

**MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD ENDED AT**  
**30 SEPTEMBER 2016**

## **MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.**

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**CONSOLIDATED BALANCE SHEETS**  
**AS OF 30 SEPTEMBER 2016 AND 31 DECEMBER 2015**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Unreviewed</i>	<i>Restated (*)</i>
		<i>Current Period</i>	<i>Audited</i>
	<b>Footnote</b>		<i>Prior Period</i>
<b>ASSETS</b>	<b>References</b>	<b>30.09.2016</b>	<b>31.12.2015</b>
<b>Current Assets</b>		<b>441,129,543</b>	<b>382,367,261</b>
Cash and Cash Equivalents	4	6,907,213	66,463,970
<b>Financial Investments</b>	5	<b>8,772,920</b>	<b>6,020,018</b>
<i>Time Deposits</i>	5	8,772,920	6,020,018
<b>Trade Receivables</b>		<b>86,350,126</b>	<b>46,143,432</b>
<i>Trade Receivables from Related Parties</i>	6-7	8,725,877	12,298,676
<i>Trade Receivables from Third Parties</i>	7	77,624,249	33,844,756
<b>Other Receivables</b>		<b>130,134,445</b>	<b>47,403,890</b>
<i>Other Receivables from Related Parties</i>	6-9	100,166,568	43,175,068
<i>Other Receivables from Third Parties</i>	9	29,967,877	4,228,822
Derivative Financial Instruments		294,870	1,079,408
<i>Financial Instruments Held for Trading</i>	10	294,870	1,079,408
Inventories	11	174,011,824	179,100,831
Biological Assets	12	2,480,120	5,808,000
Prepaid Expenses	13	2,112,938	2,225,571
<i>Prepaid Expenses to Related Parties</i>		-	-
<i>Prepaid Expenses to Third Parties</i>	13	2,112,938	2,225,571
Assets Related to Current Year Tax	14	220,343	288,829
Other Current Assets	21	29,844,744	27,833,312
<b>Non-Current Assets</b>		<b>427,047,875</b>	<b>418,064,182</b>
Financial Investments	5	9,650,000	9,650,000
<b>Other Receivables</b>	<b>9</b>	<b>178,925</b>	<b>162,724</b>
<i>Other Receivables from Related Parties</i>	6-9	-	-
<i>Other Receivables from Third Parties</i>	9	178,925	162,724
Investments Valued by Equity Pick-up Method	15	150,102,472	138,908,362
Tangible Assets	16	245,700,082	247,123,317
Intangible Assets	17	177,069	208,522
Prepaid Expenses	13	6,230,279	405,764
Deferred Tax Assets	28	15,009,048	21,605,493
<b>TOTAL ASSETS</b>		<b>868,177,418</b>	<b>800,431,443</b>

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

(\*) Effects of restatements are explained in Note 2.d.-Comparative Information and Previous Periods Adjustments.

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF 30 SEPTEMBER 2016 AND 31 DECEMBER 2015**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	Footnote References	<i>Unreviewed</i> <i>Current Period</i>	<i>Restated (*)</i> <i>Audited</i> <i>Prior Period</i>
<b>LIABILITIES</b>		<b>30.09.2016</b>	<b>31.12.2015</b>
<b>Short Term Liabilities</b>		<b>428,602,636</b>	<b>387,088,176</b>
Short Term Borrowings	8	297,638,203	231,742,168
<i>Short Term Borrowings from Third Parties</i>		297,638,203	231,742,168
<i>Bank Loans</i>	8	297,638,203	231,742,168
Current Installments of Long Term Borrowings	8	35,743,591	48,339,445
<i>Current Installments of Long Term Borrowings from Third Parties</i>		35,743,591	48,339,445
<i>Bank Loans</i>		35,743,591	48,287,892
<i>Financial Lease Borrowings</i>		-	51,553
<b>Trade Payables</b>		<b>68,647,306</b>	<b>74,632,597</b>
<i>Trade Payables to Related Parties</i>	6-7	6,435,904	6,374,630
<i>Trade Payables to Third Parties</i>	7	62,211,402	68,257,967
Employee Benefit Liabilities	20	6,078,148	5,915,880
<b>Other Payables</b>		<b>2,184,705</b>	<b>2,577,165</b>
<i>Other Payables to Related Parties</i>	6-9	671,786	603,578
<i>Other Payables to Third Parties</i>	9	1,512,919	1,973,587
Derivative Financial Instruments	10	-	455,800
<i>Financial Instruments Held for Trading</i>	10	-	455,800
Deferred Income	13	15,775,564	22,336,064
<i>Deferred Income from Related Parties</i>		-	-
<i>Deferred Income from Third Parties</i>	13	15,775,564	22,336,064
Tax Liabilities of Period Profit	28	330,034	9,770
<b>Short Term Provisions</b>		<b>2,205,085</b>	<b>1,079,287</b>
<i>Short Term Employee Benefits</i>	19	1,834,572	876,774
<i>Short Term Other Provisions</i>	19	370,513	202,513
<b>Long Term Liabilities</b>		<b>121,633,292</b>	<b>122,949,663</b>
Long Term Borrowings	8	97,871,881	103,931,203
<i>Long Term Borrowings from Third Parties</i>		97,871,881	103,931,203
<i>Bank loans</i>	8	97,871,881	103,931,203
<b>Long Term Provisions</b>		<b>23,482,889</b>	<b>18,095,801</b>
<i>Long Term Provisions for Employee Benefits</i>	19	23,482,889	18,095,801
Deferred Tax Liability	28	278,522	922,659

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

(\*)Effects of restatements are explained in Note 2.d.-Comparative Information and Previous Periods Adjustments.

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF 30 SEPTEMBER 2016 AND 31 DECEMBER 2015**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

<b>EQUITY</b>	<b>Footnote References</b>	<b>Unreviewed Current Period</b>	<b>Restated (*) Audited Prior Period</b>
		<b>30.09.2016</b>	<b>31.12.2015</b>
<b>Equity</b>		<b>317,941,490</b>	<b>290,393,604</b>
<b>Parent Company's Equity</b>		<b>330,187,383</b>	<b>292,893,638</b>
Paid in Capital	22.1	250,000,000	250,000,000
Inflation Adjustments to Paid in Capital	22.2	485,133	485,133
Effects of Business Mergers Subject to Common Control		(9,012,129)	(9,012,129)
Other comprehensive income/(expense) not to be reclassified to profit or loss			
<i>Defined benefit plans remeasurement gains/(losses)</i>	22.3	2,498,724	1,799,633
Restricted Reserves	22.4	10,209,777	10,209,777
<i>Legal Reserves</i>	22.4	10,209,777	10,209,777
Retained Earnings / Losses	22.5	39,411,224	88,280,603
Net Income / Loss for the Period		36,594,654	(48,869,379)
<b>Minority Interest</b>	22.6	<b>(12,245,893)</b>	<b>(2,500,034)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>868,177,418</b>	<b>800,431,443</b>

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

(\*)Effects of restatements are explained in Note 2.d.-Comparative Information and Previous Periods Adjustments.

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIODS OF 1 JANUARY-30 SEPTEMBER 2016 AND 2015**  
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

		<i>Restated (*)</i>			
	<i>Footnote References</i>	<i>Unreviewed Current Period 01.01- 30.09.2016</i>	<i>Unreviewed Prior Period 01.01- 30.09.2015</i>	<i>Unreviewed Prior Period 01.07- 30.09.2016</i>	<i>Unreviewed Prior Period 01.07- 30.09.2015</i>
Revenue	23.1	471,308,441	420,423,714	240,043,659	208,147,407
Cost of sales (-)	23.2	(409,916,326)	(370,562,794)	(202,218,215)	(173,697,295)
<b>Gross Profit / (Loss)</b>		<b>61,392,115</b>	<b>49,860,920</b>	<b>37,825,444</b>	<b>34,450,112</b>
General Administrative Expenses (-)	24.2	(11,520,698)	(9,993,215)	(4,459,303)	(2,971,525)
Marketing Expenses (-)	24.1	(9,598,440)	(8,333,860)	(4,015,791)	(3,371,929)
Other Operating Income	25.1	8,545,974	10,091,628	4,062,694	5,165,727
Other Operating Expenses (-)	25.2	(6,049,660)	(37,562,525)	(2,002,459)	(24,169,457)
<b>Operating Profit / (Loss)</b>		<b>42,769,291</b>	<b>4,062,948</b>	<b>31,410,585</b>	<b>9,102,928</b>
Income from Investment Activities	26.1	104,407	102,939	33,575	5,726
Expense from Investment Activities (-)	26.3	(6,897)	-	-	-
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	26.2	11,194,110	10,493,863	5,656,223	653,081
<b>Operating Activity Profit/(Loss) Before Financial Expense</b>		<b>54,060,911</b>	<b>14,659,750</b>	<b>37,100,383</b>	<b>9,761,735</b>
Financial Income	27.1	15,377,551	25,840,244	(513,357)	9,190,176
Financial Expenses (-)	27.2	(36,341,868)	(108,071,730)	(20,427,460)	(58,906,440)
<b>Operating Activity Profit/(Loss) Before Taxation</b>		<b>33,096,594</b>	<b>(67,571,736)</b>	<b>16,159,566</b>	<b>(39,954,529)</b>
<b>Operating Activity Tax Income/(Expense)</b>					
Current Tax Income/(Expense)	28	(330,034)	-	(330,034)	-
Deferred Tax Income/(Expense)	28	(5,876,300)	15,458,929	445,955	9,118,610
<b>Current Period Operating Activity Profit / (Loss)</b>		<b>26,890,260</b>	<b>(52,112,807)</b>	<b>16,275,487</b>	<b>(30,835,919)</b>
<b>Profit/(Loss) for the Period</b>		<b>26,890,260</b>	<b>(52,112,807)</b>	<b>16,275,487</b>	<b>(30,835,919)</b>
<b>Distribution of the Period Profit/Loss</b>					
Minority Interest	22.6	(9,704,394)	(432,789)	(3,038,418)	(231,339)
Parent Company's Shares		36,594,654	(51,680,018)	19,313,905	(30,604,580)
<b>Earnings Per Share</b>	<b>29</b>	<b>0.1464</b>	<b>(0.2067)</b>	<b>0.0651</b>	<b>(0.1233)</b>
<b>Other Comprehensive Income: Income (Expenses) not to be Reclassified on Profit or Loss</b>					
- Defined Benefit Plans Remeasurement Gains /(Losses)		785,465	(5,893,765)	3,768,478	(2,344,934)
- Deferred Tax Income / (Expense)		(86,374)	1,178,753	(682,977)	468,987
<b>Other Comprehensive Income</b>		<b>699,091</b>	<b>(4,715,012)</b>	<b>3,085,501</b>	<b>(1,875,947)</b>
<b>Total Comprehensive Income/(Expense)</b>		<b>27,589,351</b>	<b>(56,827,819)</b>	<b>19,360,988</b>	<b>(32,711,866)</b>
<b>Distribution of Total Comprehensive Income</b>					
Minority Interest		(9,745,859)	(429,579)	(3,051,338)	(228,129)
Parent Company's Shares		37,335,210	(56,398,240)	22,412,326	(32,483,737)

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

(\*)Effects of restatements are explained in Note 2.d.-Comparative Information and Previous Periods Adjustments.

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIODS OF**  
**01 JANUARY - 30 SEPTEMBER 2016 AND 2015**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

Footnote References	Paid in Capital	Inflation Adjustment To Paid In Capital	Effects of Business Mergers Subject to Common Control	Defined Benefit Plans Remeasurement Gains /(Losses)	Restricted Reserves	Retained Profits		Parent Company's Equity	Minority Interests	Total Equity	
						Accumulated Profit/Loss	Net Period Profit/Loss				
<b>Balances as at 01.01.2015</b>	22	250,000,000	485,133	-	(1,169,455)	9,754,762	33,848,685	33,876,364	326,795,489	2,350,076	329,145,565
Transfers	22	-	-	-	455,015	33,421,349	(33,876,364)	-	-	-	-
Total Comprehensive Income/(Loss)	22	-	-	(4,715,012)	-	-	(51,680,018)	(56,395,030)	(429,579)	(56,824,609)	
<b>Balances as at 30.09.2015</b>	22	250,000,000	485,133	-	(5,884,467)	10,209,777	67,270,034	(51,680,018)	270,400,459	1,920,497	272,320,956
<b>Balances as at 01.01.2016 (previously reported)</b>	22	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
Effects of Business Mergers Subject to Common Control		-	-	(9,012,129)	(7,862)	-	26,784,272	(18,964,065)	(1,199,784)	(4,277,562)	(5,477,346)
<b>Balances as at 01.01.2016 (restated) (*)</b>	22	250,000,000	485,133	(9,012,129)	1,799,633	10,209,777	88,280,603	(48,869,379)	292,893,638	(2,500,034)	290,393,604
Transfers	22	-	-	-	-	(48,869,379)	48,869,379	-	-	-	-
Total Comprehensive Income/(Loss)	22	-	-	699,091	-	-	36,594,654	37,293,745	(9,745,859)	27,547,886	
<b>Balances as at 30.09.2016</b>	22	250,000,000	485,133	(9,012,129)	2,498,724	10,209,777	39,411,224	36,594,654	330,187,383	(12,245,893)	317,941,490

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

(\*)Effects of restatements are explained in Note 2.d.-Comparative Information and Previous Periods Adjustments.

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS OF**  
**01 JANUARY – 30 SEPTEMBER 2016 AND 2015**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	Footnote References	<i>Unreviewed</i> Current Period 01.01- 30.09.2016	<i>Restated (*)</i> <i>Unreviewed</i> Prior Period 01.01- 30.09.2015
<b>CASH FLOWS FROM THE OPERATING ACTIVITIES</b>		<b>(87,177,930)</b>	<b>(128,762,328)</b>
<b>Profit/(Loss) for the Period</b>			
<b>Current Period Operating Activity Profit / (Loss)</b>		<b>26,890,260</b>	<b>(52,112,807)</b>
<b>Adjustments Related with Net Profit/Loss for The Period</b>		<b>21,647,774</b>	<b>(1,242,572)</b>
Adjustments for Depreciation, Amortisation Expenses	16-17	18,791,497	13,437,955
Adjustments Related to the Provisions			
- Adjustments for Employee Termination Benefits	19-24.2	6,086,179	4,058,103
- Adjustment for Provision for Expenses and Lawsuits	19	168,000	46,642
- Adjustment for Other Provisions or Reversals	19	957,798	(91,071)
Adjustments for Interest Income and Expense			
- Adjustments for Interest Expenses	8-27	2,273,107	2,352,446
- Deferred Financial Expense Arise From Forward Sales	25.2	(1,944,397)	-
Adjustments for fair value income or loss	5	(25,372)	(3,982)
- Adjustments for financial assets fair value losses /(profits)	10-27	328,738	4,910,126
- Adjustments for financial instruments fair value losses /(profits)			
Adjustments for retained earnings of investments subject to Equity Pick-up Method			
- Adjustment for retained earnings of subsidiaries	15	(11,194,110)	(10,493,862)
Adjustment for tax income/(loss)	28	6,206,334	(15,458,929)
<b>Changes in the Company Capital</b>		<b>(135,715,964)</b>	<b>(75,406,949)</b>
Adjustments for Increase/Decrease in Financial Investments	5	(2,727,530)	(7,160,291)
Adjustments for Increase/Decrease in Trade Receivables			
- Adjustments for Increase/Decrease in Trade Receivables from Related Parties		3,572,799	(5,098,284)
- Adjustments for Increase/Decrease in Trade Receivables from Third Parties	7	(43,779,493)	(12,024,539)
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	9-14-21	(84,689,702)	(14,717,516)
Adjustments for Increase/Decrease in Inventories	11	5,089,007	(22,234,278)
Adjustments Related to the Increase/Decrease in Biological Assets	12	3,327,880	1,001,431
Adjustments for Increase/Decrease in Prepaid Expenses	13	(5,711,882)	2,654,400
Adjustments for Increase/Decrease in Trade Payables			
- Adjustments for Increase/Decrease in Trade Payables to Related Parties		61,274	1,256,703
- Adjustments for Increase/Decrease in Trade Payables to Third Parties	7	(4,102,168)	(12,728,907)
Increase/decrease in employee benefits liabilities	20	162,268	(154,408)
Adjustments for increase/decrease in other payables related to the operations	9	(392,460)	384,259
Adjustments for increase/decrease changes in Company capital			
- Increase/Decrease in Other Liabilities Related to the Operations	19	34,543	(1,174,740)
Increase/decrease in deferred tax	13	(6,560,500)	(5,410,779)
<b>Cash Flow from Operating Activities</b>		<b>(87,177,930)</b>	<b>(128,762,328)</b>

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

(\*)Effects of restatements are explained in Note 2.d.-Comparative Information and Previous Periods Adjustments.



**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS OF**  
**01 JANUARY – 30 SEPTEMBER 2016 AND 2015**  
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	<b>Footnote References</b>	<b>Unreviewed Current Period 01.01- 30.09.2016</b>	<b>Restated (*) Unreviewed Prior Period 01.01- 30.09.2015</b>
<b>NET CASH FLOW PROVIDED BY INVESTMENT ACTIVITIES</b>		<b>(17,346,579)</b>	<b>(15,106,608)</b>
Proceeds from Sale of Property, Plant, Equipment and Intangible Assets			
- Proceeds from Sale of Tangible Assets	16-17	523,330	138,910
Proceeds from Purchase of Property, Plant, Equipment and Intangible Assets			
- Proceeds from Purchase of Tangible Assets	16-17	(17,784,990)	(11,105,186)
- Proceeds from Purchase of Intangible Assets	16-17	(75,149)	(139,444)
Tax Payments>Returns	22.5	(9,770)	(4,000,888)
<b>CASH FLOW PROVIDED BY FINANCIAL ACTIVITIES</b>		<b>44,967,752</b>	<b>78,697,769</b>
Cash Inflows from Financial Liabilities			
- Cash Inflows from Bank Loans		329,871,514	577,280,158
Cash Outflows from Financial Liabilities			
- Cash Outflows for Bank Loans		(284,852,209)	(498,353,404)
Cash Outflows from Finance Leases	8	(51,553)	(228,985)
<b>CASH AND CASH EQUIVALENTS NET INCREASE/DECREASE</b>	<b>4</b>	<b>(59,556,757)</b>	<b>(65,171,167)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD</b>	<b>4</b>	<b>66,463,970</b>	<b>124,275,728</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4</b>	<b>6,907,213</b>	<b>59,104,561</b>

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

(\*)Effects of restatements are explained in Note 2.d.-Comparative Information and Previous Periods Adjustments.

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED AT**  
**30 SEPTEMBER 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 “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 30 September 2016, 3,774 personnel are employed by the Company and average number of personnel is 3,801 for the period of 01.01-30.09.2016.

Company shares are traded in the Istanbul Stock Exchange 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 a day):

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

**Production Capacity (Energy)**

According to the capacity report from Denizli Industrial Chamber dated 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 a day):

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

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**Smyrna Seracılık Ticaret A.Ş.**

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

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

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

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

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

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

As of 30 September 2016, 193 personnel are employed by the Company and the average number of personnel is 198 for the period of 01.01-30.09.2016.

**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 30 September 2016, 20 personnel are employed by the Company and the average number of personnel is 21 for the period of 01.01-30.09.2016.

**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 30 September 2016, 8 personnel are employed by the Company and the average number of personnel is 7 for the period of 01.01-30.09.2016.

**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 20 established and 4 mobile vehicle inspection stations. License rights have been started in 2008 and will continue until 2028.

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

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## 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.

### The Preparation of Financial Statements

The 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.

### Approval of Financial Statements

Consolidated financial statements are approved by the Board of Directors and granted authority to publish on 9 November 2016. Boards of Directors have authority to change financial statements.

### Basis of Consolidation

Informations on the consolidation method of the subsidiaries and shareholders of the Company are as follows:

Subsidiaries	Consolidation method	Ratio	Mernderes' share		
			Direct Share	Indirect Share	Total Share
Smyrna Seracılık Ticaret A.Ş.	Full Consolidation	79.17%	79.17%	-	79.17%
Tan Elektrik Üretim A.Ş. (*)	Full Consolidation	21.00%	15.00%	4.75%	19.75%
Akça Enerji Üretim Otoprodüktör Grubu A.Ş. (*)	Full Consolidation	65.71%	20.00%	9.03%	29.03%

Shareholders	Consolidation method	Ratio	Mernderes' share		
			Direct Share	Indirect Share	Total Share
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	Equity Pick up	48.00%	48.00%	-	48.00%
Menderes Tekstil Pazarlama A.Ş.	Equity Pick up	45.00%	45.00%	-	45.00%

(\*)Company acquired 15% Tan Elektrik Üretim A.Ş. (Tan Elektrik) management privilege shares from Smyrna Seracılık Ticaret A.Ş., business of Akça Group which is subject to common control with amounting to TRY 1,800,000 at 18 July 2016 (Nominate more than half of the board members) (The related purchase was made at nominal value). After this purchase, direct and indirect voting right of management of Akça Enerji Üretim Otoprodüktör Grubu A.Ş. (Akça Energy”) business of Akça Group increased to 65.71% and Akça Enerji is included full consolidation.

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As of 30 September 2016 and 31 December 2015, the capital structure of subsidiaries and participations are as follows :

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Public Offered Shares	47.32	47.32
Akça Holding A.Ş.	50.29	50.29
Other	2.39	2.39
	<b>100%</b>	<b>100%</b>

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	22.01	22.01
Rıza Akça	37.86	37.86
Dilek Göksan	18.93	18.93
Ahmet Bilge Göksan	18.93	18.93
Erbil Akça	2.27	2.27
	<b>100%</b>	<b>100%</b>

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Menderes Tekstil Sanayi ve Ticaret A.Ş.	79.17	79.17
Rıza Akça	10.31	10.31
Ahmet Bilge Göksan	5.16	5.16
Dilek Göksan	5.16	5.16
Other	0.20	0.20
	<b>100%</b>	<b>100%</b>

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	70.00	70.00
Menderes Tekstil Sanayi ve Ticaret A.Ş.	15.00	-
Smyrna Seracılık A.Ş.	6.00	21.00
Akça Holding A.Ş.	5.00	5.00
Rıza Akça	2.00	2.00
Dilek Göksan	1.00	1.00
Ahmet Bilge Göksan	1.00	1.00
	<b>100%</b>	<b>100%</b>

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Tan Elektrik Üretim A.Ş.	45.71	45.71
Menderes Tekstil Sanayi ve Ticaret A.Ş.	20.00	20.00
Akça Holding A.Ş.	17.53	17.53
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	10.72	10.72
Selin Tekstil Sanayi Ticaret A.Ş.	5.55	5.55
Akçasaraylı Tekstil Ltd. Şti.	0.48	0.48
	<b>100%</b>	<b>100%</b>

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
	<b>Ratio %</b>	<b>Ratio %</b>
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
	<b>100%</b>	<b>100%</b>

**Menderes Tekstil Pazarlama A.Ş. (Participation)**

	<b>30.09.2016</b>	<b>31.12.2015</b>
	<b>Ratio %</b>	<b>Ratio %</b>
Menderes Tekstil Sanayi ve Ticaret A.Ş.	45.00	45.00
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	37.50	37.50
Akça Holding A.Ş.	7.50	7.50
Rıza Akça	5.00	5.00
Dilek Göksan	2.50	2.50
Ahmet Bilge Göksan	2.50	2.50
	<b>100%</b>	<b>100%</b>

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

### **Reporting Currency**

As of 30 September 2016 and 31 December 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.

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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
<b>Current Assets</b>	382,367,261	441,250,578
<b>Non-Current Assets</b>	418,064,182	310,633,182
<b>Shareholders’ Equity</b>	290,393,604	295,870,950
Parent Company’s Equity	292,893,638	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	(9,012,129)	
Restricted Reserves	10,209,777	10,209,777
Retained Earnings / Loses	88,280,603	61,496,331
Net Profit / Loss For The Period	(48,869,379)	(29,905,314)
<b>Minority Interest</b>	<b>(2,500,034)</b>	<b>1,777,528</b>
<b>TOTAL EQUITY</b>	<b>800,431,443</b>	<b>751,883,760</b>

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 September 30, 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 2,054,965 personnel expenses under the “Marketing Expenses” in income statement for the period ended at 30 September 2015 is classified under “Cost of Sales” in these financial statements.
- TRY 1,786,875 personnel expenses under the “Cost of Sales” in income statement for the period ended at 30 September 2015 is classified under “General Administrative Expenses” in these financial statements.
- TRY 2,291,282 “Social Security Institution Incentive Pay” under the “Other Operating Income” in income statement for the period ended at 30 September 2015 is offsetted against of “Cost of Sales” with TRY 1,951,586 and “General Administrative Expenses” with TRY 339,696 in these financial statements.
- TRY 97,265 distribution expenses under the “Cost of Sales” in income statement for the period ended at 30 September 2015 is classified under “Marketing Expenses” in these financial statements.
- TRY 118,777 personnel services expenses under the “Marketing Expenses” in income statement for the period ended at 30 September 2015 is classified under “Cost of Sales” in these financial statements.



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**2.e. Amendments in International Financial Reporting Standards**

The accounting policies applied in the preparation of the consolidated financial statements as of 1 January-30 September 2016 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2015, except for the new and amended TAS/IFRS standards which are valid as of 1 January 2016 and Turkey Financial Reporting Interpretations Committee’s (“TFRIC”) interpretations summarized below.

Standards, amendments and interpretations effective as of 1 January 2016:

- IFRS 11 - Acquisition of an Interest in a Joint Operation (Amendment)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to TAS 16 and TAS 38)
- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) - Bearer Plants
- TAS 27 - Equity Method in Separate Financial Statements (Amendments to TAS 27)
- IFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- IFRS 10, IFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)
- TAS 1: Disclosure Initiative (Amendments to TAS 1)
- Annual Improvements to IFRS - 2012-2014 Cycle

These amendments did not have any impact on the financial position or performance of the Group.

Standards, amendments and improvements issued but not yet effective and not early adopted:

- IFRS 9 Financial Instruments - Classification and Measurement

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

**New standards, amendments and interpretations that are issued by the International Accounting Standard Boards (IASB) but not issued by POA:**

- Annual Improvements - 2010 - 2012 Cycle (IFRS 13 Fair Value Measurement - Basis for Conclusions)
- IFRS 15 - Revenue from Contracts with Customers
- IFRS 15 - Revenue from Contracts with Customers (Amendment)
- IFRS 9 - Financial Instruments - Final standard (2014)
- IFRS 16 - Leases
- IAS 12 - Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
- IAS 7 - ‘Statement of Cash Flows (Amendments) - Amendments

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

## **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)

#### 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 defination of loans and receivables.

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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.

**Provision for Doubtful Receivables**

The Company 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.

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**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 as of 31 December 2004 for the entries purchased before 01 January 2005 and acquired cost of entries purchased after 01 January 2005 by deducting the accumulated amortization.

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

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### **Leasing**

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

### **Impairment of Assets**

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

### **Employee Benefits / Severance Pay**

- **Severance Pay**

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. As of 30 September 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.

### **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.

### **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.

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

**Leasing Procedures**

*Operating lease as owner*

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

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

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### **The Effects of Exchange Rates**

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

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

	30.09.2016	31.12.2015
USD	2.9959	2.9076
EUR	3.3608	3.1776
GBP	3.8909	4.3007
CHF	3.0785	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 / (Loss) per Share**

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

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

### **Other Balance Sheet Entries**

Other balance sheet entries are reflected with their book values.



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**Cash Flow Statement**

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

**Subsequent Events**

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

**Related Parties**

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

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

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

Details of related parties are as follows:

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

Osman Akça Tarım Ürünleri İthalat ve İhracat San. ve Tic. A.Ş. was established on 25 July 1985. Headquarter 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. Headquarter 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. Headquarter of The Company is in Denizli. Main activity is outsourcing of textile manufacturing.

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*Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. “Akçasaraylı Tekstil”*

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

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

*Akça Holding A.Ş. “Akça Holding”*

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

*Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş. “Akça Solar”*

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

**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. Financing income and expenses within sales incomes and costs are calculated approximately by considering the turnover rates of the receivables and payables during the period.

*Useful lives:*

Tangible and intangible fixed assets are amortized 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 recognized together with gas stations on the statutory records of the Group have been classified based on the net cash flow which they will create in the future.

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

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

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

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**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.

Company acquired 15% Tan Elektrik Üretim A.Ş. (Tan Elektrik) management privilege shares from Smyrna Seracılık Ticaret A.Ş., business of Akça Group which is subject to common control with amounting to TRY 1,800,000 at 18 July 2016 (Nominate more than half of the board members) (The related purchase was made at nominal value). After this purchase, direct and indirect voting right of management of Akça Enerji Üretim Otoprodüktör Grubu A.Ş. (Akça Energy”) business of Akça Group increased to 65.71% and Akça Enerji is included full consolidation.

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

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**BUSINESS MERGERS**

Company acquired 15% Tan Elektrik Üretim A.Ş. management privilege shares from Smyrna Seracılık Ticaret A.Ş., business of Akça Group which is subject to common control with amounting to TRY 1,800,000 at 18 July 2016 (The related purchase was made at nominal value). Company evaluate the purchasing transaction by method “combination of rights” within the frame of “Accounting of Business Mergers 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.

	Total 31 December 2015	Tan Elektrik 31 December 2015	Akça Enerji 31 December 2015
Net assets acquired			
Total current assets	12,212,324	1,162,291	11,050,033
Total non-current assets	122,332,848	42,308,463	80,024,385
Current liabilities	(78,585,531)	(15,653,790)	(62,931,741)
Non-current liabilities	(48,663,593)	(23,483,692)	(25,179,901)
Total net assets	7,296,048	4,333,272	2,962,776
Percentage purchased (sum of direct and indirect)		19.75%	29.03%
- Share ratios of Menderes		15.00%	20.00%
- Share ratios of Smyrna		6.00%	-
- Share ratios of Tan		-	45.71%
Net assets acquired	12,137,881	1,005,821	11,132,060
Acquisition amount (*)	(21,150,010)	(2,750,000)	(18,400,010)
Effect of business mergers subject to common control (**)	(9,012,129)	(1,744,179)	(7,267,950)

Company acquired 15% Tan Elektrik Üretim A.Ş. management privilege shares from Smyrna Seracılık Ticaret A.Ş., business of Akça Group which is subject to common control with amounting to TRY 1,800,000 at 18 July 2016, therefore, the Company find an opportunity to control directly voting rights the management of Tan Elektrik increased and Tan Elektrik is included full consolidation (The related purchase was made at nominal value). After this purchase, direct and indirect voting right of management of Akça Enerji Üretim Otoproduktör Grubu A.Ş. (Akça Energy”) business of Akça Group increased to 65.71% and Akça Enerji is included full consolidation.

(\*)As a result of purchases that mentioned, amounting to TRY 21,150,010 of total participation cost is considered as acquisition amount with amounting to TRY 1,800,000 of Tan Elektrik, TRY 5,600,000 of Akça Enerji, TRY 950,000 of Tan Elektrik which is owned by Smyrna and TRY 12,800,010 of Akça Enerji which is owned by Tan Enerji.

(\*\*) The effects of business mergers subject to common control is accounted with net book value while consolidation of Tan Elektrik and Akça Enerji. In case of fair value determination, the effects of business mergers subject to common control is going to be calculated again.

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**NOTE 3 – SEGMENT REPORTING**

<b>30 September 2016</b>	<b>Textile Sector</b>	<b>Agricultural Sector</b>	<b>Energy Sector</b>	<b>Elimination</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	5,502,562	9,674	1,394,977	-	6,907,213
Financial Investments	8,772,920	-	-	-	8,772,920
Trade Receivables	84,889,810	20,235	1,450,294	(10,213)	86,350,126
Other Receivables	243,840,104	68,814	-	(113,774,473)	130,134,445
Derivative Financial Instruments	294,870	-	-	-	294,870
Inventories	172,930,628	961,092	120,104	-	174,011,824
Biological Assets	-	2,480,120	-	-	2,480,120
Prepaid Expenses	1,680,071	124,665	308,202	-	2,112,938
Current Tax Assets	54,972	164,416	955	-	220,343
Other Current Assets	13,476,399	3,916,854	12,451,491	-	29,844,744
<b>Current Assets</b>	<b>531,442,336</b>	<b>7,745,870</b>	<b>15,726,023</b>	<b>(113,784,686)</b>	<b>441,129,543</b>
Financial Investments	16,900,000	950,000	22,450,010	(30,650,010)	9,650,000
Other Receivables	41,843	14,721	122,361	-	178,925
Investments Valued by Equity Pick-up Method	150,102,472	-	-	-	150,102,472
Tangible Assets	123,630,135	22,961,074	99,108,873	-	245,700,082
Intangible Assets	150,453	7,283	19,333	-	177,069
Prepaid Expenses	196,112	139,145	5,895,022	-	6,230,279
Deferred Tax Assets	11,864,220	433,122	3,633,851	(922,145)	15,009,048
<b>Non-Current Assets</b>	<b>302,885,235</b>	<b>24,505,345</b>	<b>131,229,450</b>	<b>(31,572,155)</b>	<b>427,047,875</b>
<b>TOTAL ASSETS</b>	<b>834,327,571</b>	<b>32,251,215</b>	<b>146,955,473</b>	<b>(145,356,841)</b>	<b>868,177,418</b>
<b>LIABILITIES</b>					
Short Term Borrowings	297,638,203	-	-	-	297,638,203
Current Installments of Long Term Financial Borrowings	26,438,949	3,255,382	6,049,260	-	35,743,591
Trade Payables	64,666,038	1,192,023	2,804,458	(15,213)	68,647,306
Employee Benefits Liabilities	5,627,035	317,995	133,118	-	6,078,148
Other Payables	1,647,479	18,765,501	95,541,197	(113,769,472)	2,184,705
Deferred Incomes	15,139,679	635,885	-	-	15,775,564
Current Tax Liabilities of Period Profit	330,034	-	-	-	330,034
Current Provisions	2,136,917	-	68,168	-	2,205,085
<b>Current Liabilities</b>	<b>413,624,334</b>	<b>24,166,786</b>	<b>104,596,201</b>	<b>(113,784,685)</b>	<b>428,602,636</b>
Long Term Borrowings	50,259,178	1,627,691	45,985,012	-	97,871,881
Provisions For Long Term Employee Benefits	22,681,164	684,345	117,380	-	23,482,889
Deferred Tax Liabilities	318,804	351,738	530,126	(922,146)	278,522
<b>Non-Current Liabilities</b>	<b>73,259,146</b>	<b>2,663,774</b>	<b>46,632,518</b>	<b>(922,146)</b>	<b>121,633,292</b>
Paid in Capital	250,000,000	12,000,000	40,000,000	(52,000,000)	250,000,000
Inflationary Adjustments of Shareholders' Equity	485,133	-	-	-	485,133
Effect of Business Mergers Subject to Common Control	-	-	-	(9,012,129)	(9,012,129)
Accumulated Other Comprehensive Income / Expense not to be Reclassified on Profit or Loss	-	-	-	-	-
Defined benefit remeasurement gains/(losses)	2,581,329	(98,435)	(17,773)	33,603	2,498,724
Restricted Reserves	10,147,245	62,532	127,759	(127,759)	10,209,777
Retained Earnings / Losses	40,104,797	(859,632)	(32,831,715)	32,997,774	39,411,224
Net Profit / Loss for the Period	44,125,587	(5,683,810)	(11,551,517)	9,704,394	36,594,654
Minority Interest	-	-	-	(12,245,893)	(12,245,893)
<b>SHAREHOLDERS' EQUITY</b>	<b>347,444,091</b>	<b>5,420,655</b>	<b>(4,273,246)</b>	<b>(30,650,010)</b>	<b>317,941,490</b>
<b>TOTAL LIABILITIES</b>	<b>834,327,571</b>	<b>32,251,215</b>	<b>146,955,473</b>	<b>(145,356,841)</b>	<b>868,177,418</b>

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<b>30 September 2016</b>	<b>Textile Sector</b>	<b>Agricultural Sector</b>	<b>Energy Sector</b>	<b>Elimination</b>	<b>Total</b>
Revenue	452,099,664	9,778,072	9,803,035	(372,330)	471,308,441
Cost of Sales (-)	(388,571,517)	(12,202,554)	(9,514,585)	372,330	(409,916,326)
<b>GROSS PROFIT/LOSS</b>	<b>63,528,147</b>	<b>(2,424,482)</b>	<b>288,450</b>	-	<b>61,392,115</b>
General Administrative Expenses (-)	(9,723,365)	(686,223)	(1,163,710)	52,600	(11,520,698)
Marketing Expenses (-)	(8,822,302)	(775,258)	(880)	-	(9,598,440)
Other Operating Income	7,858,298	244,100	496,176	(52,600)	8,545,974
Other Operating Expenses (-)	(5,405,520)	(59,927)	(584,213)	-	(6,049,660)
<b>OPERATING PROFIT/LOSS</b>	<b>47,435,258</b>	<b>(3,701,790)</b>	<b>(964,177)</b>	-	<b>42,769,291</b>
Income From Investment Activities	104,407	-	-	-	104,407
Expenses From Investment Activities (-)	(6,897)	-	-	-	(6,897)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	11,194,110	-	-	-	11,194,110
<b>OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES</b>	<b>58,726,878</b>	<b>(3,701,790)</b>	<b>(964,177)</b>	-	<b>54,060,911</b>
Financial Income (+)	23,171,766	(3,227)	42,020	(7,833,008)	15,377,551
Financial Expenses (-)	(30,972,574)	(1,889,112)	(11,313,190)	7,833,008	(36,341,868)
<b>OPERATING ACTIVITY PROFIT/(LOSS) BEFORE TAXATION</b>	<b>50,926,070</b>	<b>(5,594,129)</b>	<b>(12,235,347)</b>	-	<b>33,096,594</b>
<b>Operating Activity Tax Income / (Expense)</b>					
- Income/Expense Tax for the Period	(330,034)	-	-	-	(330,034)
- Deferred Tax Income/Expense	(6,470,449)	(89,681)	683,830	-	(5,876,300)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>44,125,587</b>	<b>(5,683,810)</b>	<b>(11,551,517)</b>	-	<b>26,890,260</b>

<b>30 September 2016</b>	<b>Textile Sector</b>	<b>Agricultural Sector</b>	<b>Energy Sector</b>	<b>Elimination</b>	<b>Total</b>
<b>Details of Assets by Segments</b>					
Total Tangible and Intangible Assets (Net Book Value)	123,630,135	22,961,074	99,108,873	-	245,700,082
Tangible and Intangible Assets Purchases	9,432,130	146,084	8,206,776	-	17,784,990
Depreciation Expenses	11,597,205	1,768,562	5,425,730	-	18,791,497
<b>Details of Foreign Currency Positions by Segments</b>					
Total Assets	108,415,725	8,988	6,117,351	-	114,542,064
Total Liabilities	402,956,076	5,919,132	52,170,571	-	461,045,779
Net Asset/ (Liability) Position of Foreign Currency					
Derivative Instruments Out of Financial Statements	294,870	-	-	-	294,870
Net Foreign Currency Asset/Liability Positions	(294,245,481)	(5,910,144)	(46,053,220)	-	(346,208,845)
Export	209,317,387	3,217,209	-	-	212,534,596
Import	129,021,362	321,781	459,844	-	129,802,987
<b>Net Debt / Total Equity Ratio by Segments</b>					
Total Debts	486,883,480	26,830,560	151,228,719	(114,706,831)	550,235,928
Liquid Assets	(5,502,562)	(9,674)	(1,394,977)	-	(6,907,213)
Net Debt	481,380,918	26,820,886	149,833,742	(114,706,831)	543,328,715
Total Equity	347,444,091	5,420,655	(4,273,246)	(30,650,010)	317,941,490
Total capital	828,825,009	32,241,541	145,560,496	(145,356,841)	861,270,205
Net Debt/Total Equity Ratio	58%	83%	103%	79%	63%

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**Information on the Geographical Region**

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

<b>Region</b>	<b>01.01- 30.09.2016</b>	<b>01.01- 30.09.2015</b>
Germany	40%	38%
U.S.A.	36%	32%
Italy	7%	6%
France	6%	6%
China	2%	3%
United Kingdom	2%	4%
Other	7%	11%
	100%	100%

**Information About Major Clients**

Group's sales related activities are determined according to market fluctuations in domestic and foreign and conditions of competitions. As of 30 September 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 37,47%. (31.12.2015: 42%).

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**NOTE 4 – CASH AND CASH EQUIVALENTS**

As of 30 September 2016 and 31 December 2015, the details of cash and cash equivalents are as follows:

	<b>30.09.2016</b>	<b>31.12.2015</b>
Cash	30,702	52,971
<b>Banks</b>	<b>6,861,052</b>	<b>66,322,801</b>
<i>Demand deposits</i>	1,272,542	2,233,213
<i>Time deposits</i>	5,588,510	64,089,588
Interest accruals for banks	15,459	88,198
	<b>6,907,213</b>	<b>66,463,970</b>

As of 30 September 2016 and 31 December 2015, maturity schedule of time deposits in the cash and cash equivalents are as follows:

	<b>30.09.2016</b>	<b>31.12.2015</b>
Within 1 month	1,379,485	55,297,587
1-3 months	4,209,025	8,792,001
	<b>5,588,510</b>	<b>64,089,588</b>

As of 30 September 2016, effective interest rates of time deposits in TRY and USD are 9.14% and 1.87% (31.12.2015: for TRY 12.99%, USD 1.86%) respectively.

As of 30 September 2016, average maturity date of time deposits is 65 days (31 December 2015: 13 days). As of 30 September 2016, time deposits consist of TRY 984,027 and USD 1,536,928 (TRY 4,604,484) (31.12.2015: TRY 55,297,587 and USD 3,023,800 (TRY 8,792,001)).

As of 30 September 2016, the Group’s time deposits within the 3 months has hypothec against loans used from Şekerbank T.A.Ş, with USD 500,000 (TRY 1,497,950)(31.12.2015:USD 1,850,000 (TRY 5,379,060) and TRY 55,000,000).

**NOTE 5 – FINANCIAL INVESTMENTS**

**Short term financial investments**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Deposits with maturities over 3 months	8,688,110	5,960,580
Bank interest accruals	84,810	59,438
	<b>8,772,920</b>	<b>6,020,018</b>

As of 30 September 2016, the average maturity of time deposits are 144 days. (31.12.2015: 182). As of 30 September 2016, time deposit consist of USD 2,900,000 (TRY 8,688,110) (31.12.2015: USD 2,050,000 (TRY 5,960,580)).

As of 30 September 2016, the Group’s time deposits within the 3 months has hypothec against loans used from Şekerbank T.A.Ş, with USD 2,900,000 (TRY 8,688,110)(31.12.2015:USD 2,050,000 (TRY 5,960,580)).



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**NOTE 6 – RELATED PARTY TRANSACTIONS**

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

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
Menderes Tekstil Pazarlama A.Ş.	6,808,220	5,091,911
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	1,917,234	4,429,933
Akçamen Tekstil A.Ş.	-	777,261
Unearned interests	(75,156)	(220,416)
	<b>8,650,298</b>	<b>10,078,689</b>

**b) Income accruals from related parties (Note 7):**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	75,579	-
Menderes Tekstil Pazarlama A.Ş.	-	2,219,987
	<b>75,579</b>	<b>2,219,987</b>

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
Selin Tekstil Sanayi ve Ticaret A.Ş.	6,334,419	5,979,720
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	606	452,921
Akçamen Tekstil A.Ş.	142,547	-
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	5,184	-
Unearned interests	(46,852)	(58,011)
	<b>6,435,904</b>	<b>6,374,630</b>

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
<b>Due from shareholders</b>		
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	100,066,421	42,557,543
Akça Holding A.Ş.	-	551,054
<b>Other receivables from related parties</b>		
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	100,147	66,471
	<b>100,166,568</b>	<b>43,175,068</b>

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
<b>Due to shareholders</b>		
Rıza Akça	318,842	419,041
Ali Atlamaz	2,777	13,450
Ahmet Bilge Göksan	49,697	-
Dilek Göksan	59	120
Akça Holding A.Ş.	126,395	-
<b>Other payables to related parties</b>		
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	174,016	170,967
	<b>671,786</b>	<b>603,578</b>

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
Rıza Akça	118,264	-
	<b>118,264</b>	<b>-</b>

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

**a) Sales to related parties:**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.09.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.09.2015</b>
Menderes Tekstil Pazarlama A.Ş.	45,594,325	53,857,612	13,633,515	13,661,853
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	1,762,034	3,106,196	353,590	912,894
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	211,066	-	154,458	-
Aktur Araç Muayene İstasyonları İşl. A.Ş.	11,780	24,052	-	-
	<b>47,579,205</b>	<b>56,987,860</b>	<b>14,141,563</b>	<b>14,574,747</b>

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

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.09.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.09.2015</b>
Akçamen Tekstil Sanayi Ticaret A.Ş.	775,500	-	-	-
Akça Solar Enerji Üretim San. ve Ticaret A.Ş.	46,610	-	-	-
	<b>822,110</b>	-	-	-

**c) Purchases from related parties:**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.09.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.09.2015</b>
Selin Tekstil Sanayi ve Ticaret A.Ş.	31,865,729	27,079,500	10,531,536	10,653,500
Akça Holding A.Ş.	20,368	25,193	8,564	11,604
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	7,729	679	-	-
Aktur Araç Muayene İstasyonları İşl. A.Ş.	1,951	2,206	580	844
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	-	334,900	-	118,200
	<b>31,895,777</b>	<b>27,442,478</b>	<b>10,540,680</b>	<b>10,784,148</b>

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

**a) Benefits provided to member of the board of directors, gross:**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.09.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.09.2015</b>
Members of the Board of Directors	339,220	253,961	171,270	99,113
	<b>339,220</b>	<b>253,961</b>	<b>171,270</b>	<b>99,113</b>

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

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.09.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.09.2015</b>
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	193,080	234,918	113,534	117,745
Akça Holding A.Ş.	410,497	331,678	143,529	120,478
	<b>603,577</b>	<b>566,596</b>	<b>257,063</b>	<b>238,223</b>

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

	01.01.- 30.09.2016	01.01.- 30.09.2015	01.07.- 30.09.2016	01.07.- 30.09.2015
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	63,000	58,500	21,000	19,500
Akça Holding A.Ş.	63,000	58,500	21,000	19,500
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	63,000	58,500	21,000	19,500
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	-	22,500	-	7,500
Selin Tekstil Sanayi ve Ticaret A.Ş.	24,300	22,500	8,100	7,500
Menderes Tekstil Pazarlama A.Ş.	9,630	9,000	3,210	3,000
Akçamen Tekstil Sanayi Ticaret A.Ş.	7,740	7,200	2,580	2,400
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	6,300	-	2,100	-
	<b>236,970</b>	<b>236,700</b>	<b>78,990</b>	<b>78,900</b>

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

	01.01.- 30.09.2016	01.01.- 30.09.2015	01.07.- 30.09.2016	01.07.- 30.09.2015
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	26,190	312,750	8,730	104,250
Menderes Tekstil Pazarlama A.Ş.	270,000	252,000	90,000	84,000
	<b>296,190</b>	<b>564,750</b>	<b>98,730</b>	<b>188,250</b>

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

	01.01.- 30.09.2016	01.01.- 30.09.2015	01.07.- 30.09.2016	01.07.- 30.09.2015
Menderes Tekstil Pazarlama A.Ş.	53,100	49,500	17,700	16,500
	<b>53,100</b>	<b>49,500</b>	<b>17,700</b>	<b>16,500</b>

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

	01.01.- 30.09.2016	01.01.- 30.09.2015	01.07.- 30.09.2016	01.07.- 30.09.2015
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	318,344	4,169,238	-	2,622,412
Akça Holding A.Ş.	1,592	14,972	-	6,807
	<b>319,936</b>	<b>4,184,210</b>	<b>-</b>	<b>2,629,219</b>

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

	01.01.- 30.09.2016	01.01.- 30.09.2015	01.07.- 30.09.2016	01.07.- 30.09.2015
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	8,073,586	10,077,177	2,672,634	3,627,425
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	105,768	73,460	-	55,177
Akça Holding A.Ş.	18,652	6,308	-	4,902
Akça Solar Enerji Üretim San. ve Tic. A.Ş.	6,176	33,724	2,282	13,582
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	-	4,653,915	-	1,615,855
Tan Elektrik Üretim A.Ş.	-	209,604	-	26,173
	<b>8,204,182</b>	<b>15,054,188</b>	<b>2,674,916</b>	<b>5,343,114</b>

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

	01.01.- 30.09.2016	01.01.- 30.09.2015	01.07.- 30.09.2016	01.07.- 30.09.2015
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	457,027	1,629,506	355,830	1,203,936
Akça Holding A.Ş.	23,709	-	9,686	-
	<b>480,736</b>	<b>1,629,506</b>	<b>365,516</b>	<b>1,203,936</b>

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

	01.01.- 30.09.2016	01.01.- 30.09.2015	01.07.- 30.09.2016	01.07.- 30.09.2015
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	137,351	485,721	114,231	290,312
Akça Holding A.Ş.	5,331	-	4,421	-
	<b>142,682</b>	<b>485,721</b>	<b>118,652</b>	<b>290,312</b>

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

	01.01.- 30.09.2016	01.01.- 30.09.2015	01.07.- 30.09.2016	01.07.- 30.09.2015
Akçamen Tekstil Sanayi Ticaret A.Ş.	11,738	4,481	3,468	1,434
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	4	-	-
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	13,278	-	4,393	-
	<b>25,016</b>	<b>4,485</b>	<b>7,861</b>	<b>1,434</b>

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

**Short Term Trade Receivables**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Trade receivables	76,208,576	30,439,964
Cheques and notes	164,962	330,634
Unearned interest on trade receivables	(161,615)	(161,162)
Doubtful trade receivables	59,938	543,793
Provision for doubtful receivables (-)	(59,938)	(543,793)
Income accruals	1,412,326	3,235,320
<b>Trade Receivables From Third Parties</b>	<b>77,624,249</b>	<b>33,844,756</b>
Trade receivables from related parties (Note 6-i-a)	8,725,454	10,299,105
Income accruals from related parties (Note 6-i-b)	75,579	2,219,987
Unearned interests on receivables from related parties (Note 6-i-a)	(75,156)	(220,416)
<b>Trade Receivables From Related Parties</b>	<b>8,725,877</b>	<b>12,298,676</b>
<b>Total Short-Term Trade Receivables</b>	<b>86,350,126</b>	<b>46,143,432</b>

As of 30 September 2016, the average maturity of trade receivables are 22 days (31 December 2015: 27 days).

Maturity schedule of notes receivables as of 30 September 2016 and 31 December 2015 are as follows:

	<b>30.09.2016</b>	<b>31.12.2015</b>
1-30 days	-	134,040
31-60 days	50,000	86,574
61-90 days	89,222	68,774
91-120 days	-	41,246
121-150 days	15,740	-
181-210 days	10,000	-
	<b>164,962</b>	<b>330,634</b>

As of 30 September 2016 and 31 December 2015, provision for doubtful receivables movement schedule is as follows:

	<b>30.09.2016</b>	<b>31.12.2015</b>
Opening balance	543,793	247,204
Collections for the period	-	-
Offsetting of balances that cannot be collected (*)	(487,211)	(143,599)
Provisions for the period	3,356	440,188
<b>Closing Balance</b>	<b>59,938</b>	<b>543,793</b>

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

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**Short Term Trade Payables**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Trade payables	48,446,174	57,767,261
Unearned interests on trade payables	(479,107)	(570,868)
Notes payables	12,299,191	10,078,110
Unearned interests on notes payables	(117,455)	(102,320)
Expense accruals	2,062,599	1,085,784
<b>Trade Payables to Third Parties</b>	<b>62,211,402</b>	<b>68,257,967</b>
Payables to related parties (Note 6-i-c)	6,482,756	6,432,641
Unearned interests on notes payables to related parties (Note 6-i-c)	(46,852)	(58,011)
<b>Trade Payables to Related Parties</b>	<b>6,435,904</b>	<b>6,374,630</b>
<b>Total Short Term Trade Payables</b>	<b>68,647,306</b>	<b>74,632,597</b>

As of 30 September 2016, the average maturity of trade payables are 49 days (31 December 2015: 60 days).

As of 30 September 2016, sureties are given amounting to USD 2,080,164 (TRY 6,231,963) 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:18).

As of 30 September 2016 and 31 December 2015, maturity breakdown of notes payables are as follows:

	<b>30.09.2016</b>	<b>31.12.2015</b>
Overdue	-	22,527
1 – 30 days	4,847,771	4,512,324
31 – 60 days	4,429,383	3,770,733
61 – 90 days	3,022,037	1,516,122
91 – 120 days	-	41,224
121 – 150 days	-	215,180
	<b>12,299,191</b>	<b>10,078,110</b>

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**NOTE 8 – FINANCIAL BORROWINGS**

	<b>30.09.2016</b>	<b>31.12.2015</b>
<b>Short Term Borrowings:</b>		
TRY borrowings	1,161,755	254,558
USD borrowings	183,177,620	203,031,205
EUR borrowings	112,063,075	25,610,635
GBP borrowings	501,739	2,393,070
<b>Accrued Interest of Short Term Borrowings:</b>		
Accrued interests of USD borrowings	435,511	333,305
Accrued interests of EUR borrowings	298,503	119,395
<b>Short Term Financial Borrowings</b>	<b>297,638,203</b>	<b>231,742,168</b>
<b>Lease Payables:</b>		
USD lease payables, net	-	51,553
EUR lease payables, net	5,508,911	6,170,753
<b>Borrowings:</b>		
USD borrowings	7,978,281	23,160,861
EUR borrowings	20,717,309	17,159,372
<b>Accrued Interests of Long Term Borrowings:</b>		
Accrued interests of USD borrowings	519,622	836,454
Accrued interests of EUR borrowings	1,019,468	960,452
<b>Current Installments of Long-Term Borrowings</b>	<b>35,743,591</b>	<b>48,339,445</b>
<b>Long Term Lease Payables:</b>		
EUR lease payables, net	3,444,987	6,982,598
<b>Long Term Borrowings:</b>		
USD borrowings	16,888,085	17,661,319
EUR borrowings	77,538,809	79,287,286
<b>Long Term Financial Borrowings</b>	<b>97,871,881</b>	<b>103,931,203</b>
<b>Total Financial Liabilities</b>	<b>431,253,675</b>	<b>384,012,816</b>



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As of 30 September 2016 and 31 December 2015, maturity analyses of borrowings and other financial borrowings are as follows:

	<b>30.09.2016</b>	<b>31.12.2015</b>
Within 3 months	111,486,791	88,398,441
Between 3 - 12 months	214,112,988	183,211,260
Between 1 - 5 years	68,141,150	64,086,922
More than 5 years	26,285,744	32,861,683
	<b>420,026,673</b>	<b>368,558,306</b>

As of 30 September 2016 and 31 December 2015, maturity schedule of long term bank borrowings are as follows:

	<b>30.09.2016</b>	<b>31.12.2015</b>
Between 1-2 years	23,456,402	20,477,614
Between 2-3 years	20,410,848	18,938,645
Between 3-4 years	12,576,655	13,129,731
Between 4-5 years	11,697,246	11,540,931
Between 5-6 years	7,291,611	10,561,171
Between 6-7 years	5,398,176	5,525,201
Between 7-8 years	5,398,175	5,155,011
Between 8-9 years	2,108,010	3,869,386
Between 9-10 years	2,029,923	1,993,101
Between 10-11 years	2,029,923	1,919,270
Between 11-12 years	2,029,925	1,919,270
Between 12-13 years	-	1,919,274
	<b>94,426,894</b>	<b>96,948,605</b>

As of 30 September 2016, effective interest rates for USD, EUR and GBP bank loans are 3.40%, 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.

The Group’s shareholders and other group companies have guarantees on bank loans used by the Group.

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions is USD 130,950,000 (TRY 392,313,105), EUR 21,000,000 (TRY 70,576,800) and TRY 73,910,000.

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As of 30 September 2016 and 31 December 2015, the details of financial leasing borrowings of Group are as follows:

	<b>30.09.2016</b>	<b>31.12.2015</b>
Short term lease payables	5,776,109	6,669,535
Cost of deferred lease payables (-)	(267,198)	(447,229)
	<b>5,508,911</b>	<b>6,222,306</b>

	<b>30.09.2016</b>	<b>31.12.2015</b>
Long term lease payables	3,523,732	7,223,692
Cost of deferred lease payables (-)	(78,745)	(241,094)
	<b>3,444,987</b>	<b>6,982,598</b>

As of 30 September 2016, the payment schedule of lease payables are as follows:

	<b>Lease payables</b>	<b>Cost of deferred lease payables</b>	<b>Total liabilities</b>
Between 0 – 1 years	5,776,109	(267,198)	5,508,911
Between 1 – 2 years	3,186,285	(75,220)	3,111,065
Between 2 – 3 years	337,447	(3,525)	333,922
	<b>9,299,841</b>	<b>(345,943)</b>	<b>8,953,898</b>

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

	<b>Lease payables</b>	<b>Cost of deferred lease payables</b>	<b>Total liabilities</b>
Between 0 – 1 years	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
	<b>13,893,227</b>	<b>(688,323)</b>	<b>13,204,904</b>

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**NOTE 9 – OTHER RECEIVABLES AND PAYABLES**

**Other Current Receivables**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Deposit and guarantees given	13,514	1,847
VAT return receivables	6,676,209	4,226,975
Other receivables (*)	23,278,154	-
<b>Other Receivables from Third Parties</b>	<b>29,967,877</b>	<b>4,228,822</b>
Receivables from shareholders (Note 6-i-d) (**)	100,066,421	43,108,597
Receivables from related parties (Note 6-i-d)	100,147	66,471
<b>Other Receivables From Related Parties</b>	<b>100,166,568</b>	<b>43,175,068</b>
<b>Total Other Current Receivables</b>	<b>130,134,445</b>	<b>47,403,890</b>

As of 30 September 2016, non-trade receivables from related parties comprise 22.71% of total current assets and 11.54% of total assets. (As of 31 December 2015, it composes 11.29% of the total current assets and 5.39% of total assets).

(\*) The alienation agreement has been signed on 28 June 2016 and 30 September 2016 with Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş for the amount of TRY 23,233,352( EUR 1,630,192 and USD 5,926,300) as other receivables taken under guarantee.

(\*\*) The amount of TRY 100,066,421 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 01.01-30.09.2016, the calculated interest for the amount, TRY 8,073,586 is recorded on the accompanying income statement.

**Other Non-Current Receivables**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Deposits and guarantees given	178,925	162,724
	<b>178,925</b>	<b>162,724</b>

**Other Current Payables**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Deposit and guarantees received	-	10,148
Taxes and funds payables	1,512,919	1,963,439
<b>Other Payables to Third Parties</b>	<b>1,512,919</b>	<b>1,973,587</b>
Payables to shareholders (Note 6-i-e)	497,770	432,611
Payables to related parties (Note 6-i-e)	174,016	170,967
<b>Other Payables to Related Parties</b>	<b>671,786</b>	<b>603,578</b>
<b>Total Other Current Payables</b>	<b>2,184,705</b>	<b>2,577,165</b>

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**NOTE 10 – DERIVATIVE INSTRUMENTS**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Income accrual of forward exchange	294,870	1,079,408
	<b>294,870</b>	<b>1,079,408</b>
	<b>30.09.2016</b>	<b>31.12.2015</b>
Expense accrual of forward exchange	-	455,800
	-	<b>455,800</b>

**NOTE 11 – INVENTORIES**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Raw materials	73,168,744	75,967,197
Work in progress	66,247,356	69,950,218
Finished goods	33,156,579	31,613,988
Merchandises	604,551	468,562
Other inventories	834,594	1,100,866
	<b>174,011,824</b>	<b>179,100,831</b>

All inventories of the Group are insured.

**NOTE 12 – BIOLOGICAL ASSETS**

**Current Biological Assets**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Biological assets (tomato)	2,480,120	5,808,000
	<b>2,480,120</b>	<b>5,808,000</b>

Group’s biological assets are consisting from 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 calculating provision.

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

**Short Term Prepaid Expenses**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Order advances given	1,294,887	1,182,556
Prepaid expenses	626,002	774,997
Advances given for business purposes	192,049	268,018
	<b>2,112,938</b>	<b>2,225,571</b>

**Long Term Prepaid Expenses**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Advances given for purchases of tangible assets	6,015,796	183,606
Prepaid expenses	214,483	222,158
	<b>6,230,279</b>	<b>405,764</b>

**Short Term Deferred Income**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Advances received	15,775,564	22,336,064
	<b>15,775,564</b>	<b>22,336,064</b>

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

	<b>30.09.2016</b>	<b>31.12.2015</b>
Prepaid taxes and funds	220,343	288,829
	<b>220,343</b>	<b>288,829</b>

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

As of 30 September 2016 and 31 December 2015, the Companies are as follows:

	<b>30.09.2016</b>	<b>Share (%)</b>	<b>31.12.2015</b>	<b>Share (%)</b>
Menderes Tekstil Pazarlama A.Ş.	12,322,749	45%	11,773,434	45%
Aktur Araç Muayene İstasyon İşletmeleri A.Ş.	137,779,723	48%	127,134,928	48%
	<b>150,102,472</b>		<b>138,908,362</b>	

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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 30 September 2016 and 31 December 2015 are as follows:

Menderes Tekstil Pazarlama A.Ş.

	<b>30.09.2016</b>	<b>31.12.2015</b>
Current assets	24,488,446	23,592,293
Non-current assets	10,537,405	10,695,889
<b>Total Assets</b>	<b>35,025,851</b>	<b>34,288,182</b>
Current liabilities	7,352,355	7,726,136
Non-current liabilities	289,609	398,860
Shareholders’ Equity	27,383,887	26,163,186
<b>Total Equities</b>	<b>35,025,851</b>	<b>34,288,182</b>
Sales, net	47,989,612	72,550,106
Cost of sales	(45,646,192)	(69,765,621)
Net profit / (loss)	1,222,156	3,667,951

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

	<b>30.09.2016</b>	<b>31.12.2015</b>
Current assets	65,395,046	63,144,976
Non-current assets	319,677,507	332,938,583
<b>Total Assets</b>	<b>385,072,553</b>	<b>396,083,559</b>
Current liabilities	35,655,182	43,488,633
Non-current liabilities	62,376,282	87,730,492
Shareholders’ Equity	287,041,089	264,864,434
<b>Total Equities</b>	<b>385,072,553</b>	<b>396,083,559</b>
Sales, net	189,788,194	245,603,054
Cost of sales	(162,359,794)	(207,671,518)
Net profit / (loss)	27,934,009	48,240,981

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**NOTE 16 – TANGIBLE ASSETS**

<b>Cost Value</b>	<b>Land and land improvements</b>	<b>Underground and Overland Plants</b>	<b>Buildings</b>	<b>Property, plant and equipment</b>	<b>Vehicles</b>	<b>Fixtures and fittings</b>	<b>Construction in progress</b>	<b>Total</b>
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	-	-	289,666	2,999,949	132,889	1,358,347	13,004,139	17,784,990
Disposals	-	-	(573,948)	(98,609)	(136,125)	(109,076)	(7,609)	(925,367)
Transfers	-	6,018	-	2,057,934	-	(345,999)	(1,717,953)	-
30 September 2016 closing balance	4,765,171	67,266,943	68,775,889	297,571,880	1,905,790	13,315,798	11,722,700	465,324,171
<b>Accumulated Depreciation</b>								
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	-	2,716,807	1,040,810	13,481,454	205,314	1,240,510	-	18,684,895
Disposals	-	-	(104,917)	(84,449)	(116,317)	(96,354)	-	(402,037)
Transfers	-	-	-	112,968	-	(112,968)	-	-
30 September 2016 closing balance	-	12,161,372	17,467,421	184,088,226	1,010,267	4,896,803	-	219,624,089
<b>31.12.2015, Net Book Value</b>	<b>4,765,171</b>	<b>57,816,360</b>	<b>52,528,643</b>	<b>122,034,353</b>	<b>987,756</b>	<b>8,546,911</b>	<b>444,123</b>	<b>247,123,317</b>
<b>30.09.2016, Net Book Value</b>	<b>4,765,171</b>	<b>55,105,571</b>	<b>51,308,468</b>	<b>113,483,654</b>	<b>895,523</b>	<b>8,418,995</b>	<b>11,722,700</b>	<b>245,700,082</b>

As of 30 September 2016, the depreciation expense of tangible assets for the period is TRY 18,684,895 (31 December 2015: TRY 23,983,006).

As of 30 September 2016, tangible assets are insured for TRY 241,694,688, EUR 21,921,500 (TRY 73,673,777), USD 6,000,000 (TRY 17,975,400). (31 December 2015: TRY 239,835,586; EUR 12,548,500 (TRY 39,874,114); 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 392,313,105), EUR 21,000,000 (TRY 70,576,800) and TRY 73,910,000.

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**NOTE 17 – INTANGIBLE ASSETS**

<b>Cost Value</b>	<b>Rights</b>	<b>Other intangible assets</b>	<b>Total</b>
01 January 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	17,626	57,523	75,149
Disposals	-	-	-
30 September 2016 closing balance	502,413	383,558	885,971
<b>Accumulated Depreciation</b>			
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	50,688	55,914	106,602
Disposals	-	-	-
30 September 2016 closing balance	463,983	244,919	708,902
	<b>71,492</b>	<b>137,030</b>	<b>208,522</b>
<b>31.12.2015, Net Book Value</b>	<b>38,430</b>	<b>138,639</b>	<b>177,069</b>
<b>30.09.2016, Net Book Value</b>			

As of 30 September 2016, the amortization expense of intangible assets for the period is TRY 106,602 (31 December 2015: TRY 156,837).



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

As of 30 September 2016 and 31 December 2015, the Group's guarantee / security / mortgage position are as follows:

<b>Guarantees, security and mortgage (GSM) given by the Group</b>	<b>30.09.2016</b>	<b>31.12.2015</b>
A. Total Amount of GSM given on behalf of legal entity	684,683,284	644,548,404
B. Total Amount of GSM given for partnerships which included in full consolidation	28,669,909	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
<b>Total</b>	<b>713,353,193</b>	<b>644,548,404</b>

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 340,783,625), EUR 7,500,000 ( TRY 25,206,000 TL) and USD 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 30 September 2016, details of aval in favor of the investment credit of subsidiary, Tan Elektrik Üretim A.Ş.:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Commerzbank AG	EUR	8,530,680	3.3608	28,669,909
				<b>28,669,909</b>

As of 30 September 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	TRY	72,310,000	1.0000	72,310,000
Türkiye Vakıflar Bankası T.A.O	USD	130,950,000	2.9959	392,313,105
Türkiye Finans Katılım Bankası A.Ş.	TRY	1,600,000	1.0000	1,600,000
Türkiye Vakıflar Bankası T.A.O	EUR	21,000,000	3.3608	70,576,800
				<b>536,799,905</b>

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As of 30 September 2016, bank details of the guarantee letters given are as follows:

Details of Guarantee Letters Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Electricity Distribution Company	TRY	3,907,321	1.0000	3,907,321
Energy Market Regulatory Authority	TRY	3,565,902	1.0000	3,565,902
Custom Office	TRY	5,653,781	1.0000	5,653,781
Credit Guarantee	USD	1,115,000	2.9959	3,340,429
Credit Guarantee	EUR	2,660,000	3.3608	8,939,728
Enforcement Office	TRY	92,701	1.0000	92,701
Management of Food, Agriculture and Livestock	TRY	625,669	1.0000	625,669
Public Institutions	TRY	465,899	1.0000	465,899
				<b>26,591,430</b>

As of 30 September 2016, bank details of the guarantee letters given are as follows:

Details of Guarantee Letters	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O.	TRY	11,468,994	1.0000	11,468,994
Türkiye Vakıflar Bankası T.A.O.	EUR	500,000	3.3608	1,680,400
Türkiye Finans Katılım Bankası A.Ş.	TRY	58,000	1.0000	58,000
Halk Bank A.Ş.	TRY	1,103,880	1.0000	1,103,880
Denizbank A.Ş.	EUR	2,660,000	3.3608	8,939,728
Türkiye Finans Katılım Bankası A.Ş.	USD	1,115,000	2.9959	3,340,428
				<b>26,591,430</b>

As of 30 September 2016, avals which are given to trade receivables of the Group by banks are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	USD	1,852,907	2.9959	5,551,124
Finansbank A.Ş.	USD	227,257	2.9959	680,839
				<b>6,231,963</b>

As of 30 September 2016, the Group’s time deposits within the 3 months have hypothec against loans used from Şekerbank T.A.Ş, USD 500,000 USD (TRY 1,497.950)(31.12.2015: USD 1,850,000 (TRY 5,379,060) and TRY 55,000,000).

As of 30 September 2016, the Group’s time deposits longer than 3 months have hypothec against loans used from Şekerbank T.A.Ş. USD 2,900,000 (TRY 8,688,110) from Şekerbank T.A.Ş. (31.12.2015: USD 2,050,000 (TRY 5,960,580)).

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As of 30 September 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.	TRY	15,000,000	1.0000	15,000,000
Denizbank A.Ş.	USD	9,000,000	2.9959	26,963,100
Eximbank A.Ş.	USD	25,000,000	2.9959	74,897,500
Finansbank A.Ş.	TRY	13,000,000	1.0000	13,000,000
Halk Bankası A.Ş.	TRY	10,000,000	1.0000	10,000,000
İşbankası A.Ş.	USD	9,500,000	2.9959	28,461,050
Odea Bank A.Ş.	TRY	33,000,000	1.0000	33,000,000
Şekerbank A.Ş.	USD	3,750,000	2.9959	11,234,625
Şekerbank A.Ş.	TRY	2,500,000	1.0000	2,500,000
Şekerbank A.Ş.	EUR	7,500,000	3.3608	25,206,000
ICBC Turkey Bank A.Ş.	USD	1,500,000	2.9959	4,493,850
Türkiye Finans Katılım Bankası A.Ş.	TRY	30,000,000	1.0000	30,000,000
Akbank T.A.Ş.	TRY	4,000,000	1.0000	4,000,000
Vakıfbank A.Ş.	USD	65,000,000	2.9959	194,733,500
				<b>473,489,625</b>

As of 30 September 2016, details of the guarantee cheques given are as follows:

Guarantee Cheques Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Ekspo Factoring A.Ş.	USD	2,200,000	2.9959	6,590,980
				<b>6,590,980</b>

As of 30 September 2016, details of the guarantee notes given are as follows:

Guarantee Notes Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Eximbank	USD	543,125	2.9959	1,627,149
Eximbank	EUR	429,275	3.3608	1,442,707
				<b>3,069,856</b>

As of 30 September 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	18,000,000	2.9959	53,926,200
Türk Eximbank	Türkiye Finans Katılım Bankası A.S	USD	1,000,000	2.9959	2,995,900
Türk Eximbank	Halkbank A.Ş.	USD	750,000	2.9959	2,246,925
Türk Eximbank	Türkiye Vakıflar Bankası T.A.O.	EUR	6,100,000	3.3608	20,500,880
Türk Eximbank	Halkbank A.Ş.	EUR	5,550,000	3.3608	18,652,440
Türk Eximbank	Odeabank A.Ş.	EUR	1,335,000	3.3608	4,486,668
Türk Eximbank	Albaraka Türk	EUR	600,000	3.3608	2,016,480
Türk Eximbank	Finansbank A.Ş.	EUR	1,575,000	3.3608	5,293,260
Türk Eximbank	Şekerbank T.A.Ş.	EUR	450,000	3.3608	1,512,360
					<b>111,631,113</b>

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**NOTE 19 – SHORT TERM PROVISIONS**

**Other Short Term Provisions**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Provision for the lawsuits	370,513	202,513
Provision for unused personnel leave	1,834,572	876,774
	<b>2,205,085</b>	<b>1,079,287</b>

**Long Term Provisions for Employee Benefits**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Provision for severance pay	23,482,889	18,095,801
	<b>23,482,889</b>	<b>18,095,801</b>

For the period of 01 January – 30 September 2016, average personnel number including subcontractors employed by the Group is 4,028 (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 30 September 2016 and 31 December 2015, the movement schedule of severance pay provision is as follows:

	<b>30.09.2016</b>	<b>31.12.2015</b>
Balance of 1 January	18,095,801	9,691,965
Increase in the period	7,486,588	18,422,302
Interest cost	943,525	425,134
Payments	(2,309,391)	(6,708,434)
Actuarial profit/(loss)	(733,634)	(3,735,166)
<b>Balance at the end of the period</b>	<b>23,482,889</b>	<b>18,095,801</b>

**NOTE 20 – EMPLOYEE BENEFIT LIABILITIES**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Due to personnel	4,411,498	4,016,601
Social security deductions payable	1,666,650	1,899,279
	<b>6,078,148</b>	<b>5,915,880</b>

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

**Other Current Assets**

	<b>30.09.2016</b>	<b>31.12.2015</b>
VAT carried forward	29,844,744	27,833,312
	<b>29,844,744</b>	<b>27,833,312</b>

**NOTE 22 – SHARE CAPITAL**

**22.1 Paid in Capital**

As of 30 September 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 30 September 2016 and 31 December 2015, Group’s paid in capital is as follows:

<b>Shareholders:</b>	<b>30.09.2016</b>		<b>31.12.2015</b>	
	<b>Share (%)</b>	<b>TRY</b>	<b>Share (%)</b>	<b>TRY</b>
Public Offered Shares	47.32%	118,289,943.63	47.32%	118,289,943.63
Akça Holding A.Ş.	50.29%	125,729,500.53	50.29%	125,729,500.53
Other	2.39%	5,980,555.84	2.39%	5,980,555.84
<b>Total</b>	<b>100.00%</b>	<b>250,000,000.00</b>	<b>100.00%</b>	<b>250,000,000.00</b>

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

**22.2 Adjustments of Shareholders’ Equity**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Inflation adjustments to paid in capital	485,133	485,133
	<b>485,133</b>	<b>485,133</b>

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

**22.3.1 Actuarial Gains / (Losses) on Defined Benefit Plans**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Defined benefit plans remeasurement gains / (losses)	2,498,724	1,799,633
	<b>2,498,724</b>	<b>1,799,633</b>

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**22.4 Restricted Reserves**

	<b>30.09.2016</b>	<b>31.12.2015</b>
Legal reserves	10,209,777	10,209,777
	<b>10,209,777</b>	<b>10,209,777</b>

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

**Profit Distribution**

Dividend Capital Markets Board Communiqué prepared in accordance with article 13 of the "Profit Share Guide", published in the Official Gazette dated 23 January 2014 and entered into force on 1 February 2014. Regulations and explanations which are in the dividends declaration and dividends guide are summarized as follows;

Profit distribution will be determined by the general assembly, the dividend Distribution Policy is still within the framework of the decision of the general assembly will be distributed. Of subsidiaries profit distribution policy when determining whether or not to profit distribution or shall decide. In this context, profit distribution is arbitrary in principle. The CMB of the company's profit distribution policy according to the qualities of the different principles will be able to identify.

Of 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 installments, 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 allows the possibility of a donation by subsidiaries. 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:

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In relation to the profit distribution proposal of the board of directors  
 Or on the distribution of profit share advance of the decision of the board of directors  
 Statement of profit distribution or dividend advance distribution table  
 announced to the public. Profit distribution table for the usual late on the agenda of the general assembly  
 announced the date of public disclosure is mandatory.

**22.5 Retained Earnings / Losses**

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

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

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

**22.6 Minority Interest**

As of 30 September 2016, details of minority interest is as follows:

	<b>Total</b>	<b>Parent</b>	<b>Minority part</b>	<b>Minority Part</b>	<b>Minority Part</b>	<b>Minority Part</b>	
<b>30 September 2016</b>	<b>Shareholders’</b>	<b>Company</b>	<b>of</b>	<b>part of</b>	<b>of Total</b>	<b>of Total</b>	
	<b>Equity</b>	<b>Share</b>	<b>Shareholders’</b>	<b>Minority</b>	<b>Comprehensive</b>	<b>Comprehensive</b>	
	<b>Profit/(Loss)</b>	<b>Minority</b>	<b>Equity</b>	<b>Interest</b>	<b>Profit/(Loss)</b>	<b>Profit/(Loss)</b>	
	<b>of the Period</b>	<b>Interest</b>					
Smryna	5,420,655	(5,683,810)	79.17%	20.83%	1,129,303	(1,184,127)	(1,212,496)
Tan Elektrik	857,808	(3,470,262)	19.75%	80.25%	538,393	(2,784,885)	(2,789,058)
Akça Enerji	(5,131,053)	(8,081,255)	29.03%	70.97%	(13,913,589)	(5,735,382)	(5,744,305)
					<b>(12,245,893)</b>	<b>(9,704,394)</b>	<b>(9,745,859)</b>

As of 31 December 2015, details of minority interest is as follows:

	<b>Total</b>	<b>Parent</b>	<b>Minority part</b>	<b>Minority Part</b>	<b>Minority Part</b>	<b>Minority Part</b>	
<b>31 December 2015</b>	<b>Shareholders’</b>	<b>Company</b>	<b>of</b>	<b>part of</b>	<b>of Total</b>	<b>of Total</b>	
	<b>Equity</b>	<b>Share</b>	<b>Shareholders’</b>	<b>Minority</b>	<b>Comprehensive</b>	<b>Comprehensive</b>	
	<b>Profit/(Loss)</b>	<b>Minority</b>	<b>Equity</b>	<b>Interest</b>	<b>Profit/(Loss)</b>	<b>Profit/(Loss)</b>	
	<b>of the Period</b>	<b>Interest</b>					
Smryna	11,240,637	(135,663)	79.17%	20.83%	2,341,799	(28,263)	(8,277)
Tan Elektrik	4,333,272	(6,917,783)	19.75%	80.25%	3,327,451	-	-
Akça Enerji	2,962,776	(14,092,785)	29.03%	70.97%	(8,169,284)	-	-
					<b>(2,500,034)</b>	<b>(28,263)</b>	<b>(8,277)</b>

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**NOTE 23- SALES AND COST OF SALES**

**23.1 Sales**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Domestic sales	97,625,287	83,081,363	29,048,714	18,619,555
Export sales	377,122,549	336,002,247	213,473,991	189,189,496
Other sales	453,357	1,625,505	93,274	451,810
	<b>475,201,193</b>	<b>420,709,115</b>	<b>242,615,979</b>	<b>208,260,861</b>
Sales returns	(288,476)	(285,401)	(150,460)	(113,454)
Other discounts	(3,604,276)	-	(2,421,860)	-
<b>Sales Income, (net)</b>	<b>471,308,441</b>	<b>420,423,714</b>	<b>240,043,659</b>	<b>208,147,407</b>

**23.2 Cost of Sales**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Direct material expenses	257,613,113	283,585,340	77,727,616	96,727,855
Direct labor expenses	83,864,628	70,829,855	24,930,884	29,017,356
General production expenses	24,427,599	11,167,058	15,861,196	4,657,326
Depreciation expenses	11,048,717	11,350,120	3,796,869	3,776,257
<u>Change in semi-finished goods</u>				
1. Beginning semi-finished goods (+)	69,950,218	65,553,737	81,467,354	99,602,073
2. Ending semi-finished goods (-)	(66,247,356)	(84,152,495)	(66,247,356)	(84,152,495)
Cost of finished goods produced	380,656,919	358,333,615	137,536,563	149,628,372
<u>Changes in finished goods inventory</u>				
1. Beginning inventory (+)	31,613,988	37,940,314	86,875,581	60,630,622
2. Ending inventory (-)	(33,156,579)	(37,958,091)	(33,156,579)	(37,958,091)
Cost of finished goods sold	379,114,328	358,315,838	191,255,565	172,300,903
<u>Cost of merchandises</u>				
1. Beginning merchandise inventory (+)	468,562	78,508	428,157	174,445
2. Purchases during the period (+)	6,989,723	2,186,958	1,032,708	517,055
3. Ending merchandise inventory (-)	(604,551)	(342,610)	(604,551)	(342,610)
Cost of merchandises sold	6,853,734	1,922,856	856,314	348,890
Cost of other service	612,623	493,211	42,933	17,931
Cost of other sales	3,208,249	-	3,208,249	-
Cost of biological assets	10,061,662	8,116,032	3,739,524	456,369
Depreciation of biological assets	1,768,562	1,714,857	590,327	573,202
Cost of energy	2,871,438	-	718,346	-
Depreciation of energy	5,425,730	-	1,806,957	-
<b>Cost of sales, net</b>	<b>409,916,326</b>	<b>370,562,794</b>	<b>202,218,215</b>	<b>173,697,295</b>



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As of 01 January – 30 September 2016 and 2015, for each main production group, quantities of goods and services:

	<b>Unit</b>	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>
Yarn	Kg	9,163,097	9,760,322
Raw Clothing	m <sup>2</sup>	91,575,944	97,776,827
Finishing Cloth	m <sup>2</sup>	132,536,584	125,780,286
Lining	m <sup>2</sup>	15,190,433	18,143,111
Linens, Sheets, Curtains, Pillows	Number	13,469,542	12,651,586
Electricity	Kwh	95,095,106	56,653,861
Cotton Waste	Kg	412,228	471,249
Piece of Cloth	Kg	1,746,215	3,814,446
Yarn Waste	Kg	718,708	578,700
Textile Trash Powder	Kg	119,199	52,540
Tomato	Kg	5,109,418	4,578,338

As of 01 January – 30 September 2016 and 2015, for each main sales group, quantities of goods and services:

	<b>Unit</b>	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>
Yarn	Kg	2,754,035	1,125,183
Raw Clothing	m <sup>2</sup>	-	23
Finishing Cloth	m <sup>2</sup>	11,261,870	13,040,790
Lining	m <sup>2</sup>	14,734,325	17,162,347
Linens, Sheets, Curtains, Pillows	Number	13,225,544	12,936,942
Electricity	Kwh	37,052,952	301,310
Cotton Waste	Kg	240,580	470,460
Piece of Cloth	Kg	2,903,040	2,931,962
Yarn Waste	Kg	729,880	587,273
Textile Trash Powder	Kg	108,600	52,540
Tomato	Kg	5,109,418	4,578,338

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

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Marketing expenses, sales and distribution expenses	9,598,440	8,333,860	4,015,791	3,371,929
General administrative expenses	11,520,698	9,993,215	4,459,303	2,971,525
	<b>21,119,138</b>	<b>18,327,075</b>	<b>8,475,094</b>	<b>6,343,454</b>

**24.1 Marketing Expenses**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Personnel expenses	1,455,782	1,699,590	454,745	639,898
Export expenses	6,593,087	5,709,871	3,286,987	2,389,798
Transportation of domestic sale	553,207	180,919	73,486	74,343
Depreciation expenses	31,766	20,094	11,298	8,016
Other expenses	357,946	452,183	60,609	219,902
Provision for severance pay expenses	143,080	-	(4,241)	-
Fair expenses	463,572	271,203	132,907	39,972
	<b>9,598,440</b>	<b>8,333,860</b>	<b>4,015,791</b>	<b>3,371,929</b>

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**24.2 General Administrative Expenses**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Personnel expenses	3,754,547	2,150,813	1,781,095	929,306
Insurance expenses	540,415	670,521	209,377	228,716
Representation and accommodation expenses	99,729	129,223	21,618	34,398
Communication expenses	96,124	111,422	29,381	45,055
Rent expenses	249,778	173,217	112,995	59,493
Education and consultancy expenses	596,503	210,819	163,354	41,846
General administration material wastage	655,979	477,071	459,301	361,034
Capital market costs	40,133	56,393	1,500	-
Maintenance and repair costs	134,701	48,224	19,287	4,495
Travelling expenses	252,882	302,454	96,893	177,457
Chamber membership dues	26,163	14,826	10,288	-
Tax and duty expenses	682,289	654,798	301,339	34,074
Shares in holding costs (*)	522,500	331,678	237,127	120,478
Notary and insurance costs	51,747	16,273	28,970	2,758
Aid and donation expenses	553,308	1,257,678	548,583	26,500
Consulting expenses	121,453	128,273	24,488	52,676
Electricity expenses	276,221	255,146	87,624	87,760
Lawsuit expenses and provisions	189,206	115,646	1,004	112
Provision for severance pay expenses	421,508	1,421,299	102,061	679,038
Provision for unused personnel leave	966,774	-	(70,973)	(216,850)
Provision for doubtful trade receivables	3,356	450,924	-	-
Depreciation expenses	516,721	352,884	21,936	152,489
Office rent expenses	229,040	252,000	59,400	84,000
Other expenses	539,621	411,633	212,655	66,690
	<b>11,520,698</b>	<b>9,993,215</b>	<b>4,459,303</b>	<b>2,971,525</b>

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

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

**25.1 Other Income From Operating Activities**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Reversal of unnecessary provision	10,976	91,221	8,976	91,221
Insurance restitution income	1,944,397	-	157,537	-
Exchange gain in trade operations	3,908,156	7,414,966	2,964,165	4,920,538
Discount income / expenses on payables, net	1,024,992	1,198,069	(242,489)	(111,313)
Incentive and support incomes	192,743	684,672	192,743	63,373
Rent income	341,658	339,748	136,193	106,023
Other income and profit	1,123,052	362,952	845,569	95,885
	<b>8,545,974</b>	<b>10,091,628</b>	<b>4,062,694</b>	<b>5,165,727</b>

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

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Commissions expenses	300,318	20,041,350	123,307	16,728,985
Exchange losses in trade operations	4,374,853	16,677,089	2,002,753	7,506,183
Discount income / (expenses) on receivables	967,970	843,938	(123,672)	(65,859)
Other expenses and losses	406,519	148	71	148
	<b>6,049,660</b>	<b>37,562,525</b>	<b>2,002,459</b>	<b>24,169,457</b>

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

**26.1 Income from Investment Activities**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Profit on sale of fixed assets	104,407	102,939	33,575	5,726
	<b>104,407</b>	<b>102,939</b>	<b>33,575</b>	<b>5,726</b>

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

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Shares related with investments valued by the equity pick-up method	11,194,110	10,493,863	5,656,223	653,081
	<b>11,194,110</b>	<b>10,493,863</b>	<b>5,656,223</b>	<b>653,081</b>

**26.3 Expenses From Investment Activities (-)**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Losses on sale of fixed assets	6,897	-	-	-
	<b>6,897</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**NOTE 27 – FINANCIAL INCOME / EXPENSES**

**27.1 Financial Income**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Interest income	350,814	401,006	105,279	131,324
Interest income from related parties (6-iii-g)	8,204,182	15,054,188	2,674,916	5,343,114
Foreign exchange income regarding financial activities	5,007,138	4,934,382	(3,128,022)	2,067,187
Foreign exchange income from related parties (6-iii-f)	319,936	4,184,210	-	2,629,219
Foreign exchange income arising from future contracts	1,495,481	1,266,458	(165,530)	(980,668)
	<b>15,377,551</b>	<b>25,840,244</b>	<b>(513,357)</b>	<b>9,190,176</b>

**27.2 Financial Expenses (-)**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>	<b>01.07.- 30.09.2016</b>	<b>01.07.- 30.9.2015</b>
Interest expenses	11,301,115	7,907,922	4,242,720	2,795,132
Interest expenses to related parties (6-iii-i)	142,682	485,721	118,652	290,312
Foreign exchange losses regarding financial activities	18,414,849	84,635,769	14,361,464	49,316,579
Foreign exchange losses on related parties (6-iii-h)	480,735	1,629,506	365,515	1,203,936
Commission expenses of borrowings	2,759,383	3,176,525	809,431	1,018,576
Commission expenses of letter of guarantees	70,815	105,200	70,815	30,974
Maturity differences expenses	380,088	-	128,011	-
Maturity differences expenses from related parties (6-iii-j)	25,016	4,485	7,861	1,434
Foreign exchange losses arising from futures contracts	1,792,636	8,662,218	(441)	3,791,702
Other financial expenses	974,549	1,464,384	323,432	457,795
	<b>36,341,868</b>	<b>108,071,730</b>	<b>20,427,460</b>	<b>58,906,440</b>

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**NOTE 28 – TAX ASSETS AND LIABILITIES**

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

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

The applied effective interest rate in the year of 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 69th article is added to Income Tax Legislation related investment allowance.

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According to this execution, Income and Corporation Taxpayers;

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

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

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

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

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

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

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

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

**Withholding tax**

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

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*Deferred Tax:*

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

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

	30.09.2016		31.12.2015	
	Cumulative temporary differences	Deferred tax asset / (liability)	Cumulative temporary differences	Deferred tax asset / (liability)
<u>Deferred tax assets:</u>				
Unearned interests on receivables	236,771	47,355	381,578	76,316
Severance pay provision	23,482,889	4,696,578	18,095,801	3,619,160
Provision for unused annual vacation	1,834,572	366,915	876,774	175,354
Reversal of capitalized financial expenses	22,552,568	4,510,514	34,960,375	6,992,076
Tangible fixed assets (except land, building, land improvements and depreciations excluded), net	22,941,835	4,588,367	21,846,763	4,369,352
Tangible fixed assets (land, building, land improvements and depreciations), net	7,532,157	376,608	4,915,960	245,798
Diminution in value of inventories	-	-	3,126,602	625,320
Deductible retained losses	-	-	27,103,161	5,420,632
Other	2,113,558	422,711	407,405	81,485
<b>Deferred tax assets</b>		<b>15,009,048</b>		<b>21,605,493</b>
<u>Deferred tax liabilities:</u>				
Unearned interests on payables	643,414	128,683	731,199	146,240
Foreign exchange differences	278,640	55,728	654,402	130,884
Accruals related to forward transactions	294,870	58,974	623,608	124,722
Other	175,691	35,137	102,797	20,557
Insurance compensation accrual	-	-	2,501,282	500,256
<b>Deferred tax liabilities</b>		<b>278,522</b>		<b>922,659</b>
<b>Deferred tax assets/(liabilities), net</b>		<b>14,730,526</b>		<b>20,682,834</b>



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For the period ended at 30 September 2016 and 2015, movements of deferred tax assets and liabilities are as follows:

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.09.2015</b>
Current corporation tax	(330,034)	-
Deferred tax assets/(liabilities), net	(5,876,300)	15,458,929
	<b>(6,206,334)</b>	<b>15,458,929</b>
<b>Deferred Tax (Asset) / Liability Movements</b>	<b>01.01.- 30.09.2016</b>	<b>01.01.- 31.12.2015</b>
Opening balance	20,682,834	9,126,917
Deferred tax income / (expense)	(5,876,300)	12,303,185
Actuarial (gain) / loss effect prior periods	(76,008)	(747,268)
<b>Closing balance</b>	<b>14,730,526</b>	<b>20,682,834</b>

**NOTE 29 – EARNINGS PER SHARE**

	<b>01.01.- 30.09.2016</b>	<b>01.01.- 30.9.2015</b>
Net income / (loss) attributable to the Parent Company shareholders	36,594,654	(51,680,018)
Weighted-average number of shares outstanding (per share with TRY 1 value)	250,000,000	250,000,000
<b>Profit per share (TRY)</b>	<b>0.1464</b>	<b>(0.2067)</b>

**NOTE 30 – FINANCIAL INSTRUMENTS**

<b>Financial assets</b>	<b>30.09.2016</b>	<b>31.12.2015</b>
Liquid assets	6,907,213	66,463,970
Trade receivables	86,350,126	46,143,432
Other receivables	130,313,370	47,566,614
Financial assets	18,422,920	15,670,018
<b>Financial liabilities</b>		
Borrowings	422,299,777	370,807,912
Lease payables	8,953,898	13,204,904
Other payables	2,184,705	2,577,165
Trade payables	68,647,306	74,632,597

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

**Credit Risk**

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

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

As of 30 September 2016, maximum net credit risk is as follows:

Credit risks based on financial instruments	Trade Receivables		Other Receivables		Time Deposits
	Related Party	Third Party	Related Party	Third Party	
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	8,725,877	77,624,249	100,166,568	30,146,802	6,861,052
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	8,725,877	77,624,249	100,166,568	30,146,802	6,861,052
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)	-	59,938	-	-	-
Impairment (-)	-	(59,938)	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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

Credit risks based on financial instruments	Trade Receivables		Other Receivables		Time Deposits
	Related Party	Third Party	Related Party	Third Party	
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E)</b>	12,298,676	33,844,756	43,175,068	4,391,546	6,861,052
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	6,861,052
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	-	-	-	-	-

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**Liquidity risk**

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

As of 30 September 2016, Group’s liquidity risk table is as follows:

<b>Liabilities</b>		<b>30 September 2016</b>				
<b>Maturities according to agreement</b>	<b>Book Value</b>	<b>Contractual total cash out flow (=I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>3 – 12 months (II)</b>	<b>1- 5 Years (III)</b>	<b>More than 5 Years (IV)</b>
<b>Financial Liabilities Non Derivatives</b>	<b>523,939,398</b>	<b>552,342,589</b>	<b>190,136,961</b>	<b>248,740,427</b>	<b>83,855,837</b>	<b>29,609,364</b>
Financial borrowings	422,299,777	449,713,611	116,914,034	222,858,108	80,332,105	29,609,364
Financial leasing	8,953,898	9,299,841	1,659,643	4,116,466	3,523,732	-
Trade payables	68,647,306	69,290,721	63,972,226	5,318,495	-	-
- <i>Related parties</i>	6,435,904	6,476,966	6,476,966	-	-	-
- <i>Other parties</i>	62,211,402	62,813,755	57,495,260	5,318,495	-	-
Other payables	24,038,417	24,038,417	7,591,059	16,447,358	-	-
- <i>Related parties</i>	671,786	671,787	-	671,787	-	-
- <i>Other parties</i>	23,366,631	23,366,630	7,591,059	15,775,571	-	-
	<b>523,939,398</b>	<b>552,342,589</b>	<b>190,136,961</b>	<b>248,740,427</b>	<b>83,855,837</b>	<b>29,609,364</b>

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

<b>Liabilities</b>		<b>31 December 2015</b>				
<b>Maturities according to agreement</b>	<b>Book Value</b>	<b>Contractual total cash out flow (=I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>3 – 12 months (II)</b>	<b>1- 5 Years (III)</b>	<b>More than 5 Years (IV)</b>
<b>Financial Liabilities Non Derivatives</b>	<b>489,474,522</b>	<b>522,432,741</b>	<b>178,241,127</b>	<b>222,201,000</b>	<b>84,576,266</b>	<b>37,414,348</b>
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 payables	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	-	-
	<b>489,474,522</b>	<b>522,432,741</b>	<b>178,241,127</b>	<b>222,201,000</b>	<b>84,576,266</b>	<b>37,414,348</b>

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Interest Rate Risk

The Group’s financial liabilities exposure the Group to interest rate risk. The Group’s financial liabilities mainly consist of fixed rate borrowings. As of 30 September 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 1,914,336.

**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.

Foreign currency risk sensitivity

As of 30 September 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 34,620,885 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	(12,833,770)	12,833,770	(12,833,770)	12,833,770
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(12,833,770)	12,833,770	(12,833,770)	12,833,770
	In the case of increasing / losing value of TRY by 10% against EUR			
4- EUR net asset / liability	(21,659,627)	21,659,627	(21,659,627)	21,659,627
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(21,659,627)	21,659,627	(21,659,627)	21,659,627
	In the case of increasing / losing value of TRY by 10% against GBP			
7- GBP net asset / liability	(127,869)	127,869	(127,869)	127,869
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	(127,869)	127,869	(127,869)	127,869
	In the case of increasing / losing value of TRY by 10% against CHF			
10- CHF net asset / liability	381	(381)	381	(381)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect(10+11)	381	(381)	381	(381)
<b>TOTAL (3+6+9+12)</b>	<b>(34,620,885)</b>	<b>34,620,885</b>	<b>(34,620,885)</b>	<b>34,620,885</b>

**MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**  
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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 36,025,354 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	(22,450,123)	22,450,123	(22,450,123)	22,450,123
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(22,450,123)	22,450,123	(22,450,123)	22,450,123
In the case of increasing / losing value of TRY by 10% against EUR				
4- EUR net asset / liability	(13,446,535)	13,446,535	(13,446,535)	13,446,535
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(13,446,535)	13,446,535	(13,446,535)	13,446,535
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)
<b>TOTAL (3+6+9+12)</b>	<b>(36,025,354)</b>	<b>36,025,354</b>	<b>(36,025,354)</b>	<b>36,025,354</b>

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

As of 30 September 2016, amounts of assets and liabilities of the Group in foreign currency are as follows:

**FOREIGN EXCHANGE POSITION STATEMENT**

	30 September 2016				
	TRY equivalent functional currency	USD	EUR	GBP	CHF
1. Trade Receivables	61,245,800	14,963,305	4,538,594	299,141	-
2a. Monetary Financial Assets (including cash and banks)	21,302,859	4,876,995	1,988,660	1,176	1,236
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	23,233,351	5,926,300	1,630,192	-	-
<b>4. Current Assets (1+2+3)</b>	<b>105,782,010</b>	<b>25,766,600</b>	<b>8,157,446</b>	<b>300,317</b>	<b>1,236</b>
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	8,760,054	2,924,014	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>8,760,054</b>	<b>2,924,014</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>114,542,064</b>	<b>28,690,614</b>	<b>8,157,446</b>	<b>300,317</b>	<b>1,236</b>
10. Trade Payables	16,148,774	3,612,290	1,584,954	-	-
11. Financial Liabilities	332,220,039	64,124,647	41,539,892	128,952	-
12a. Other monetary financial liabilities	14,805,085	23,983	4,383,847	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
<b>13. Current Liabilities (10+11+12)</b>	<b>363,173,898</b>	<b>67,760,920</b>	<b>47,508,693</b>	<b>128,952</b>	<b>-</b>
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	97,871,881	5,637,066	24,096,583	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>97,871,881</b>	<b>5,637,066</b>	<b>24,096,583</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>461,045,779</b>	<b>73,397,986</b>	<b>71,605,276</b>	<b>128,952</b>	<b>-</b>
<b>19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)</b>	<b>294,870</b>	<b>1,869,595</b>	<b>(1,000,000)</b>	<b>(500,000)</b>	<b>-</b>
19a. Off-balance sheet foreign currency derivative assets	5,601,120	1,869,595	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	5,306,250	-	1,000,000	500,000	-
<b>20. Net foreign currency asset / liabilities (9-18+19)</b>	<b>(346,208,845)</b>	<b>(42,837,777)</b>	<b>(64,447,830)</b>	<b>(328,635)</b>	<b>1,236</b>
<b>21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(369,737,066)</b>	<b>(50,633,672)</b>	<b>(65,078,022)</b>	<b>171,365</b>	<b>1,236</b>
<b>22. Fair value of derivative instruments used in foreign currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Exports</b>	<b>212,534,596</b>	<b>43,683,392</b>	<b>24,161,397</b>	<b>916,890</b>	<b>-</b>
<b>24. Imports</b>	<b>129,802,987</b>	<b>37,514,524</b>	<b>5,868,641</b>	<b>3,420</b>	<b>23,713</b>

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

**FOREIGN EXCHANGE POSITION STATEMENT**

	31 December 2015				
	TRY equivalent functional currency	USD	EURO	GBP	CHF
1. Trade Receivables	21,331,385	18,112	5,574,024	829,041	426
2a. Monetary Financial Assets (including cash and banks)	11,616,993	3,533,151	422,285	500	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	117,676	-	-	27,362	-
<b>4. Current Assets (1+2+3)</b>	<b>33,066,054</b>	<b>3,551,263</b>	<b>5,996,309</b>	<b>856,903</b>	<b>426</b>
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	6,020,017	2,070,442	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>6,020,017</b>	<b>2,070,442</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>39,086,071</b>	<b>5,621,705</b>	<b>5,996,309</b>	<b>856,903</b>	<b>426</b>
10. Trade Payables	27,707,674	7,583,683	1,780,387	-	-
11. Financial Liabilities	274,374,330	77,437,374	14,735,761	556,437	-
12a. Other monetary financial liabilities	19,866,312	17,790	6,235,708	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
<b>13. Current Liabilities (10+11+12)</b>	<b>321,948,316</b>	<b>85,038,847</b>	<b>22,751,856</b>	<b>556,437</b>	<b>-</b>
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	56,225,825	965,366	16,811,092	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>56,225,825</b>	<b>965,366</b>	<b>16,811,092</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>378,174,141</b>	<b>86,004,213</b>	<b>39,562,948</b>	<b>556,437</b>	<b>-</b>
<b>19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)</b>	<b>(21,165,467)</b>	<b>3,170,640</b>	<b>(8,750,000)</b>	<b>(600,000)</b>	<b>-</b>
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	-
<b>20. Net foreign currency asset / liabilities (9-18+19)</b>	<b>(360,253,537)</b>	<b>(77,211,868)</b>	<b>(42,316,639)</b>	<b>(299,534)</b>	<b>426</b>
<b>21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(339,205,746)</b>	<b>(80,382,508)</b>	<b>(33,566,639)</b>	<b>273,104</b>	<b>426</b>
<b>22. Fair value of derivative instruments used in foreign currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Exports</b>	<b>225,513,686</b>	<b>44,503,135</b>	<b>28,505,803</b>	<b>2,878,208</b>	<b>-</b>
<b>24. Imports</b>	<b>195,765,684</b>	<b>64,447,536</b>	<b>6,948,090</b>	<b>13,693</b>	<b>109,301</b>



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

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Group using available markets information in Turkey and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein 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 30 September 2016 and 31 December 2015, net debt / total equity ratio is as follows:

	<b>30.09.2016</b>	<b>31.12.2015</b>
Total debts	550,235,928	510,037,839
Liquid assets	(6,907,213)	(66,463,970)
Net debt	543,328,715	443,573,869
Total equity	317,941,490	290,393,604
Total capital	861,270,205	733,967,473
Net Debt/Total Equity Ratio	63%	60%