks Derived From Financial Instruments.....	72-78
NOTE 33 Financial Instruments (Fair Value Disclosures and Hedge Accounting Disclosures).....	79

AUDITORS' REPORT RELATED TO THE CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors,
Menderes Tekstil Sanayi ve Ticaret A.Ş.
İzmir

Independent Auditors' Report to the Financial Statements

We have audited the accompanying consolidated financial statements of Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi ("Company") which comprise the consolidated balance sheet as of 31 December 2016, consolidated statement of income and statement of consolidated other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Company's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards regulated by Capital Markets Board ("CMB") and published by Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud.

Responsibility of Auditor

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by International Accounting Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial positions of Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi as of 31 December 2016 and of its real operating results, change in share capital and cash flow, from the point of important matter, for the accounting year then ended in accordance with International Financial Reporting Standards issued by Public Oversight Accounting and Auditing Standards Authority.

Reports on Other Responsibilities Arising from Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with subparagraph 4, Article 398 of Turkish Commercial Code no. 6102 ("TCC") is submitted to the Board of Directors of the Company on 06 March 2017.
- 2) In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 and financial statements are not in compliance with the code and provisions of the Group's articles of association in relation to financial reporting.
- 3) In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

ATA Uluslararası Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Member Firm of Kreston International


Dr. Ali YÜRÜDÜ
Managing Partner

İstanbul, 06 March 2017

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2016 AND 2015
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Audited</i>	<i>Revised(*) Audited</i>
		Current Period 31.12.2016	Prior Period 31.12.2015
ASSETS	Footnote References		
Current Assets		384,523,356	382,366,671
Cash and Cash Equivalents	5	16,923,525	66,463,970
Financial Investments	6	3,360,380	6,020,018
Trade Receivables		44,743,414	46,143,432
<i>Trade Receivables from Related Parties</i>	7-8	15,302,049	12,298,676
<i>Trade Receivables from Third Parties</i>	8	29,441,365	33,844,756
Other Receivables		101,133,647	47,403,890
<i>Other Receivables from Related Parties</i>	7-10	95,890,438	43,175,068
<i>Other Receivables from Third Parties</i>	10	5,243,209	4,228,822
Derivative Financial Instruments	11	444,784	1,079,408
Inventories	12	176,131,668	179,100,241
Biological Assets	13	5,758,644	5,808,000
Prepaid Expenses	14	1,779,638	2,225,571
Assets Related to Current Year Tax	15	479,406	288,829
Other Current Assets	22	33,768,250	27,833,312
Non-Current Assets		453,988,336	418,064,182
Financial Investments	6	9,650,000	9,650,000
Other Receivables		175,624	162,724
<i>Other Receivables from Related Parties</i>	7-10	-	-
<i>Other Receivables from Third Parties</i>	10	175,624	162,724
Investments Valued by Equity Pick-up Method	16	152,510,394	138,908,362
Tangible Assets	17	271,610,281	247,123,317
Intangible Assets	18	158,018	208,522
Prepaid Expenses	14	2,065,909	405,764
Deferred Tax Assets	29	17,818,110	21,605,493
TOTAL ASSETS		838,511,692	800,430,853

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

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2016 AND 2015
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Audited</i>	<i>Revised(*) Audited</i>
		Current Period 31.12.2016	Prior Period 31.12.2015
LIABILITIES	Footnote References		
Current Liabilities		405,373,620	387,088,176
Financial Borrowings	9	255,415,493	231,742,168
Current Installments of Long Term Financial Borrowings	9	32,969,189	48,339,445
Trade Payables		89,148,773	74,632,597
<i>Trade Payables to Related Parties</i>	7-8	7,700,158	6,374,630
<i>Trade Payables to Third Parties</i>	8	81,448,615	68,257,967
Employee Benefit Liabilities	21	6,485,573	5,915,880
Other Payables		4,185,065	2,577,165
<i>Other Payables to Related Parties</i>	7-10	852,767	603,578
<i>Other Payables to Third Parties</i>	10	3,332,298	1,973,587
Derivative Financial Instruments	11	-	455,800
Deferred Income	14	15,295,667	22,336,064
Current Tax Liabilities of Period Profit	29	-	9,770
Current Provisions		1,873,860	1,079,287
- <i>Provision for employee benefits</i>	20	1,683,347	876,774
- <i>Other current provisions</i>	20	190,513	202,513
Non-Current Liabilities		153,211,809	122,949,661
Long Term Borrowings	9	106,120,169	103,931,203
Trade Payables		19,635,759	-
<i>Trade Payables to Related Parties</i>	7-8	-	-
<i>Trade Payables to Third Parties</i>	8	19,635,759	-
Deferred Income	14	518,458	-
Long Term Provisions		26,646,229	18,095,801
Long Term Provisions for Employee Benefits	20	26,646,229	18,095,801
Deferred Tax Liabilities	29	291,194	922,657
Equity		279,926,263	290,393,016
Parent Company's Equity		277,191,456	281,316,948
Paid in Capital	23.1	250,000,000	250,000,000
Inflationary Adjustments of Shareholder's Equity	23.2	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>	23.3	656,789	1,793,410
Restricted Reserves	23.4	10,209,777	10,209,777
<i>Legal Reserves</i>	23.4	10,209,777	10,209,777
Retained Earnings / Losses	23.5	44,396,063	88,285,492
Net Profit / (Loss) for the Period		(2,988,871)	(43,889,429)
Minority Interests	23.6	2,734,807	9,076,068
TOTAL LIABILITIES AND EQUITY		838,511,692	800,430,853

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

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS OF 1 JANUARY-31 DECEMBER 2016 AND 2015
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Audited</i>	<i>Revised(*) Audited</i>
		Current Period 01.01- 31.12.2016	Prior Period 01.01- 31.12.2015
	Footnote References		
Revenue	24.1	645,115,929	568,581,917
Cost of sales (-)	24.2	(565,866,425)	(525,686,646)
Gross Profit / (Loss)		79,249,504	42,895,271
General Administrative Expenses (-)	25.2	(12,996,290)	(14,412,685)
Marketing Expenses (-)	25.1	(12,432,190)	(12,014,987)
Other Operating Income	26.1	13,317,010	16,597,115
Other Operating Expenses (-)	26.2	(10,371,210)	(43,422,956)
Operating Profit / (Loss)		56,766,824	(10,358,242)
Income from Investment Activities	27.1	105,275	815,143
Expenses from Investment Activities (-)	27.3	(7,064)	(39)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	27.2	13,602,032	21,433,978
Operating Activity Profit/(Loss) Before Financial Expense		70,467,067	11,890,840
Financial Income	28.1	21,730,151	29,341,908
Financial Expenses (-)	28.2	(98,082,697)	(102,424,395)
Operating Activity Profit/(Loss) Before Taxation		(5,885,479)	(61,191,647)
Operating Activity Tax Income/(Expense)			
Current Tax Income/(Expense)	29	-	(9,770)
Deferred Tax Income/(Expense)	29	(3,440,991)	12,303,187
Current Period Operating Activity Profit / (Loss)		(9,326,470)	(48,898,230)
Profit/(Loss) for the Period		(9,326,470)	(48,898,230)
Distribution of the Period Income/(Loss)			
Minority Interests	23.6	(6,337,599)	(5,008,801)
Parent Company's Shares		(2,988,871)	(43,889,429)
Earnings Per Share	30	(0.0120)	(0.1756)
Other Comprehensive Income:			
Income (Expenses) not to be Reclassified on Profit or (Loss)			
- Defined Benefit Plans Re-Measurement Gains (Losses)		(1,420,776)	3,710,570
- Deferred Tax Income / (Expense)		284,155	(742,272)
Other Comprehensive Income		(1,136,621)	2,968,298
Total Comprehensive Income/(Expense)		(10,463,091)	(45,929,932)
Distribution of Total Comprehensive Income			
Minority Interests	23.6	(6,341,261)	(4,989,123)
Parent Company's Shares		(4,121,830)	(40,940,809)

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

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIODS OF 01 JANUARY - 31 DECEMBER 2016 AND 2015

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

					Accumulated Other Comprehensive Income and Expenses that will not be Reclassified to Profit or Loss			Accumulated profits				
	Footnote References	Paid in Capital	Adjustments of Shareholders' Equity	The Effect of Associations Including Enterprises or Enterprises Subject to Joint Control	Defined Benefit Plans Re-Measurement Gains (Losses)	Restricted Reserves	Accumulated Profit/Loss	Net Profit/Loss For The Period	Parent Company's Equity	Minority Interests	Total Equity	
Balances at 01.01.2015 (Previously Reported)	23	250,000,000	485,133	-	(1,181,579)	9,754,762	36,482,865	25,468,481	321,009,662	1,912,767	322,922,429	
Effect of Business Mergers Subject to Common Control		-	-	(25,567,435)	6,533	-	(2,628,589)	8,407,883	(19,781,608)	437,309	(19,344,299)	
Balances at 01.01.2015 (Revised)	23	250,000,000	485,133	(25,567,435)	(1,175,046)	9,754,762	33,854,276	33,876,364	301,228,054	2,350,076	303,578,130	
Transfers	23	-	-	-	-	455,015	25,013,466	(25,468,481)	-	25,020	25,020	
Total Comprehensive Income/(Loss)	23	-	-	-	2,968,298	-	-	(43,889,429)	(40,921,131)	(4,989,123)	(45,910,254)	
Balances at 01.01.2015	23	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	
Balances at 01.01.2016 (Previously Reported)	23	250,000,000	485,133	-	1,807,495	10,209,777	61,496,331	(29,905,314)	294,093,422	1,777,528	295,870,950	
Effect of Business Mergers Subject to Common Control		-	-	(25,567,435)	(14,085)	-	26,789,161	(13,984,115)	(12,776,474)	7,298,540	(5,477,934)	
Balances at 01.01.2016 (Revised)	23	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	23	-	-	-	-	-	(43,889,429)	43,889,429	-	-	-	
Total Comprehensive Income/(Loss)	23	-	-	-	(1,136,621)	-	-	(2,988,871)	(4,125,492)	(6,341,261)	(10,466,753)	
Balances at 01.01.2016	23	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	

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

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS OF
01 JANUARY – 31 DECEMBER 2016 AND 2015
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	<i>Audited</i>	<i>Revised(*)</i>
	Current Period	Prior Period
	01.01-	01.01-
	31.12.2016	31.12.2015
Footnote		
References		
CASH FLOWS FROM THE OPERATING ACTIVITIES	(8,184,830)	(72,318,886)
Profit/(Loss) for the Period		
Current Period Operating Activity Profit / (Loss)	(9,326,470)	(48,898,230)
Adjustments Related with Net Profit/Loss for The Period	23,725,484	28,238,481
Adjustments for Depreciation, Amortisation Expenses	25,299,480	24,139,843
Adjustments Related to the Provisions		
- Adjustments for Employee Termination Benefits	7,413,807	11,451,472
- Adjustment for Provision for Expenses and Lawsuits	(12,000)	(57,686)
- Adjustment for Other Provisions or Reversals	806,573	(375,536)
Adjustments for Interest Income and Expense		
- Adjustments for Interest Expenses	2,101,940	2,249,605
- Deferred Financial Expense Arise From Forward Purchasing	(1,944,397)	2,501,282
Adjustments for fair value income or loss		
- Adjustments for financial assets fair value losses /(profits)	42,298	(3,982)
- Adjustments for financial instruments fair value losses /(profits)	178,824	910,867
Adjustments for retained earnings of investments subject to Equity Pick-up Method		
- Adjustment for retained earnings of subsidiaries	(13,602,032)	(283,967)
Tax payments/returns	3,440,991	(12,293,417)
Changes in the Company Capital	(22,583,844)	(51,659,137)
Adjustments for Increase/Decrease in Financial Assets	2,617,340	(806,835)
Adjustments for Increase/Decrease in Trade Receivables		
- Adjustments for Increase/Decrease in Trade Receivables from Related Parties	(3,003,373)	(10,591,045)
- Adjustments for Increase/Decrease in Trade Receivables from Third Parties	4,403,391	5,621,243
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	-	-
- Adjustments for increase/decrease in other receivables from third parties related to the operations	(59,868,172)	64,200,764
Adjustments for Increase/Decrease in Inventories	2,968,573	9,313,380
Adjustments Related to the Increase/Decrease in Biological Assets	49,356	(1,358,892)
Adjustments for Increase/Decrease in Prepaid Expenses	(1,214,212)	3,192,455
Adjustments for Increase/Decrease in Trade Payables		
- Adjustments for Increase/Decrease in Trade Payables to Related Parties	1,325,528	1,195,429
- Adjustments for Increase/Decrease in Trade Payables to Third Parties	34,770,804	(48,098,722)
Increase/decrease in employee benefits liabilities	569,693	197,100
Adjustments for increase/decrease in other payables related to the operations	1,607,900	(70,138,125)
Adjustments for increase/decrease changes in Company capital		
- Increase/Decrease in Other Liabilities Related to the Operations	229,725	3,899,007
Increase/decrease in deferred tax	(7,040,397)	(8,284,896)
Cash Flow from Operating Activities	(8,184,830)	(72,318,886)

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

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS OF
01 JANUARY – 31 DECEMBER 2016 AND 2015
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	<i>Audited</i>	<i>Revised</i>
	Current Period	Prior Period
Footnote	01.01-	01.01-
References	31.12.2016	31.12.2015
NET CASH FLOW PROVIDED BY INVESTMENT ACTIVITIES		
	(49,745,710)	(20,472,250)
Proceeds from Sale of Property, Plant, Equipment and Intangible Assets		
- Proceeds from Sale of Tangible Assets	17-18 515,583	949,241
- Proceeds from Sale of Intangible Assets	17-18 -	(1,209)
Proceeds from Purchase of Property, Plant, Equipment and Intangible Assets		
- Proceeds from Purchase of Tangible Assets	17-18 (50,167,758)	(17,281,198)
- Proceeds from Purchase of Intangible Assets	17-18 (83,765)	(138,196)
Tax Payments>Returns	29 (9,770)	(4,000,888)
CASH FLOW PROVIDED BY FINANCIAL ACTIVITIES		
	8,390,095	34,979,378
Cash Inflows / (Outflows) Derives From Business Mergers Subject to Common Control		
	-	(25,567,435)
Cash Inflows from Financial Liabilities		
- Cash Inflows from Bank Loans	778,991,178	558,550,482
Cash Outflows from Financial Liabilities		
- Cash Outflows for Bank Loans	(770,549,530)	(497,774,684)
Cash Outflows from Finance Leases	9 (51,553)	(228,985)
CASH AND CASH EQUIVALENTS NET INCREASE/DECREASE		
	(49,540,445)	(57,811,758)
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD		
5	66,463,970	124,275,728
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
5	16,923,525	66,463,970

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

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(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 December 2016, 3,733 personnel are employed by the Company and average number of personnel is 3,791 for the period of 01.01-31.12.2016.

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):

Products	Unit	Quantity
Cotton yarn (is used in its production)	Kg	5,438,718
Raw fabric woven (is used in its production)	m ²	59,151,060
Knitted fabric (is used in its production)	Kg	1,004,400
Linens	Number	7,791,000
Pillow case	Number	2,646,000
Sheet	Number	6,352,000
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 29 January 2014, numbered 24 and valid until 30 January 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):

	Unit	Quantity
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 YEAR ENDED AT
31 DECEMBER 2016

(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 m².

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:

Product	Unit	Quantity
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 December 2016, 189 personnel are employed by the Company and the average number of personnel is 196 for the period of 01.01-31.12.2016.

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 December 2016, 20 personnel are employed by the Company and the average number of personnel is 21 for the period of 01.01-31.12.2016.

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 28,627,200 kilowatt. Tan Elektrik Üretim A.Ş. started producing electricity at October 2014.

As of 31 December 2016, 8 personnel are employed by the Company and the average number of personnel is 8 for the period of 01.01-31.12.2016.

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.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.a. Basis of Presentation

Compliance Statement

The Group is predicate 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 06 March 2017. Boards of Directors have authority to change financial statements.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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%

(*)On 18 July 2016, the Company acquired a share of Tan Elektrik Üretim A.Ş.'s (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 Otoprodüktöre 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%.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

As of 31 December 2016 and 2015, the capital structure of subsidiaries and participations are as follows :

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

	31.12.2016	31.12.2015
	Ratio %	Ratio %
Public Offered Shares	47.32	47.32
Akça Holding A.Ş.	50.29	50.29
Other	2.39	2.39
	100%	100%

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

	31.12.2016	31.12.2015
	Ratio %	Ratio %
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
	100%	100%

Smyrna Seracılık Ticaret A.Ş. (Subsidiary)

	31.12.2016	31.12.2015
	Ratio %	Ratio %
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
	100%	100%

Tan Elektrik Üretim A.Ş. (Subsidiary)

	31.12.2016	31.12.2015
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	66.00	-
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	28.00	70.00
Smyrna Seracılık A.Ş.	2.40	21.00
Akça Holding A.Ş.	2.00	5.00
Other	1.60	4.00
	100%	100%

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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

	31.12.2016	31.12.2015
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	68.00	20.00
Tan Elektrik Üretim A.Ş.	18.29	45.71
Akça Holding A.Ş.	7.01	17.53
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	4.29	10.72
Selin Tekstil Sanayi Ticaret A.Ş.	2.22	5.55
Akçasaraylı Tekstil Ltd. Şti.	0.19	0.48
	100%	100%

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

	31.12.2016	31.12.2015
	Ratio %	Ratio%
Zeybekçi Holding A.Ş.	49.50	-
Menderes Tekstil Sanayi ve Ticaret A.Ş.	48.00	48.00
Nihat Zeybekçi	-	49.50
Other	2.50	2.50
	100%	100%

Menderes Tekstil Pazarlama A.Ş. (Participation)

	31.12.2016	31.12.2015
	Ratio%	Ratio %
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
	100%	100%

Equity participations are accounted for using the equity pick-up method. Equity participations are companies in which Group has a 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 associates 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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Reporting Currency

As of 31 December 2016 and 2015, 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.

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 have 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 equaliser.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

The differences that occur from accounting the effect of business mergers subject to common control with the restatement of previously reported financial statements are as follows:

	Reclassified (*) 31.12.2015	Previously Reported 31.12.2015
Current Assets	382,366,671	441,250,578
Non-Current Assets	418,064,182	310,633,182
Shareholders' Equity	290,393,016	295,870,950
Parent Company's Equity	281,316,948	294,093,422
Paid- in Capital	250,000,000	250,000,000
Inflation Adjustments to Share Capital	485,133	485,133
Effect of Business Mergers Subject to Common Control	(25,567,435)	
Restricted Reserves	10,209,777	10,209,777
Retained Earnings / Loses	88,285,492	61,496,331
Net Profit / Loss For The Period	(43,889,429)	(29,905,314)
Minority Interest	9,076,068	1,777,528
TOTAL EQUITY	800,430,853	751,883,760

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 December 31,2016 and December 31,2015 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 3,083,420 "Social Security Institution Incentive Pay" under the "Other Operating Income" in income statement for the period ended at 31 December 2015 is ofsetted against of "Cost of Sales" with TRY 2,842,575 and "General Administrative Expenses" with TRY 240,845 in these financial statements.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

2.e. New and Revised International Financial Reporting Standards

Summary of financial statements for the period of 01 January- 31 December 2016

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> ¹
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> ²
TAS 1 (Amendments)	<i>Explanation Provisions</i>
Annual Improvements to 2012-2014 period	<i>TFRS 5, TFRS 7, TMS 34, TMS 19</i> ²
TAS 27 (Amendments)	<i>Equity Method in Separate Financial Statements</i> ²
TFRS 10 ve TAS 28 (Amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ²
TFRS 10, TFRS 12 ve TAS 28 (Amendments)	<i>Investment Entities: Applying the consolidation Exception</i> ²
TFRS 14	<i>Regulatory Deferral Accounts</i> ²

¹ Effective from annual periods beginning after 31 December 2015.

² 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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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 ¹
TFRS 15	Revenue from Contracts with Customers ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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)

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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 December 2016, such payments are calculated on the basis of 30 days’ pay limited to a maximum of TRY 4,297 (31 December 2015: TRY 3,828) 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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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:

	31.12.2016	31.12.2015
USD	3.5192	2.9076
EUR	3.7099	3.1776
GBP	4.3189	4.3007
CHF	3.4454	2.9278

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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 7).

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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 4.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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 31.12.2012. 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 a share of Tan Elektrik Üretim A.Ş.'s (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 Otoprodüktöre 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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 3 – BUSINESS MERGERS

	31 December 2016	Tan Elektrik 31 December 2016	Akça Enerji 31 December 2016
Net assets acquired	Net Book Value	Net Book Value	Net Book Value
Total current assets	15,266,335	1,530,398	13,735,937
Total non-current assets	156,943,438	73,077,966	83,865,472
Current liabilities	(51,116,301)	(10,118,267)	(40,998,034)
Non-current liabilities	(77,545,921)	(51,246,711)	(26,299,210)
Capital	100,000,000	30,000,000	70,000,000
Profit/loss previous years	(32,702,309)	(7,673,825)	(25,028,484)
Profit/ loss for the year	(23,750,140)	(9,082,789)	(14,667,351)
Total net assets	43,547,551	13,243,386	30,304,165
Percentage purchased (sum of direct and indirect)	-	67.90%	80.42%
- Share ratios of Menderes	-	66.00%	68.00%
- Share ratios of Smyrna	-	2.40%	-
- Share ratios of Tan	-	-	18.29%
Net assets acquired	55,582,575	15,309,473	40,273,102
Acquisition amount(*)	(81,150,010)	(20,750,000)	(60,400,010)
Acquisition amount(*)	(81,150,010)	(20,750,000)	(60,400,010)
Effect of business mergers subject to common control	(25,567,435)	(5,440,527)	(20,126,908)

(*)On 18 July 2016, the Company acquired a share of Tan Elektrik Üretim A.Ş.'s (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%.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOT 4 – SEGMENT REPORTING

31 December 2016	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
ASSETS					
Cash and Cash Equivalents	16,075,292	9,854	838,379	-	16,923,525
Financial Investments	3,360,380	-	-	-	3,360,380
Trade Receivables	42,020,976	1,426,838	1,436,060	(140,460)	44,743,414
Other Receivables	160,495,641	250,381	11,700	(59,624,075)	101,133,647
Derivative Financial Instruments	444,784	-	-	-	444,784
Inventories	175,207,959	868,988	54,721	-	176,131,668
Biological Assets	-	5,758,644	-	-	5,758,644
Prepaid Expenses	1,546,341	123,722	109,575	-	1,779,638
Current Tax Assets	410,389	66,536	2,481	-	479,406
Other Current Assets	16,983,405	3,971,426	12,813,419	-	33,768,250
Current Assets	416,545,167	12,476,389	15,266,335	(59,764,535)	384,523,356
Financial Investments	76,900,000	950,000	22,450,010	(90,650,010)	9,650,000
Other Receivables	61,787	14,721	99,116	-	175,624
Investments Valued by Equity Pick-up Method	152,510,394	-	-	-	152,510,394
Tangible Assets	120,805,450	22,418,626	128,386,205	-	271,610,281
Intangible Assets	130,930	6,708	20,380	-	158,018
Prepaid Expenses	486,909	129,986	1,449,014	-	2,065,909
Deferred Tax Assets	14,714,062	1,022,828	4,538,713	(2,457,493)	17,818,110
Non-Current Assets	365,609,532	24,542,869	156,943,438	(93,107,503)	453,988,336
TOTAL ASSETS	782,154,699	37,019,258	172,209,773	(152,872,038)	838,511,692
LIABILITIES					
Financial Borrowings	255,415,493	-	-	-	255,415,493
Current Installments of Long Term Financial Borrowings	22,403,662	3,635,005	6,930,522	-	32,969,189
Trade Payables	84,582,113	1,323,944	3,383,176	(140,460)	89,148,773
Employee Benefits Liabilities	5,958,924	344,545	182,104	-	6,485,573
Other Payables	3,397,449	20,009,841	40,401,850	(59,624,075)	4,185,065
Deferred Income	14,892,086	267,401	136,180	-	15,295,667
Current Provisions	1,791,391	-	82,469	-	1,873,860
Current Liabilities	388,441,118	25,580,736	51,116,301	(59,764,535)	405,373,620
Long Term Borrowings	48,166,696	1,796,766	56,156,707	-	106,120,169
Trade Payables	-	-	19,635,759	-	19,635,759
Provisions For Long Term Employee Benefits	26,123,747	463,762	58,720	-	26,646,229
Deferred Income	518,458	-	-	-	518,458
Deferred Tax Liabilities	463,787	590,165	1,694,735	(2,457,493)	291,194
Non-Current Liabilities	75,272,688	2,850,693	77,545,921	(2,457,493)	153,211,809
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)
Accumulated other comprehensive income / expense not to be reclassified on profit or loss	-	-	-	-	-
Actuarial Benefit / Loss of the Retirement Plans	642,697	22,869	(4,886)	(3,891)	656,789
Restricted Reserves	10,147,245	62,532	127,759	(127,759)	10,209,777
Retained Earnings / Losses	40,104,208	(859,632)	(32,825,182)	37,976,669	44,396,063
Net Profit / Loss for the Period	17,061,610	(2,637,940)	(23,750,140)	6,337,599	(2,988,871)
Minority Interest	-	-	-	2,734,807	2,734,807
SHAREHOLDERS' EQUITY	318,440,893	8,587,829	43,547,551	(90,650,010)	279,926,263
TOTAL LIABILITIES	782,154,699	37,019,258	172,209,773	(152,872,038)	838,511,692

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

31 December 2016	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
Revenue	618,161,785	13,788,186	13,662,398	(496,440)	645,115,929
Cost of Sales (-)	(540,158,228)	(12,349,592)	(13,855,045)	496,440	(565,866,425)
GROSS PROFIT/LOSS	78,003,557	1,438,594	(192,647)	-	79,249,504
General Administrative Expenses (-)	(11,032,977)	(619,811)	(1,406,302)	62,800	(12,996,290)
Marketing Expenses (-)	(11,475,494)	(950,356)	(6,340)	-	(12,432,190)
Research and Development Expenses	-	-	-	-	-
Other Operating Income	12,839,441	154,556	385,813	(62,800)	13,317,010
Other Operating Expenses (-)	(8,008,010)	(80,045)	(2,283,155)	-	(10,371,210)
OPERATING PROFIT/LOSS	60,326,517	(57,062)	(3,502,631)	-	56,766,824
Income From Investment Activities	105,275	-	-	-	105,275
Expenses From Investment Activities (-)	(7,064)	-	-	-	(7,064)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	13,602,032	-	-	-	13,602,032
OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES	74,026,760	(57,062)	(3,502,631)	-	70,467,067
Financial Income (+)	32,279,658	4,485	51,770	(10,605,762)	21,730,151
Financial Expenses (-)	(85,082,957)	(2,877,287)	(20,728,215)	10,605,762	(98,082,697)
OPERATING ACTIVITY PROFIT/(LOSS) BEFORE TAXATION	21,223,461	(2,929,864)	(24,179,076)	-	(5,885,479)
Operating Activity Tax Income / (Expense)					
- Income/Expense Tax for the period	-	-	-	-	-
- Deferred Tax Income/Expense	(4,161,851)	291,924	428,936	-	(3,440,991)
PROFIT/(LOSS) FOR THE PERIOD	17,061,610	(2,637,940)	(23,750,140)	-	(9,326,470)

31 December 2016	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
Details of Assets by Segments					
Total Tangible and Intangible Assets (Net Book Value)	120,805,450	22,418,626	128,386,205	-	271,610,281
Purchases of Tangible and Intangible Assets	10,457,937	165,848	39,543,973	-	50,167,758
Depreciation Expenses	15,475,532	2,331,349	7,492,599	-	25,299,480
Total Assets	31,956,749	1,074,305	1,228,888	-	34,259,942
Total Liabilities	367,743,746	5,775,357	82,821,662	-	456,340,765
Net Asset/ (Liability) Position of Foreign Currency Derivative Instruments Out of Financial Statements	1,289,784	-	-	-	1,289,784
Net Foreign Currency Asset/ Liabilities	(334,497,213)	(4,701,052)	(81,592,774)	-	(420,791,039)
Export	508,430,912	5,787,935	-	-	514,218,847
Import	185,118,303	322,281	22,324,290	-	207,764,874
Total Loans	463,713,806	28,431,429	128,662,222	(62,222,028)	558,585,429
Cash Equivalents	(16,075,292)	(9,854)	(838,379)	-	(16,923,525)
Net Loan	447,638,514	28,421,575	127,823,843	(62,222,028)	541,661,904
Total Equity	318,440,893	8,587,829	43,547,551	(90,650,010)	279,926,263
Total Capital	766,079,407	37,009,404	171,371,394	(152,872,038)	821,588,167
Net Loan/Total Capital Ratio	58%	77%	75%	41%	66%

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

Information On The Geographical Region

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

Region	01.01- 31.12.2016	01.01- 31.12.2015
Germany	39%	40%
U.S.A	35%	31%
Italy	8%	6%
France	5%	7%
China	2%	3%
England	2%	4%
Others	9%	9%
	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 December 2016, 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 37,70%. (2015: 42%).

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 5 – CASH AND CASH EQUIVALENTS

As of 31 December 2016 and 2015, the details of cash and cash equivalents are as follows:

	31.12.2016	31.12.2015
Cash	23,137	52,971
Banks	16,753,050	66,322,801
<i>Demand deposits</i>	2,025,142	2,233,213
<i>Time deposits</i>	14,727,908	64,089,588
Interest accruals for banks	147,338	88,198
	16,923,525	66,463,970

As of 31 December 2016 and 2015, maturity schedule of time deposits in the cash and cash equivalents are as follows:

	31.12.2016	31.12.2015
Within 1 month	4,486,078	55,297,587
1-3 months	10,241,830	8,792,001
	14,727,908	64,089,588

As of 31 December 2016, effective interest rates of time deposits in TRY and USD are 9,32 % and 1,86% (31.12.2015: for TRY 12,99%, USD 1,86%) respectively.

As of 31 December 2016, average maturity date of time deposits is 45 days (31 December 2015: 13 days). As of 31 December 2016, time deposits consist of TRY 2,932,798 and 3,351,645 USD (TRY 11,795,110) (31.12.2015: TRY 55,297,587 and USD 3,023,800 – (TRY 8,792.001)).

As of 31 December 2016, the Group's time deposits within the 3 months have hypothec against loans used from Şekerbank T.A.Ş, with USD 2,450,000 (TRY 8,622,040) (31.12.2015: USD 1,850,000 (TRY 5,379,060) and TRY 55,000,000).

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 6 – FINANCIAL INVESTMENTS

Short term financial investments

	31.12.2016	31.12.2015
Deposits with maturities over 3 months	3,343,240	5,960,580
Bank interest accruals	17,140	59,438
	3,360,380	6,020,018

As of 31 December 2016, the average maturity of time deposits are 135 days. (31.12.2015: 182). As of 31 December 2016, time deposit are consist of USD 950,000 (TRY 3,343,240) (31.12.2015: USD 2,050,000 (TRY 5,960,580)).

As of 31 December 2016, the blockage's amount more than 3 months on bank deposits of the Group are USD 950,000 (TRY 3,343,240) for the borrowings which are taken from Şekerbank T.A.Ş (31.12.2015: USD 2,050,000 (TRY 5,960,580)).

Long term financial investments

	31.12.2016	31.12.2015
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	9,650,000	9,650,000
	9,650,000	9,650,000

As of 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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 7 – RELATED PARTY TRANSACTIONS

i) Due from / to related parties:

a) Trade receivables from related parties (Note 8):

	31.12.2016	31.12.2015
Menderes Tekstil Pazarlama A.Ş.	13,271,513	5,091,911
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	2,228,880	4,429,933
Akçamen Tekstil A.Ş.	-	777,261
Unearned interests	(198,344)	(220,416)
	15,302,049	10,078,689

b) Income accruals from related parties (Note 8):

	31.12.2016	31.12.2015
Menderes Tekstil Pazarlama A.Ş.	-	2,219,987
	-	2,219,987

c) Trade payables to related parties (Note 8):

	31.12.2016	31.12.2015
Selin Tekstil Sanayi ve Ticaret A.Ş.	7,597,687	5,979,720
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	-	452,921
Akçamen Tekstil A.Ş.	143,490	-
Unearned interests	(41,019)	(58,011)
	7,700,158	6,374,630

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

d) Other receivables from related parties (Note 10):

	31.12.2016	31.12.2015
Due from shareholders		
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	95,754,169	42,557,543
Akça Holding A.Ş.	-	551,054
Other receivables from related parties		
Akça Solar Üretim Sanayi Ticaret A.Ş.	136,269	66,471
	95,890,438	43,175,068

e) Other payables to related parties (Note 10):

	31.12.2016	31.12.2015
Due to shareholders		
Rıza Akça	491,342	419,041
Ali Atlamaz	-	13,450
Dilek Göksan	-	120
Akça Holding A.Ş.	179,596	-
Other payables to related parties		
Akça Solar Üretim Sanayi Ticaret A.Ş.	181,829	170,967
	852,767	603,578

f) Advances given to related parties:

	31.12.2016	31.12.2015
Rıza Akça	93,969	-
	93,969	-

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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

a) Sales to related parties:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Menderes Tekstil Pazarlama A.Ş.	68,125,757	69,991,502
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	2,718,155	3,993,008
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	248,390	212,719
Aktur Araç Muayene İstasyonları İşl. A.Ş.	11,780	24,052
Akça Holding A.Ş.	-	206,186
	71,104,082	74,427,467

b) Purchases of fixed assets from related parties

	01.01.- 31.12.2016	01.01.- 31.12.2015
Akçamen Tekstil Sanayi Ticaret A.Ş.	775,500	-
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	46,610	-
	822,110	-

c) Purchases from related parties:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Selin Tekstil Sanayi ve Ticaret A.Ş.	42,684,884	37,205,500
Akça Holding A.Ş.	28,257	31,013
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	7,737	1,954
Aktur Araç Muayene İstasyonları İşl. A.Ş.	2,358	2,741
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	4,325	62,074
	42,727,561	37,303,282

d) Sales of fixed assets to related parties:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Akçamen Tekstil Sanayi Ticaret A.Ş.	-	705,000
	-	705,000

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Benefits provided to senior management	438,276	346,526
	438,276	346,526

b) Service expenses paid to related parties:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	879,823	708,938
Akça Holding A.Ş.	547,199	453,258
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	-	1,875
	1,427,022	1,164,071

c) Rent income from related parties:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	84,000	78,000
Akça Holding A.Ş.	84,000	78,000
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	84,000	78,000
Selin Tekstil Sanayi ve Ticaret A.Ş.	32,400	30,000
Menderes Tekstil Pazarlama A.Ş.	12,840	12,000
Akçamen Tekstil Sanayi Ticaret A.Ş.	10,320	9,600
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	8,400	7,800
	315,960	293,400

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

d) Rent expenses paid to related parties:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	34,920	353,000
Menderes Tekstil Pazarlama A.Ş.	360,000	336,000
	394,920	689,000

e) Service income from related parties:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	108,154	121,841
Menderes Tekstil Pazarlama A.Ş.	70,800	66,000
	178,954	187,841

f) Foreign exchange income from related parties (Note 28.1):

	01.01.- 31.12.2016	01.01.- 31.12.2015
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	318,344	6,894,946
Akça Holding A.Ş.	1,592	14,972
	319,936	6,909,918

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

g) Interest income from related parties (Note 28.1):

	01.01.- 31.12.2016	01.01.- 31.12.2015
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	11,764,574	14,133,334
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	105,768	143,893
Akça Holding A.Ş.	18,651	13,493
Akça Solar Enerji Üretim San. ve Tic. A.Ş.	9,032	33,958
	11,898,025	14,324,678

h) Foreign exchange losses paid to the related parties (Note 28.2):

	01.01.- 31.12.2016	01.01.- 31.12.2015
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	4,091,971	1,672,297
Akça Holding A.Ş.	29,178	7,104
	4,121,149	1,679,401

i) Interest expenses paid to related parties (Note 28.2):

	01.01.- 31.12.2016	01.01.- 31.12.2015
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	930,574	1,932,688
Akça Holding A.Ş.	8,902	-
Akça Solar Üretim Sanayi Ticaret A.Ş.	-	16,434
	939,476	1,949,122

j) Maturity interest expenses paid to related parties (Note 28.2):

	01.01.- 31.12.2016	01.01.- 31.12.2015
Akçamen Tekstil Sanayi Ticaret A.Ş.	15,143	4,481
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	4
Akça Solar Üretim Sanayi Ticaret A.Ş.	17,605	-
	32,748	4,485

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 8 – TRADE RECEIVABLES AND TRADE PAYABLES

Short Term Trade Receivables

	31.12.2016	31.12.2015
Trade receivables	27,188,384	30,439,964
Cheques and notes	1,065,695	330,634
Unearned interest on trade receivables	(104,426)	(161,162)
Doubtful trade receivables	25,376	543,793
Provision for doubtful receivables (-)	(25,376)	(543,793)
Income accruals	1,291,712	3,235,320
Trade Receivables From Third Parties	29,441,365	33,844,756
Trade receivables from related parties (Note 7-i-a)	15,500,393	10,299,105
Income accruals from related parties (Note 7-i-b)	-	2,219,987
Unearned interests on receivables from related parties (Note 7-i-a)	(198,344)	(220,416)
Trade Receivables From Related Parties	15,302,049	12,298,676
Total Short-Term Trade Receivables	44,743,414	46,143,432

As of 31 December 2016, the average maturity of trade receivables are 25 days (31 December 2015: 28 days).

Maturity schedule of notes receivables as of 31 December 2016 and 2015 are as follows:

	31.12.2016	31.12.2015
1-30 days	416,976	134,040
31-60 days	6,000	86,574
61-90 days	206,009	68,774
91-120 days	244,710	41,246
121-150 days	192,000	-
	1,065,695	330,634

As of 31 December 2016 and 2015, provision for doubtful receivables movement schedule is as follows:

	31.12.2016	31.12.2015
Opening balance	543,793	247,204
Collections for the period	-	-
Offsetting of balances that can not be collected (*)	(521,773)	(143,599)
Provision for the period	3,356	440,188
Closing Balance	25,376	543,793

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

Short Term Trade Payables

	31.12.2016	31.12.2015
Trade payables	64,733,488	57,767,261
Unearned interests on trade payables	(765,869)	(570,868)
Notes payables	15,794,011	10,078,110
Unearned interests on payables	(162,336)	(102,320)
Expense accruals	1,849,321	1,085,784
Trade Payables To Third Parties	81,448,615	68,257,967
Payables to related parties (Note 7-i-c)	7,741,177	6,432,641
Unearned interests on notes payables to related parties (Note 7-i-c)	(41,019)	(58,011)
Trade Payables to Related Parties	7,700,158	6,374,630
Total Short Term Trade Payables	89,148,773	74,632,597

As of 31 December 2016, the average maturity of trade payables are 52 days (31 December 2015: 60 days).

As of 31 December 2016, sureties were given amounting to USD 2,766,613 (TRY 9,736,264) and EUR 110,900 (TRY 411,428) for trade payables of the Group by bank (31.12.2015: USD 1,572,795 (TRY 4,573,059) and EUR 567,626 (TRY 1,803,688)). (Note:19)

As of 31 December 2016 and 2015, maturity breakdown of notes payables are as follows:

	31.12.2016	31.12.2015
Overdue	-	22,527
1 – 30 days	5,481,068	4,512,324
31 – 60 days	4,514,415	3,770,733
61 – 90 days	2,754,855	1,516,122
91 – 120 days	882,831	41,224
121 – 150 days	2,160,842	215,180
	15,794,011	10,078,110

Long Term Trade Payables

	31.12.2016	31.12.2015
Trade Payables	19,635,759	-
	19,635,759	-

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 9 – FINANCIAL BORROWINGS

	31.12.2016	31.12.2015
Short Term Borrowings:		
TRY borrowings	42,319	254,558
USD borrowings	144,072,581	203,031,205
EUR borrowings	110,248,821	25,610,635
GBP borrowings	368,570	2,393,070
Accrued Interest of Short Term Borrowings:		
USD accrued interest of borrowings	404,831	333,305
EUR accrued interest of borrowings	278,302	119,395
GBP accrued interest of borrowings	69	-
Short Term Financial Borrowings	255,415,493	231,742,168
Lease Payables:		
USD lease payables, net	-	51,553
EUR lease payables, net	5,604,488	6,170,753
Borrowings		
USD borrowings	3,076,660	23,160,861
EUR borrowings	22,869,303	17,159,372
Accrued Interests of Long Term Borrowings		
USD accrued interest of borrowings	347,830	836,454
EUR accrued interest of borrowings	1,070,908	960,452
Current Installments of Long-Term Borrowings	32,969,189	48,339,445
Long Term Lease Payables:		
EUR lease payables, net	2,547,808	6,982,598
Long Term Borrowings:		
USD borrowings	18,299,634	17,661,319
EUR borrowings	85,272,727	79,287,286
Long Term Financial Borrowings	106,120,169	103,931,203
Total Financial Liabilities	394,504,851	384,012,816

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

As of 31 December 2016 and 2015, maturity analyses of borrowings and other financial borrowings are as follows:

	31.12.2016	31.12.2015
Within 3 months	120,843,551	88,398,441
Between 3 - 12 months	159,834,703	183,211,260
Between 1 - 5 years	73,090,446	64,086,922
More than 5 years	30,481,915	32,861,683
	384,250,615	368,558,306

As of 31 December 2016 and 2015, maturity schedule of long term bank borrowings are as follows:

	31.12.2016	31.12.2015
Between 1-2 years	26,501,708	20,477,614
Between 2-3 years	19,719,706	18,938,645
Between 3-4 years	14,491,839	13,129,731
Between 4-5 years	12,377,195	11,540,931
Between 5-6 years	6,958,956	10,561,171
Between 6-7 years	6,526,750	5,525,201
Between 7-8 years	4,983,348	5,155,011
Between 8-9 years	2,750,343	3,869,386
Between 9-10 years	2,664,143	1,993,101
Between 10-11 years	2,664,143	1,919,270
Between 11-12 years	2,664,143	1,919,270
Between 12-13 years	423,363	1,919,274
Between 13-14 years	423,363	-
Between 14-15 years	423,361	-
	103,572,361	96,948,605

As of 31 December 2016, effective interest rates for USD, EUR and GBP bank loans are 3,24%, 3,32% and 3,40% (31.12.2015: USD 3%, EUR 4,40% 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 460,839,240), EUR 21,000,000 (TRY 77,907,900) and TRY 73,910,000.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

As of 31 December 2016 and 2015, the details of financial leasing borrowings of Group are as follows:

	31.12.2016	31.12.2015
Short term lease payables	5,835,314	6,669,535
Cost of deferred lease payables (-)	(230,826)	(447,229)
	5,604,488	6,222,306

	31.12.2016	31.12.2015
Long term lease payables	2,598,464	7,223,692
Cost of deferred lease payables (-)	(50,656)	(241,094)
	2,547,808	6,982,598

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

	Lease payables	Cost of deferred lease payables	Total liabilities
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
	8,433,778	(281,482)	8,152,296

As of 31 December 2015, the repayment schedule of lease payables are as follows:

	Lease payables	Cost of deferred lease payables	Total liabilities
Between 0 – 1 years	6,669,535	(447,229)	6,222,306
Between 1 – 2 years	4,998,058	(197,706)	4,800,352
Between 2 – 3 years	2,124,248	(42,355)	2,081,893
Between 3 – 4 years	101,386	(1,033)	100,353
	13,893,227	(688,323)	13,204,904

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 10 – OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

	31.12.2016	31.12.2015
Deposit and guarantees given	11,700	1,847
VAT return receivables	3,182,540	4,226,975
Other receivables(*)	1,998,969	-
Checks and notes received as advance	50,000	-
Other Receivables from Third Parties	5,243,209	4,228,822
Receivables from shareholders (Note 7-i-d) (**)	95,754,169	43,108,597
Receivables from related parties (Note 7-i-d)	136,269	66,471
Other Receivables From Related Parties	95,890,438	43,175,068
Total Other Current Receivables	101,133,647	47,403,890

As of 31 December 2016, non-trade receivables from related parties comprise 24.94% of total current assets and 11.44% of total assets. (As of 31 December 2015, it composes 11.29% of the total current assets and 5.39% of total assets).

(*) Receivables amounting to TRY 1,954,167 (EUR 54,952 and USD 497,358) included in other miscellaneous receivables , composed of non-commercial receivables from Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş with the assignment dated on 30 September 2016.

(**) The amount of TRY 95,754,169 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 01.01-31.12.2016, the calculated interest for the amount, TRY 11,764,574 is recorded on the accompanying income statement.

Other Non-Current Receivables

	31.12.2016	31.12.2015
Deposits and guarantees given	175,624	162,724
	175,624	162,724

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Other Current Payables

	31.12.2016	31.12.2015
Deposit and guarantees received	-	10,148
Taxes and funds payables	1,684,599	1,963,439
Provision of tax base increase under Law No. 6736	1,647,699	-
Other Payables to Third Parties	3,332,298	1,973,587
Payables to shareholders (Note 7-i-e)	670,938	432,611
Payables to related parties (Note 7-i-e)	181,829	170,967
Other Payables to Related Parties	852,767	603,578
Total Other Current Payables	4,185,065	2,577,165

NOTE 11 – DERIVATIVE INSTRUMENTS

	31.12.2016	31.12.2015
Income accrual of forward exchange	444,784	1,079,408
	444,784	1,079,408
	31.12.2016	31.12.2015
Expense accrual of forward exchange	-	455,800
	-	455,800

NOTE 12 – INVENTORIES

	31.12.2016	31.12.2015
Raw materials	88,680,484	75,967,197
Work in progress	60,271,642	69,949,812
Finished goods	26,581,922	31,613,804
Merchandises	597,620	468,562
Other inventories	-	1,100,866
	176,131,668	179,100,241

All of the Group inventory is covered by insurance coverage.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 13 – BIOLOGICAL ASSETS

Current Biological Assets

	31.12.2016	31.12.2015
Biological assets (Tomato)	5,758,644	5,808,000
	5,758,644	5,808,000

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 14 – PREPAID EXPENSES AND DEFERRED INCOME

Short Term Prepaid Expenses

	31.12.2016	31.12.2015
Order advances given	634,335	1,182,556
Prepaid expenses	1,050,227	774,997
Advances given for business purposes	95,076	268,018
	1,779,638	2,225,571

Long Term Prepaid Expenses

	31.12.2016	31.12.2015
Advances given for purchases of tangible assets	1,854,883	183,606
Prepaid expenses	211,026	222,158
	2,065,909	405,764

Short Term Deferred Income

	31.12.2016	31.12.2015
Advances received	14,984,933	22,336,064
Deferred income	310,734	-
	15,295,667	22,336,064

Long Term Deferred Income

	31.12.2016	31.12.2015
Deferred income	518,458	-
	518,458	-

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 15 – ASSETS RELATED TO CURRENT YEAR TAX

	31.12.2016	31.12.2015
Prepaid taxes and funds	479,406	288,829
	479,406	288,829

NOTE 16 – INVESTMENTS VALUED BY EQUITY PICK-UP METHOD

As of 31 December 2016 and 2015, the companies accounted according to the equity pick up method are as follows:

	31.12.2016	Share(%)	31.12.2015	Share(%)
Menderes Tekstil Pazarlama A.Ş.	8,664,532	45%	11,773,434	45%
Aktur Araç Muayene İstasyon İşletmeleri A.Ş.	143,845,862	48%	127,134,928	48%
	152,510,394		138,908,362	

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 December 2016 and 2015 are as follows:

Menderes Tekstil Pazarlama A.Ş.

	31.12.2016	31.12.2015
Current assets	22,953,623	23,592,293
Non-current assets	10,498,801	10,695,889
Total Assets	33,452,424	34,288,182
Current liabilities	13,796,692	7,726,136
Non-current liabilities	401,216	398,860
Shareholders’ equity	19,254,516	26,163,186
Total Equities	33,452,424	34,288,182
Sales, net	67,785,471	72,550,106
Cost of sales	(65,071,076)	(69,765,621)
Net profit / (loss)	(6,929,726)	3,667,951

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

	31.12.2016	31.12.2015
Current assets	78,535,787	63,144,976
Non-current assets	342,969,701	332,938,583
Total Assets	421,505,488	396,083,559
Current liabilities	63,295,852	43,488,633
Non-current liabilities	58,530,757	87,730,492
Shareholders’ equity	299,678,879	264,864,434
Total Equities	421,505,488	396,083,559
Sales, net	262,268,806	245,603,054
Cost of sales	(224,037,011)	(207,671,518)
Net profit / (loss)	42,143,262	48,240,981

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 17 – TANGIBLE FIXED ASSETS

Cost Value	Land	Land Improvements	Buildings	Property, plant and equipment	Vehicles	Fixtures and fittings	Construction in progress	Total
01 January 2015 opening balance	4,765,171	65,936,864	64,669,876	273,788,825	1,727,880	8,102,449	22,095,748	441,086,813
Additions	-	42,000	288,772	1,324,070	274,764	3,637,460	11,714,132	17,281,198
Disposals	-	-	-	(9,705,338)	(93,618)	(45,925)	(58,582)	(9,903,463)
Transfers	-	1,282,061	4,101,523	27,205,049	-	718,542	(33,307,175)	-
31 December 2015 closing balance	4,765,171	67,260,925	69,060,171	292,612,606	1,909,026	12,412,526	444,123	448,464,548
Additions	-	-	289,665	4,572,047	567,058	1,589,478	43,149,510	50,167,758
Disposals	-	-	(573,948)	(98,609)	(136,125)	(109,070)	-	(917,752)
Transfers	-	5,961,482	980,808	29,234,264	-	(456,163)	(35,720,391)	-
31 December 2016 closing balance	4,765,171	73,222,407	69,756,696	326,320,308	2,339,959	13,436,771	7,873,242	497,714,554
Accumulated Depreciation								
01 January 2015 opening balance	-	5,878,231	15,171,720	162,052,164	681,810	2,528,522	-	186,312,447
Additions	-	3,563,595	1,359,808	17,421,097	295,947	1,342,559	-	23,983,006
Disposals	-	-	-	(8,895,008)	(56,487)	(2,727)	-	(8,954,222)
Transfers	-	2,739	-	-	-	(2,739)	-	-
31 December 2015 closing balance	-	9,444,565	16,531,528	170,578,253	921,270	3,865,615	-	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)	(96,354)	-	(402,169)
Transfers	-	414,734	-	(293,158)	-	(121,576)	-	-
31 December 2016 closing balance	-	13,778,478	17,815,110	188,117,845	1,092,837	5,300,003	-	226,104,273
31.12.2015, Net Book Value	4,765,171	57,816,360	52,528,643	122,034,353	987,756	8,546,911	444,123	247,123,317
31.12.2016, Net Book Value	4,765,171	59,443,929	51,941,586	138,202,463	1,247,122	8,136,768	7,873,242	271,610,281

As of 31 December 2016, the depreciation expense of tangible fixed assets for the period is TRY 25,165,211 (31 December 2015: TRY 23,983,006).

As of 31 December 2016, fixed assets are insured for TRY 3,055,254, EUR 21,921,500 (TRY 81,326,573) and USD 112,730,000 (TRY 396,719,416). (31 December 2015: TRY 239,835,586; EUR 12,548,500 (TRY 39,874,114) and USD 344,393 (TRY 1,001,358)).

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions are USD 130,950,000 (TRY 460,839,240), EUR 21,000,000 (TRY 77,907,900) and TRY 73,910,000.

As of 31 December 2016, net book value of leasing machines is TRY 16,564,907.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 18 – INTANGIBLE ASSETS

Cost Value	Rights	Other intangible assets	Total
01 January 2015 opening balance	484,787	187,014	671,801
Additions	-	138,196	138,196
Disposals	-	825	825
31 December 2015 closing 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
Accumulated Depreciation			
01 January 2015 opening balance	331,823	114,024	445,847
Additions	81,472	75,365	156,837
Disposals	-	(384)	(384)
31 December 2015 closing 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
31.12.2015, Net Book Value	71,492	137,030	208,522
31.12.2016, Net Book Value	26,757	131,261	158,018

As of 31 December 2016, the amortization expense of intangible fixed assets for the period is TRY 134,269 (31 December 2015: TRY 156,837).

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 19 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2016 and 2015, the Group's guarantee / security / mortgage position are as follows:

Guarantees, security and mortgage (GSM) given by the Group	31.12.2016	31.12.2015
A. Total Amount of GSM given on behalf of legal entity	766,664,266	644,548,404
B. Total Amount of GSM given for partnerships which included in full consolidation	31,647,970	None
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
Total	798,312,236	644,548,404

For the credits, avals do not exist in favor of related parties by Group. For credit contracts of the Group, USD 113,750,000 (TRY 400,309,000), EUR 7,500,000 (TRY 28,824,250 TL) and TRY 107,500,000 avals are provided by related parties (Akça Holding and Osman Akça) (31 December 2015: USD 137,990,000 (TRY 401,219,724), EUR 5,000,000 (TRY 15,888,000) and TRY 113,500,000).

As of 31 December 2016, 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	3.7099	31,647,970
				31,647,970

As of 31 December 2016, details of mortgage on lands and buildings are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	TL	72,310,000	1.0000	72,310,000
Türkiye Vakıflar Bankası T.A.O	USD	130,950,000	3.5192	460,839,240
Türkiye Finans Katılım Bankası A.Ş.	TL	1,600,000	1.0000	1,600,000
Türkiye Vakıflar Bankası T.A.O	EUR	21,000,000	3.7099	77,907,900
				612,657,140

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

As of 31 December 2016, 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	TL	2,226,921	1.0000	2,226,921
Energy Market Regulatory Authority	TL	3,565,902	1.0000	3,565,902
Customs administration	TL	5,652,743	1.0000	5,652,743
Credit guarantee	USD	1,013,636	3.5192	3,567,188
Credit guarantee	EUR	3,160,000	3.7099	11,723,284
Food, Agriculture Livestock Directorate	TL	625,669	1.0000	625,669
Public institutions	TL	465,899	1.0000	465,899
				27,827,606

As of 31 December 2016, 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.	TL	11,375,255	1.0000	11,375,255
Türkiye Vakıflar Bankası T.A.O.	EUR	500,000	3.7099	1,854,950
Türkiye Finans Katılım Bankası A.Ş.	TL	58,000	1.0000	58,000
Halk Bank A.Ş.	TL	1,103,880	1.0000	1,103,880
Denizbank A.Ş.	EUR	2,660,000	3.7099	9,868,334
Türkiye Finans Katılım Bankası A.Ş.	USD	1,013,636	3.5192	3,567,187
				27,827,606

As of 31 December 2016, 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	2,257,119	3.5192	7,943,253
Türkiye Vakıflar Bankası T.A.O	USD	110,900	3.7099	411,428
Halk Bank A.Ş.	USD	203,170	3.5192	714,996
İşbankası A.Ş.	USD	306,324	3.5192	1,078,015
				10,147,692

As of 31 December 2016, the Group's time deposits within the 3 months have hypothec against loans used from Şekerbank T.A.Ş, USD 2,450,000 (TRY 8,622,040) (31.12.2015: TRY 55,000,000 and USD 1,850,000 (TRY 5,379, 060)).

As of 31 December 2016, the Group's time deposits longer than 3 months have hypothec against loans used from Şekerbank T.A.Ş. USD 950,000 (TRY 3,343,240) (31.12.2015: USD 2,050,000 (TRY 5,960,580)).

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

As of 31 December 2016, bank details of the general borrowing contracts are as follows:

General Borrowing Contracts:	FX Currency	FX Amount	FX Rate	TRY Equivalent
Albarakaturk A.Ş.	TL	15,000,000	1.0000	15,000,000
Denizbank A.Ş.	USD	9,000,000	3.5192	31,672,800
Eximbank A.Ş.	USD	25,000,000	3.5192	87,980,000
Finansbank A.Ş.	TL	13,000,000	1.0000	13,000,000
Halk Bankası A.Ş.	TL	10,000,000	1.0000	10,000,000
İşbankası A.Ş.	USD	9,500,000	3.5192	33,432,400
Odea Bank A.Ş.	TL	33,000,000	1.0000	33,000,000
Şekerbank A.Ş.	USD	3,750,000	3.5192	13,197,000
Şekerbank A.Ş.	TL	2,500,000	1.0000	2,500,000
Şekerbank A.Ş.	EUR	7,500,000	3.7099	27,824,250
ICBC Turkey Bank A.Ş.	USD	1,500,000	3.5192	5,278,800
Türkiye Finans katılım Bankası A.Ş.	TL	30,000,000	1.0000	30,000,000
Akbank T.A.Ş.	TL	4,000,000	1.0000	4,000,000
Vakıfbank A.Ş.	USD	65,000,000	3.5192	228,748,000
				535,633,250

As of 31 December 2016, details of the guarantee notes given are as follows:

Guarantee Notes Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Eximbank	USD	337,750	3.5192	1,188,610
Eximbank	EUR	314,515	3.7099	1,166,819
				2,355,429

As of 31 December 2016, 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	13,100,000	3.5192	46,101,520
Türk Eximbank	Türkiye Vakıflar Bankası T.A.O.	EUR	7,700,000	3.7099	28,566,230
Türk Eximbank	Türkiye Finans Katılım Bankası A.S	USD	1,000,000	3.5192	3,519,200
Türk Eximbank	Halkbank A.Ş.	USD	750,000	3.5192	2,639,400
Türk Eximbank	Halkbank A.Ş.	EUR	6,250,000	3.7099	23,186,875
Türk Eximbank	Finansbank A.Ş.	EUR	1,000,000	3.7099	3,709,900
Türk Eximbank	Şekerbank T.A.Ş.	EUR	1,340,000	3.7099	4,971,266
T.C. Merkez Bankası	Denizbank A.Ş.	EUR	3,000,000	3.7099	11,129,700
				123,824,091	

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 20 – SHORT TERM PROVISIONS

Other Short Term Provisions

	31.12.2016	31.12.2015
Provision for the lawsuits	190,513	202,513
Provision for unused personnel leave	1,683,347	876,774
	1,873,860	1,079,287

Long Term Provisions for Employee Benefits

	31.12.2016	31.12.2015
Provision for severance pay	26,646,229	18,095,801
	26,646,229	18,095,801

For the period of 01 January – 31 December 2016, average personnel number including subcontractors employed by the Group is 4,016 (01.01-31.12.2015: 4,227). The rate of retirement probability used is 99%.(01.01-31.12.2015: 97%)

For the period ended at 31 December 2016 and 2015, the movement schedule of severance pay provision is as follows:

	31.12.2016	31.12.2015
Balance of 1 January	18,095,801	9,691,965
Increase in the period	9,147,824	18,422,302
Interest cost	1,260,330	425,134
Payments	(3,283,080)	(6,708,434)
Actuarial profit/(loss)	1,425,354	(3,735,166)
Balance at the end of the period	26,646,229	18,095,801

NOTE 21 – EMPLOYEE BENEFIT LIABILITIES

	31.12.2016	31.12.2015
Due to personnel	4,753,791	4,016,601
Social security deductions payable	1,731,782	1,899,279
	6,485,573	5,915,880

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 22 – OTHER CURRENT ASSETS AND LIABILITIES

Other Current Assets

	31.12.2016	31.12.2015
VAT carried forward	32,120,551	27,833,312
Provision of tax base increase under Law No. 6736	1,647,699	-
	33,768,250	27,833,312

NOTE 23 – SHARE CAPITAL

23.1 Paid in Capital

As of 31 December 2016, Group's paid in capital was divided into 250,000,000 shares as each valued at TRY 1 nominally (31 December 2015: 250,000,000 units).

As of 31 December 2016 and 2015, Group's paid in capital is as follows:

	31.12.2016		31.12.2015	
	Share (%)	TL	Share (%)	TL
Shareholders:				
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
Total	100%	250,000,000	100%	250,000,000

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.

23.2 Inflation Adjustments of Shareholders' Equity

	31.12.2016	31.12.2015
Inflation adjustment of shareholders' equity	485,133	485,133
	485,133	485,133

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

23.3.1 Defined Benefit Plans Re-Measurement Gains (Losses)

	31.12.2016	31.12.2015
Defined Benefit Plans Re-Measurement Gains (Losses)	656,789	1,793,410
	656,789	1,793,410

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

23.4 Restricted Reserves

	31.12.2016	31.12.2015
Legal reserves	10,209,777	10,209,777
	10,209,777	10,209,777

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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.

23.5 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.

23.6 Minority Interest

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

31 December 2016	Total Shareholders’ Equity	Profit/(Loss) of the Period	Parent Company Share	Minority Interest	Minority part of Shareholders’ Equity	Minority part of Profit/(Loss)	Minority Total comprehensive income / (loss)
Smyrna	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 Elektrik	30,304,165	(14,667,351)	80.42%	19.58%	(2,023,788)	(2,872,453)	(2,870,741)
					2,734,807	(6,337,599)	(6,341,261)

The details of the minority interests as of 31 December 2015 are as follows:

31 December 2015	Total Shareholders’ Equity	Profit/(Loss) of the Period	Parent Company Share	Minority Interest	Minority part of Shareholders’ Equity	Minority part of Profit/(Loss)	Minority Total comprehensive income / (loss)
Smyrna	11,240,637	(135,663)	79.17%	20.83%	2,341,800	(28,263)	(8,277)
Tan Elektrik	4,333,272	(6,917,783)	67.90%	32.10%	5,887,315	(2,220,608)	(2,220,927)
Akça Elektrik	2,962,776	(14,092,785)	80.42%	19.58%	846,953	(2,759,930)	(2,759,919)
					9,076,068	(5,008,801)	(4,989,123)

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 24 – SALES AND COST OF SALES

24.1 Sales

	01.01.- 31.12.2016	01.01.- 31.12.2015
Domestic sales	132,685,313	120,128,026
Export sales	514,884,770	446,046,195
Other sales	1,570,782	2,766,836
	649,140,865	568,941,057
Sales returns	(420,660)	(359,140)
Discount on sales	(3,604,276)	-
Sales Income, (net)	645,115,929	568,581,917

24.2 Cost of Sales

	01.01.- 31.12.2016	01.01.- 31.12.2015
Direct material expenses	364,177,738	357,672,906
Direct labor expenses	120,661,109	105,573,081
General production expenses	17,940,327	15,390,298
Depreciation expenses	14,864,626	15,019,335
<u>Change in semi-finished goods</u>		
1. Beginning semi-finished goods (+)	69,949,812	68,268,462
2. Ending semi-finished goods (-)	(60,271,642)	(69,949,812)
Cost of finished goods produced	527,321,970	491,974,270
<u>Changes in finished goods inventory</u>		
1. Beginning inventory (+)	31,613,804	39,728,264
2. Ending inventory (-)	(26,581,922)	(31,613,804)
Cost of finished goods sold	532,353,852	500,088,730
<u>Cost of merchandises</u>		
1. Beginning merchandise inventory (+)	468,562	78,508
2. Purchases during the period (+)	9,205,306	4,987,984
3. Ending merchandise inventory (-)	(597,620)	(468,562)
Cost of merchandises sold	9,076,248	4,597,930
Cost of other service rendered	648,037	859,140
Cost of biological assets	9,397,231	7,724,380
Depreciation of biological assets	2,331,349	2,298,017
Energy costs	4,567,109	3,822,987
Energy depreciation	7,492,599	6,295,462
Cost of sales, net	565,866,425	525,686,646

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

As of 01 January – 31 December 2016 and 2015, for each main production group, quantities of goods and services:

	Unit	01.01.- 31.12.2016	01.01.- 31.12.2015
Yarn	Kg	12,548,688	12,915,351
Raw Clothing	Mt2	119,139,183	131,573,371
Finishing Cloth	Mt2	161,094,200	156,211,101
Lining	Mt2	20,423,779	24,377,319
Linens, Sheets, Curtains, Pillows	Unit	17,697,007	16,697,809
Electricity	Kwh	126,230,408	111,620,796
Cotton Waste	Kg	314,753	581,595
Piece of Cloth	Kg	2,458,887	4,827,590
Yarn Waste	Kg	950,840	1,045,259
Textile Trash Powder	Kg	146,523	81,040
Tomato	Kg	6,223,602	5,736,490

As of 01 January – 31 December 2016 and 2015, for each main sales group, quantities of goods and services:

	Unit	01.01.- 31.12.2016	01.01.- 31.12.2015
Yarn	Kg	3,239,982	2,083,633
Raw Clothing	Mt2	-	227,322
Finishing Cloth	Mt2	15,900,534	16,391,516
Lining	Mt2	20,892,163	22,518,420
Linens, Sheets, Curtains, Pillows	Unit	17,884,291	17,022,939
Electricity	Kwh	48,660,524	36,052,824
Cotton Waste	Kg	295,540	579,620
Piece of Cloth	Kg	3,770,640	3,730,502
Yarn Waste	Kg	961,680	1,021,811
Textile Trash Powder	Kg	144,560	81,040
Tomato	Kg	6,223,602	5,736,490

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 25 –GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	01.01.- 31.12.2016	01.01.- 31.12.2015
Marketing, sales and distribution expenses	12,432,190	12,014,987
General administrative expenses	12,996,290	14,412,685
	25,428,480	26,427,672

25.1 Marketing Expenses

	01.01.- 31.12.2016	01.01.- 31.12.2015
Personnel expenses	1,981,364	2,229,088
Export expenses	8,909,491	8,205,791
Transportation of domestic sale	615,636	599,219
Depreciation expenses	46,036	43,739
Other expenses	257,788	495,382
Severance pay	146,274	160,983
Trade fair expenses	475,601	280,785
	12,432,190	12,014,987

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

25.2 General Administrative Expenses

	01.01.- 31.12.2016	01.01.- 31.12.2015
Personnel expenses	4,103,503	3,297,463
Insurance expenses	993,967	934,575
Representation and accommodation expenses	128,875	162,438
Communication expenses	132,355	136,280
Rent expenses	341,439	269,727
Education and consultancy expenses	811,673	599,136
Capital market expenses	40,176	56,393
Repair and maintenance expenses	192,539	53,193
Travelling expenses	446,824	463,716
Membership expenses	36,808	31,271
Tax and duty expenses	677,121	774,412
Shares in holding cost (*)	534,299	453,258
Notary and insurance costs	80,080	49,017
Aid and donation expenses	710,234	1,263,978
Consulting expenses	533,201	202,159
Electricity expenses	238,224	216,901
Lawsuit expenses and provisions	227,850	55,356
Provision for severance pay expense	340,261	428,837
Provision for unused personnel leave	815,549	830
Provision for doubtful receivables	3,356	440,188
Depreciation expenses	564,870	483,290
Office rent expenses	339,240	336,000
Provision for diminution in value of inventories	-	3,126,602
Other expenses	703,846	577,665
	12,996,290	14,412,685

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 25 – OTHER OPERATING INCOME/ (EXPENSES)

26.1 Other Income From Operating Activities

	01.01.- 31.12.2016	01.01.- 31.12.2015
Reversal of unnecessary provision	199,810	542,763
Insurance compensation income	1,944,397	2,501,282
Foreign exchange gains related to commercial activities	7,745,433	10,421,597
Discount income / expenses on payables, net	1,350,802	912,861
Incentive and support income	1,307,716	1,321,879
Rental income	458,066	431,226
Other income and profit	310,786	465,507
	13,317,010	16,597,115

26.2 Other Expenses From Operating Activities (-)

	01.01.- 31.12.2016	01.01.- 31.12.2015
Commissions expenses	499,869	20,171,876
Exchange losses in trade operations	8,115,665	22,004,125
Discount income / (expenses) on trade receivables	1,033,968	1,246,809
Other expenses and losses	721,708	146
	10,371,210	43,422,956

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 27 – INVESTMENT ACTIVITIES INCOME / EXPENSE

27.1 Income from Investment Activities

	01.01.- 31.12.2016	01.01.- 31.12.2015
Profit on sale of fixed assets	105,275	815,143
	105,275	815,143

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

	01.01.- 31.12.2016	01.01.- 31.12.2015
Shares Related with Investment Valued by the Equity Pick-up Method	13,602,032	21,433,978
	13,602,032	21,433,978

27.3 Expenses from Investment Activities (-)

	01.01.- 31.12.2016	01.01.- 31.12.2015
Losses on sale of fixed assets	7,064	39
	7,064	39

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 28 – FINANCIAL INCOME / EXPENSES

28.1 Financial Income

	01.01.- 31.12.2016	01.01.- 31.12.2015
Interest income	479,622	500,657
Maturity differences income from related parties (7-iii-f)	11,898,025	14,324,678
Foreign exchange income regarding financial activities	6,945,604	5,208,023
Foreign exchange income from related parties (7-iii-e)	319,936	6,909,918
Foreign exchange income arising from future contracts	2,086,964	2,398,632
	21,730,151	29,341,908

28.2 Financial Expenses (-)

	01.01.- 31.12.2016	01.01.- 31.12.2015
Interest expenses	14,259,411	13,420,515
Interest expenses from related parties (7-iii-h)	939,476	1,949,122
Foreign exchange losses	71,262,788	67,405,833
Foreign exchange losses on related parties (7-iii-g)	4,121,149	1,679,401
Commission expenses of borrowings	3,840,486	4,461,996
Maturity differences expenses	518,082	383,209
Maturity differences expenses from related parties (7-iii-j)	32,748	4,485
Foreign exchange losses arising from futures contracts	1,792,636	6,761,489
Other financial expenses	1,315,921	6,358,345
	98,082,697	102,424,395

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 29 – 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 2016 is 20% (2015: 20%)

Permanent tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 20% in 2016 (2015: 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 whiles 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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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:

	31.12.2016		31.12.2015	
	Cumulative temporary differences	Deferred tax / (liability)	Cumulative temporary differences	Deferred tax / (liability)
<u>Deferred tax assets:</u>				
Unearned interests on receivables	302,770	60,554	381,578	76,316
Severance pay provision	26,646,229	5,329,245	18,095,801	3,619,160
Unused leave provisions	1,683,347	336,669	876,774	175,354
Reversal of capitalized financial expenses	34,530,925	6,906,185	34,960,375	6,992,076
Tangible fixed assets (except land, building, land improvements and depreciations excluded), net	17,210,755	3,442,151	21,846,763	4,369,352
Tangible fixed assets (land, building, land improvements and depreciations), net	5,388,740	269,437	4,915,960	245,798
Deductible retained losses	3,254,308	650,862	27,103,161	5,420,632
Other	4,115,021	823,007	3,534,007	706,805
Deferred tax assets		17,818,110		21,605,493
<u>Deferred tax liabilities:</u>				
Liability discounts	969,224	193,842	731,199	146,240
Forward	444,784	88,957	623,608	124,722
Other	41,981	8,395	3,258,481	651,695
Deferred tax liabilities		291,194		922,657
Deferred tax assets / (liabilities), net		17,526,916		20,682,836

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

For the period ended 31 December 2016 and 2015, movements of deferred tax assets and liabilities are as follows:

	01.01.- 31.12.2016	01.01.- 31.12.2015
Current corporation tax	-	(9,770)
Deferred tax assets/(liabilities), net	(3,440,991)	12,303,187
	(3,440,991)	12,293,417
	01.01.- 31.12.2016	01.01.- 31.12.2015
Deferred Tax (Asset) / Liability Movements		
Opening balance	20,682,836	9,126,682
Deferred tax income / (expense)	(3,440,991)	12,303,187
Actuarial (gain) / loss effect prior periods	285,071	(747,033)
Closing balance	17,526,916	20,682,836

NOT 30 – EARNINGS PER SHARE

	01.01.- 31.12.2016	01.01.- 31.12.2015
Net profit / (loss) for the period	(2,988,871)	(43,889,429)
Weighted-average number of shares outstanding (per share with TRY 1 value)	250,000,000	250,000,000
Profit per share (TRY)	(0.0120)	(0.1756)

NOTE 31 – FINANCIAL INSTRUMENTS

	31.12.2016	31.12.2015
Financial assets		
Liquid assets	16,923,525	66,463,970
Trade receivables	44,743,414	46,143,432
Other receivables	101,309,271	47,566,614
Financial assets	13,010,380	15,670,018
Financial liabilities		
Borrowings	386,352,555	370,807,912
Lease payables	8,152,296	13,204,904
Other payables	4,185,065	2,577,165
Trade payables	89,148,773	74,632,597

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 32 – 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 December 2016, maximum net credit risk is as follows:

Credit risks exposed by types of financial instruments					
	Trade Receivables		Other Receivables		Time
	Related Party	Third Party	Related Party	Third Party	Deposits
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	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	-	-	-	-	-

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

31 December 2015, maximum net credit risk is as follows:

Credit risks exposed by types of financial instruments	Trade Receivables		Other Receivables		Time
	Related Party	Third Party	Related Party	Third Party	Deposits
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	12,298,676	33,844,756	43,175,068	4,391,546	66,322,801
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	12,298,676	33,844,756	43,175,068	4,391,546	66,322,801
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)	-	543,793	-	-	-
Impairment (-)	-	(543,793)	-	-	-
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	-	-	-	-	-

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

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

Liabilities		31 December 2016				
Maturities according to agreement	Book Value	Contractual total cash out flow (=I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1- 5 Years (III)	More than 5 Years (IV)
Financial Liabilities Non Derivatives	529,255,688	556,799,152	213,355,110	200,686,001	95,920,770	46,837,271
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	-	-
	529,255,688	556,799,152	213,355,110	200,686,001	95,920,770	46,837,271

As of 31 December 2015, Group's liquidity risk table is as follows:

Liabilities		31 December 2015				
Maturities according to agreement	Book Value	Contractual total cash out flow (=I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1- 5 Years (III)	More than 5 Years (IV)
Financial Liabilities Non Derivatives	489,474,522	522,432,741	178,241,127	222,201,000	84,576,266	37,414,348
Financial borrowings	370,807,912	402,346,609	93,812,141	193,767,546	77,352,574	37,414,348
Financial leasing	13,204,904	13,893,227	1,738,014	4,931,521	7,223,692	-
Trade payables	74,632,597	75,363,796	74,811,653	552,143	-	-
- <i>Related parties</i>	6,374,630	6,432,641	6,432,641	-	-	-
- <i>Other parties</i>	68,257,967	68,931,155	68,379,012	552,143	-	-
Other liabilities	30,829,109	30,829,109	7,879,319	22,949,790	-	-
- <i>Related parties</i>	603,578	603,578	-	603,578	-	-
- <i>Other parties</i>	30,225,531	30,225,531	7,879,319	22,346,212	-	-
	489,474,522	522,432,741	178,241,127	222,201,000	84,576,266	37,414,348

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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 December 2016, 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 294,437.

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 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)
TOTAL (3+6+9+12)	(42,079,104)	42,079,104	(42,079,104)	42,079,104

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

As of 31 December 2015, 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 41,275,228 more / less.

	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	(24,133,623)	24,133,623	(24,133,623)	24,133,623
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(24,133,623)	24,133,623	(24,133,623)	24,133,623
In the case of increasing / losing value of TRY by 10% against EUR				
4- EUR net asset / liability	(17,012,909)	17,012,909	(17,012,909)	17,012,909
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(17,012,909)	17,012,909	(17,012,909)	17,012,909
In the case of increasing / losing value of TRY by 10% against GBP				
7- GBP net asset / liability	(128,821)	128,821	(128,821)	128,821
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	(128,821)	128,821	(128,821)	128,821
In the case of increasing / losing value of TRY by 10% against CHF				
10- CHF net asset / liability	125	(125)	125	(125)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect(10+11)	125	(125)	125	(125)
TOTAL (3+6+9+12)	(41,275,228)	41,275,228	(41,275,228)	41,275,228

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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

	31 December 2016				
	TRY equivalent functional currency	USD	EURO	GBP	CHF
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	-	-
4. Current Assets (1+2+3)	30,899,560	4,599,029	3,539,064	357,150	12,361
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	3,360,382	954,871	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-Current Assets (5+6+7)	3,360,382	954,871	-	-	-
9. Total Assets (4+8)	34,259,942	5,553,900	3,539,064	357,150	12,361
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	-	-	-	-	-
13. Current Liabilities (10+11+12)	330,584,837	48,948,676	42,576,913	85,338	-
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	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	125,755,928	5,199,941	28,964,742	-	-
18. Total Liabilities	456,340,765	54,148,617	71,541,655	85,338	-
19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)	1,289,784	2,597,600	(2,000,000)	(100,000)	-
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	-
20. Net foreign currency asset / liabilities (9-18+19)	(420,791,039)	(45,997,117)	(70,002,591)	171,812	12,361
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(424,034,992)	(49,092,075)	(68,057,543)	271,812	12,361
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-
23. Exports(*)	514,218,847	57,567,835	32,657,548	1,346,856	-
24. Imports	207,764,874	52,681,918	14,156,769	6,762	23,863

(*)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 YEAR ENDED AT
31 DECEMBER 2016

(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 December 2015, amounts of assets and liabilities of the Group in foreign currency are as follows:

FOREIGN EXCHANGE POSITION					
					31 December 2015
	TRY equivalent functional currency	USD	EURO	GBP	CHF
1. Trade Receivables	21,330,138	18,112	5,574,024	829,041	-
2a. Monetary Financial Assets (including cash and banks)	11,618,240	3,533,151	422,285	500	426
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	117,676	-	-	27,362	-
4. Current Assets (1+2+3)	33,066,054	3,551,263	5,996,309	856,903	426
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	6,020,017	2,070,442	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-Current Assets (5+6+7)	6,020,017	2,070,442	-	-	-
9. Total Assets (4+8)	39,086,071	5,621,705	5,996,309	856,903	426
10. Trade Payables	27,752,107	7,583,683	1,794,370	-	-
11. Financial Liabilities	279,123,263	78,118,550	15,606,967	556,437	-
12a. Other monetary financial liabilities	19,866,312	17,790	6,235,708	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current Liabilities (10+11+12)	326,741,682	85,720,023	23,637,045	556,437	-
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	103,931,202	6,074,189	27,149,386	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	103,931,202	6,074,189	27,149,386	-	-
18. Total Liabilities (13+17)	430,672,884	91,794,212	50,786,431	556,437	-
19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)	(21,165,467)	3,170,640	(8,750,000)	(600,000)	-
19a. Off-balance sheet foreign currency derivative assets	15,761,053	5,420,640	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	36,926,520	2,250,000	8,750,000	600,000	-
20. Net foreign currency asset / liabilities (9-18+19)	(412,752,280)	(83,001,867)	(53,540,122)	(299,534)	426
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(391,704,489)	(86,172,507)	(44,790,122)	273,104	426
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-
23. Exports(*)	446,046,195	44,503,135	28,505,803	2,878,208	-
24. Imports	195,765,684	64,447,536	6,948,090	13,693	109,301

(*)The Group has TRY 220,532,509 export for the period of 01.01.-31.12.2015.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
31 DECEMBER 2016

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

NOTE 33 – 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 December 2016 and 2015, net debt / total equity ratio is as follows:

	31.12.2016	31.12.2015
Total debts	558,585,429	510,037,837
Liquid assets	(16,923,525)	(66,463,970)
Net debt	541,661,904	443,573,867
Total equity	279,926,263	290,393,016
Total capital	821,588,167	733,966,883
Net Debt/Total Equity Ratio	66%	60%