

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED AT
31 MARCH 2018

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

INDEX	PAGE
Consolidated Financial Statements	1-2
Consolidated Income Statements and Other Comprehensive Income Statements	3
Consolidated Changes in Equity Statements	4
Consolidated Cash Flows Statements	5-6
Notes to the Consolidated Financial Statements	7-76
NOTE 1 Organization and Nature of Activities.....	7-8
NOTE 2 Basis of Presentation of Financial Statements.....	9-30
NOTE 3 Segment Reporting.....	31-33
NOTE 4 Cash and Cash Equivalents	33-34
NOTE 5 Financial Investments.....	34
NOTE 6 Related Party Transactions	35-38
NOTE 7 Trade Receivables and Trade Payables.....	39-40
NOTE 8 Financial Borrowings.....	41-43
NOTE 9 Other Receivables and Payables.....	44-45
NOTE 10 Derivative Instruments.....	45
NOTE 11 Inventories.....	46
NOTE 12 Biological Assets.....	46
NOTE 13 Prepaid Expenses and Deferred Income.....	47
NOTE 14 Current Period Tax Income Assets.....	47
NOTE 15 Investments Valued with Equity Pick-up Method.....	48
NOTE 16 Investment Properties.....	49
NOTE 17 Tangible Fixed Assets	50
NOTE 18 Intangible Assets	51
NOTE 19 Provisions, Contingent Assets and Liabilities.....	52-54
NOTE 20 Short Term Provisions.....	55
NOTE 21 Employee Benefit Liabilities.....	56
NOTE 22 Other Current Assets and Liabilities.....	56
NOTE 23 Share Capital.....	56-58
NOTE 24 Sales and Cost of Sales.....	58-60
NOTE 25 General Administrative Expenses and Marketing Expenses.....	61-62
NOTE 26 Operating Income/(Expenses)	63
NOTE 27 Investment Activities Income / (Expenses).....	64
NOTE 28 Finance Income / (Expenses).....	65
NOTE 29 Tax Assets and Liabilities.....	66-69
NOTE 30 Earnings Per Share.....	69
NOTE 31 Financial Instruments.....	69
NOTE 32 Nature and Level of Risks Derived From Financial Instruments.....	70-75
NOTE 33 Financial Instruments (Fair Value Disclosures and Hedge Accounting Disclosures).....	76

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

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

		<i>Unreviewed</i>	<i>Audited</i>
		Current Period	Prior Period
ASSETS	Footnote	31.3.2018	31.12.2017
	References		
Current Assets		528,937,186	550,854,553
Cash and Cash Equivalents	4	15,540,698	37,228,665
Trade Receivables		89,994,065	76,534,871
<i>Trade Receivables from Related Parties</i>	6-7	8,994,927	15,669,883
<i>Trade Receivables from Third Parties</i>	7	80,999,138	60,864,988
Other Receivables		21,936,958	71,165,075
<i>Other Receivables from Related Parties</i>	6-9	69,388	33,849,851
<i>Other Receivables from Third Parties</i>	9	21,867,570	37,315,224
Derivative Financial Instruments	10	364,178	74,004
<i>Derivative Financial Instruments for Trading</i>	10	364,178	74,004
Inventories	11	335,897,933	303,103,924
Biological Assets	12	3,058,402	4,209,447
Prepaid Expenses	13	5,965,569	2,781,682
<i>Prepaid Expenses from Third Parties</i>	13	5,965,569	2,781,682
Assets Related to Current Period Tax	14	1,663,696	5,854,147
Other Current Assets	22	54,515,687	49,902,738
<i>Other Current Assets from Third Parties</i>	22	54,515,687	49,902,738
Non-Current Assets		637,520,010	592,768,776
Financial Investments	5	9,650,000	9,650,000
Other Receivables		130,117	132,990
<i>Other Receivables from Third Parties</i>	9	130,117	132,990
Investments Valued by Equity Pick-up Method	15	164,747,210	159,847,474
Investment Properties	16	64,943,449	58,000,000
Tangible Assets	17	370,006,970	337,424,407
<i>Land</i>		4,765,171	4,765,171
<i>Land improvements</i>		51,848,240	52,935,592
<i>Buldings</i>		60,396,934	60,826,675
<i>Plants,machinery and equipment</i>		148,338,466	150,726,374
<i>Vehicles</i>		1,426,433	1,554,950
<i>Furniture and fixtures</i>		7,431,815	7,718,840
<i>Construction in progress</i>		95,799,911	58,896,805
Intangible Assets	18	5,508,787	3,357,317
<i>Rights</i>		13,359	16,242
<i>Research and Devolopment Expenses</i>		5,097,832	2,886,289
<i>Other Intangible Assets</i>		397,596	454,786
Prepaid Expenses	13	1,462,262	8,623,313
<i>Prepaid Expenses to Third Parties</i>	13	1,462,262	8,623,313
Deferred Tax Assets	29	21,071,215	15,733,275
TOTAL ASSETS		1,166,457,196	1,143,623,329

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

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

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

LIABILITIES

Current Liabilities		488,231,638	465,494,437
Financial Borrowings	8	251,986,627	210,823,715
<i>Financial Borrowings to Third Parties</i>		251,986,627	210,823,715
<i>Banks Loans</i>	8	251,986,627	210,823,715
Current Installments of Long Term Financial Borrowings	8	120,359,411	109,158,744
Current Installments of Long Term Financial Borrowings to Third Parties		120,359,411	109,158,744
<i>Banks Loans</i>		118,406,488	106,070,257
<i>Leasing Payables</i>		1,952,923	3,088,487
Trade Payables		87,376,087	113,451,488
<i>Trade Payables to Related Parties</i>	6-7	1,119,881	56,905
<i>Trade Payables to Third Parties</i>	7	86,256,206	113,394,583
Employee Benefit Liabilities	21	17,822,432	14,843,236
Other Payables		3,053,617	3,188,490
<i>Other Payables to Related Parties</i>	6-9	1,922,149	802,333
<i>Other Payables to Third Parties</i>	9	1,131,468	2,386,157
Derivative Financial Instruments	10	474,164	770,333
<i>Derivative Financial Instruments in the Tradebook</i>	10	474,164	770,333
Deferred Income	13	3,467,124	6,477,159
<i>Deferred Income to Third Parties</i>	13	3,467,124	6,477,159
Current Tax Liabilities of Period Profit	29	207,813	4,236,865
Current Provisions		3,484,363	2,544,407
<i>Provision for employee benefits</i>	20	3,068,739	2,125,159
<i>Other current provisions</i>	20	415,624	419,248
Non-Current Liabilities		370,304,594	347,178,408
Long Term Borrowings	8	335,076,127	314,743,532
<i>Long Term Borrowings to Third Parties</i>		335,076,127	314,743,532
<i>Bank Loans</i>	8	335,036,089	314,600,926
<i>Leasing Payables</i>		40,038	142,606
Deferred Income	13	131,104	207,724
<i>Deferred Income to Third Parties</i>	13	131,104	207,724
Long Term Provisions		34,837,626	31,436,701
<i>Long Term Provisions for Employee Benefits</i>	20	34,837,626	31,436,701
Deferred Tax Liabilities	29	259,737	790,451
Equity		307,920,964	330,950,484
Parent Company's Equity		310,951,921	331,814,591
Paid in Capital	23.1	250,000,000	250,000,000
Inflationary Adjustments of Shareholder's Equity	23.2	485,133	485,133
Effect of mergers involving undertakings or businesses subject to common control		(25,567,435)	(25,567,435)
Other Comprehensive income or expense not to be reclassified to on profit or losses			
<i>Actuarial gain/(loss) arising from retirement benefits</i>	23.3	1,021,120	878,702
Accumulated Other Comprehensive Income or Expenses to be Reclassified to Profit or Loss			
Restricted Reserves	23.4	10,209,777	10,209,777
<i>Legal Reserves</i>	23.4	10,209,777	10,209,777
Retained Earnings / Losses	23.5	95,808,414	41,407,192
Net Profit / (Loss) for the Period		(21,005,088)	54,401,222
Minority Interests	23.6	(3,030,957)	(864,107)
TOTAL LIABILITIES AND EQUITY		1,166,457,196	1,143,623,329

The accompanying notes form an integral part of these financial statements

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME STATEMENT
FOR THE PERIOD OF 1 JANUARY-31 MARCH 2018 AND 2017
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	Footnote References	<i>Unreviewed</i>	<i>Unreviewed</i>
		Current Period 01.01- 31.03.2018	Prior Period 01.01- 31.03.2017
Revenue	24.1	173,205,146	136,884,730
Cost of Sales (-)	24.2	(154,744,140)	(109,665,854)
Gross Profit / (Loss)		18,461,006	27,218,876
General Administrative Expenses (-)	25.3	(5,358,464)	(3,721,104)
Marketing Expenses (-)	25.2	(5,524,572)	(4,203,430)
Research and Development Expenses (-)	25.1	(438,895)	-
Other Operating Income	26.1	11,238,459	3,033,547
Other Operating Expenses (-)	26.2	(5,356,976)	(5,357,016)
Operating Profit / (Loss)		13,020,558	16,970,873
Income from Investment Activities	27.1	-	55,046
Expense from Investment Activities (-)	27.2	-	(74)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	27.3	4,899,736	5,403,489
Operating Activity Profit/(Loss) Before Financial Expense		17,920,294	22,429,334
Financial Income	28.1	2,043,583	5,746,333
Financial Expenses (-)	28.2	(48,837,831)	(23,729,131)
Operating Activity Profit/(Loss) Before Taxation		(28,873,954)	4,446,536
Operating Activity Tax Income/(Expense)			
Current Tax Income/(Expense)	29	(207,813)	-
Deferred Tax Income/(Expense)	29	5,905,186	(1,837,464)
Current Period Operating Activity Profit / (Loss)		(23,176,581)	2,609,072
Profit/(Loss) for the Period		(23,176,581)	2,609,072
Distribution of the Period Income/(Loss)			
Minority Interests	23.6	(2,171,493)	(1,195,455)
Parent Company's Shares		(21,005,088)	3,804,527
Earnings Per Share	30	(0.0840)	0.0152
Other Comprehensive Income:			
Income (Expenses) not to be Reclassified on Profit or (Loss)			
- Defined Benefit Plans Re-Measurement Gains (Losses)		183,593	198,986
-Deferred Tax Income / (Expense)		(36,532)	(39,797)
Other Comprehensive Income		147,061	159,189
Total Comprehensive Income/(Expense)		(23,029,520)	2,768,261
Distribution of Total Comprehensive Income			
Minority Interests		(2,166,850)	(1,194,760)
Parent Company's Shares		(20,862,670)	3,963,021

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIODS OF 1 JANUARY – 31 MARCH 2018 AND 2017

(Currency – Turkish Lira “TRY” unless expressed otherwise.)

	Footnote References	Paid in Capital	Adjustments of Shareholders' Equity	The Effect of Associations Including Enterprises or Enterprises Subject to Joint Control	Accumulated Other Comprehensive Income and Expenses that will not be Reclassified to Profit or Loss	Restricted Reserves	Accumulated profits		Parent Company's Equity	Minority Interests	Total Equity
					Defined Benefit Plans Re-Measurement Gains (Losses)		Accumulated Profit/Loss	Net Profit/Loss For The Period			
Balances at 01.01.2017	23	250,000,000	485,133	(25,567,435)	656,789	10,209,777	44,396,063	(2,988,871)	277,191,456	2,734,807	279,926,263
Transfers	23	-	-	-	-	-	(2,988,871)	2,988,871	-	-	-
Total Comprehensive Income/(Loss)		-	-	-	159,189	-	-	3,804,527	3,963,716	(1,194,760)	2,768,956
- Profit/(Loss) for the Period	23	-	-	-	-	-	-	3,804,527	3,804,527	(1,195,455)	2,609,072
- Other Comprehensive Income/(Expense)	23	-	-	-	159,189	-	-	-	159,189	695	159,884
Balances at 31.03.2017	23	250,000,000	485,133	(25,567,435)	815,978	10,209,777	41,407,192	3,804,527	281,155,172	1,540,047	282,695,219
Balances at 01.01.2018	23	250,000,000	485,133	(25,567,435)	878,702	10,209,777	41,407,192	54,401,222	331,814,591	(864,107)	330,950,484
Transfers	23	-	-	-	-	-	54,401,222	(54,401,222)	-	-	-
Total Comprehensive Income/(Loss)		-	-	-	142,418	-	-	(21,005,088)	(20,862,670)	(2,166,850)	(23,029,520)
- Profit/(Loss) for the Period	23	-	-	-	-	-	-	(21,005,088)	(21,005,088)	(2,171,493)	(23,176,581)
- Other Comprehensive Income/(Expense)	23	-	-	-	142,418	-	-	-	142,418	4,643	147,061
Balances at 31.03.2018	23	250,000,000	485,133	(25,567,435)	1,021,120	10,209,777	95,808,414	(21,005,088)	310,951,921	(3,030,957)	307,920,964

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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS OF 31 MARCH 2018-31 MARCH 2017
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	Footnote References	<i>Unreviewed</i> Current Period 01.01- 31.03.2018	<i>Unreviewed</i> Prior Period 01.01- 31.03.2017
CASH FLOWS FROM THE OPERATING ACTIVITIES		(39,971,647)	(35,594,940)
Profit/(Loss) for the Period			
Current Period Operating Activity Profit / (Loss)		(23,176,581)	2,609,072
Adjustments Related with Net Profit/Loss for The Period		5,396,655	7,912,628
Adjustments for Depreciation, Amortisation Expenses	17-18	6,480,182	7,093,777
Adjustments Related to the Provisions			
- Adjustments for Employee Termination Benefits	20-25.2	3,547,986	1,749,618
- Adjustment for Provision for Expenses and Lawsuits	20	(3,624)	12,000
- Adjustment for Other Provisions or Reversals	20	943,580	252,167
Adjustments for Interest Income and Expense			
- Adjustments for Interest Expenses	8-28	6,254,830	2,434,387
- Unearned Income from Futures Sale		935,239	1,406,654
- Deferred Financial Expense Arise From Forward Purchasing	26.2	(1,406,805)	(1,507,546)
- Adjustments for financial assets fair value losses /(profits)	5	-	(4,827)
- Adjustments for financial instruments fair value losses /(profits)	10-28	(586,343)	2,452
Adjustments for retained earnings of investments subject to Equity Pick-up Method			
- Adjustment for retained earnings of subsidiaries	15	(4,899,736)	(5,403,489)
Tax payments/returns	29	(5,868,654)	1,877,435
Other adjustments related to profit(loss) reconciliation		-	-
Changes in the Company Capital		(18,162,669)	(46,116,640)
Adjustments for Increase/Decrease in Financial Assets	5	-	1,160,080
Adjustments for Increase/Decrease in Trade Receivables			
- Adjustments for Increase/Decrease in Trade Receivables from Related Parties	6-7	6,674,956	(6,952,086)
- Adjustments for Increase/Decrease in Trade Receivables from Third Parties	7	(21,069,389)	(2,643,253)
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		33,780,463	1,091,145
- Adjustments for increase/decrease in other receivables from third parties related to the operations	9-14-22	15,028,029	(2,546,202)
Adjustments for Increase/Decrease in Inventories	11	(32,794,009)	(65,854,691)
Adjustments Related to the Increase/Decrease in Biological Assets	12	1,151,045	1,474,985
Adjustments for Increase/Decrease in Prepaid Expenses	13	3,977,164	(6,650,598)
Adjustments for Increase/Decrease in Trade Payables			
- Adjustments for Increase/Decrease in Trade Payables to Related Parties	6-7	1,062,976	1,969,065
- Adjustments for Increase/Decrease in Trade Payables to Third Parties	7	(25,731,572)	33,211,302
Increase/decrease in employee benefits liabilities	21	2,979,196	340,500
- Adjustments for Increase/Decrease in Other Payables from Related Parties	6-9	1,119,816	(225,629)
- Adjustments for Increase/Decrease in Other Payables from Third Parties	9	(1,254,689)	2,621,657
Increase/decrease in deferred tax	13	(3,086,655)	(3,112,915)
Cash Flow from Operating Activities		(35,942,595)	(35,594,940)
Tax Payments/Returns	29	(4,029,052)	-

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS OF 31 MARCH 2018-31 MARCH 2017
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NET CASH FLOW PROVIDED BY INVESTMENT ACTIVITIES		(48,157,664)	(6,577,386)
Proceeds from Sale of Property, Plant, Equipment and Intangible Assets			
- Proceeds from Sale of Tangible Assets	17-18	-	15,854
- Proceeds from Sale of Intangible Assets	17-18	-	-
Proceeds from Purchase of Property, Plant, Equipment and Intangible Assets			
- Proceeds from Purchase of Tangible Assets	17-18	(38,910,713)	(6,575,988)
- Proceeds from Purchase of Intangible Assets	17-18	(2,303,502)	(17,252)
Cash Outflows from Purchase of Investment Property		(6,943,449)	-
Tax Payments/Return	29	-	-
CASH FLOW PROVIDED BY FINANCIAL ACTIVITIES		66,441,344	33,885,411
Cash Inflows from Financial Liabilities			
- Cash Inflows from Bank Loans		156,243,134	218,801,429
Cash Outflows from Financial Liabilities			
- Cash Outflows for Bank Loans		(88,563,658)	(183,631,752)
Cash Outflows from Finance Leases	8	(1,238,132)	(1,284,266)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN EXCHANGE CURRENCY DIFFERENCES (A+B+C)		(21,687,967)	(8,286,915)
D. EFFECT ON FOREIGN CURRENCY DIFFERENCES ON CASH AND CASH EQUIVALENTS		-	-
CASH AND CASH EQUIVALENTS NET INCREASE/DECREASE		(21,687,967)	(8,286,915)
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD	4	37,228,665	16,923,525
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	15,540,698	8,636,610

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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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

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

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

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

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

Menderes Tekstil Sanayi ve Ticaret A.Ş.

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

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

As of 31 March 2018, 3,678 personnel are employed by the Company and average number of personnel is 3,734 for the period of 01.01-31.03.2018.

Company shares are traded in the Borsa Istanbul since 2000.

Capacity (Textile)

Production Capacity (Textile)

According to the capacity report from Denizli Industrial Chamber dated 22 June 2017, numbered 352 and valid until 23 June 2019, the Company’s annual production capacity is as follows: (Company’s production capacity has been calculated with daily 8 hours, yearly 300 days. Company works for 3 shifts in a day):

Products	Unit	Quantity
Cotton yarn (is used in its production)	Kg	5,438,718
Raw fabric woven (is used in its production)	m ²	59,151,060
Knitted fabric (is used in its production)	Kg	1,004,400
Linens	Kg	19,477,500
Pillow case	Kg	5,670,000
Sheet	Kg	6,352,500
Fabric painting (is used in its production)	Kg	3,744,000
Fabric printing (is used in its production)	Kg	15,120,000
Digital fabric printing (is used in its production)	Kg	1,573,719

Production Capacity (Energy)

According to the capacity report from Denizli Industrial Chamber dated 16 February 2017, numbered 74 and valid until 22 February 2019, the Company’s annual production capacity is as follows:

	Unit	Quantity
Electricity energy	Kilowatt saat	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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Smyrna Seracılık Ticaret A.Ş.

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

Smyrna Seracılık Ticaret A.Ş. has operated on the existing area which is 197,000 m².

According to the capacity report from Denizli Industrial Chamber dated 25 May 2017, numbered 281 and valid until 26 May 2019, the Company’s production capacity has been calculated per 1 shifts and 8 working hours per day by main product is as follows:

Product	Unit	Quantity
Tomato	Ton	6,480
Quick-frozen tomato	Ton	684

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

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

As of 31 March 2018, 209 personnel are employed by the Company and the average number of personnel is 207 for the period of 01.01-31.03.2018.

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 30.456.000 kilowatt. Akça Enerji Üretim Otoprodüktör Grubu A.Ş. started producing electricity at July 2015.

As of 31 March 2018, 28 personnel are employed by the Company and the average number of personnel is 28 for the period of 01.01-31.03.2018.

Tan Elektrik Üretim A.Ş.

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

As of 31 March 2018, 6 personnel are employed by the Company and the average number of personnel is 6 for the period of 01.01-31.03.2018.

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.a. Basis of Presentation

Compliance Statement

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

The Preparation of Financial Statements

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

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

Approval of Financial Statements

Consolidated financial statements are approved by the Board of Directors and granted authority to publish on 10 May 2018. Boards of Directors have authority to change financial statements.

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Basis of Consolidation

The capital structure of subsidiaries and participations are as follows :

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

Participations	Consolidation Method	Menderes' share		
		Direct Share	Indirect Share	Total Share
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	Equity Pick up	%48.00	-	%48.00

Investments in associates are accounted via using the equity method. These are entities in which the Group generally holds between 20% and 50% of the voting rights, or where the Group has significant influence, as well as not having control over the operations of the company.

Subsidiaries are included in consolidation as of the date of transition to the controlling group and they are excluded from the scope of consolidation as of the date of completion of the control.

The share of minority shareholders in the net assets and operating results of the Subsidiaries are presented as minority interest in the consolidated balance sheet and income statement.

In the accompanying consolidated financial statements, results of operations and assets and liabilities of associates are accounted for using the equity method of accounting. According to the equity method, associates in the consolidated financial statements are shown on the basis of the amount obtained by subtracting the cost value from the net assets of the subsidiary after deducting any impairment in the associate. Losses that exceed the share of the Group in the associate are not recognized in the records. Additional loss is due to the fact that the Group has been exposed to legal or implied liability or has made payments on behalf of an affiliate or business partnership.

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2018 and 31 December 2017, the capital structure of subsidiaries and participations are as follows:

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

	31.03.2018	31.12.2017
	Ratio %	Ratio %
Public Offered Shares	47.08	47.12
Akça Holding A.Ş.	50.53	50.49
Other	2.39	2.39
	%100	%100

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

	31.03.2018	31.12.2017
	Ratio %	Ratio %
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	22.01	22.01
Rıza Akça	36.17	36.17
Dilek Göksan	18.08	18.08
Ahmet Bilge Göksan	18.08	18.08
Menderes Tekstil Pazarlama A.Ş.	3.38	3.38
Erbil Akça	2.27	2.27
	%100	%100

Smyrna Seracılık Ticaret A.Ş. (Subsidiary)

	31.03.2018	31.12.2017
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	79.17	79.17
Rıza Akça	10.31	10.31
Ahmet Bilge Göksan	5.16	5.16
Dilek Göksan	5.16	5.16
Other	0.21	0.21
	%100	%100

Tan Elektrik Üretim A.Ş. (Subsidiary)

	31.03.2018	31.12.2017
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	66.00	66.00
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	28.00	28.00
Smyrna Seracılık A.Ş.	2.40	2.40
Akça Holding A.Ş.	2.00	2.00
Other	1.60	1.60
	%100	%100

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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

	31.03.2018	31.12.2017
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	68.00	68.00
Tan Elektrik Üretim A.Ş.	18.29	18.29
Akça Holding A.Ş.	7.01	7.01
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	4.29	4.29
Selin Tekstil Sanayi Ticaret A.Ş.	2.22	2.22
Akçasaraylı Tekstil Ltd. Şti.	0.19	0.19
	%100	%100

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

	31.03.2018	31.12.2017
	Ratio %	Ratio %
Zeybekçi Holding A.Ş.	50.00	50.00
Menderes Tekstil Sanayi ve Ticaret A.Ş.	48.00	48.00
Akça Holding A.Ş.	2.00	2.00
	%100	%100

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Reporting Currency

As of 31 March 2018 and 31 December 2017, 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 users 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, Group’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.

The Group has presented the financial statements dated 31 March 2018 with financial statements dated 31 December 2017, the profit or loss and other comprehensive income statement, cash flow statement and the statement of changes in equity for the period of 01 January - 31 March 2018 with 01 January - 31 March 2017 comparatively.

2.e. New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 March, 2018 are consistent with those of the 01 January 2018, except for the adoption of new and amended TFRS and IFRIC interpretations effective as previous year. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:

Annual Improvements to TFRSs - 2014-2016 Cycle

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

-TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

-IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

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

TFRS 15 - Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as Fair Value Through Profit & Loss without applying the other requirements in the standard. Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 4 Insurance Contracts (Amendments);

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

- a) Before issuing a new insurance contract standard to all companies issuing insurance contracts, the entity shall be entitled to recognize the fluctuation that may arise from the application of TFRS 9 Financial Instruments in other comprehensive income from profit or loss, and
- b) Companies whose activities are predominantly linked to insurance will be subject to temporary application exemption until 2021, as required by the TFRS 9 Financial Instruments standard. Entities that postpone application of TFRS 9 Financial Instruments will continue to apply the existing TMS 39 'Financial Instruments' standard.

The amendments shall apply to annual periods beginning on or after 1 January 2018. Early application is allowed. The amendment does not apply to the Group and will not have any effect on the financial position or performance of the Group.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on 19 December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

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

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

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

Standards issued but not yet effective and not early adopted

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

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Annual Improvements – 2011–2013 Cycle

IFRS 16 Leases

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

Annual Improvements – 2011–2013 Cycle

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “IAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

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

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 17 - The new Standard for Insurance Contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in future cash flow projections and risk adjustments are accounted for during the term of services rendered. An entity may choose to account for the effects of changes in discount rates in profit or loss or other comprehensive income. Standard includes specific guidance for measurement and presentation of insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

Effective date for is January 1, 2019, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

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

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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 definition of loans and receivables.

Financial assets carried at cost:

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

Marketable securities:

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

Financial Borrowings

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

Receivables and Payables

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

Borrowing Costs

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

Investment Properties

Land and buildings held for the purpose of obtaining rent or capital gains, or both, are classified as "investment property", rather than for use in the production of goods and services or for sale for administrative purposes or during normal course of business. The investment properties of the Group are revalued based on the expertise report by ROTA Taşınmaz Değerleme ve Danışmanlık A.Ş. Investment properties (except land) are depreciated on a straight-line basis in accordance with the useful life and acquisition date.

Investments are revaluated for possible impairment, and if the carrying amount of an investment property exceeds to the recoverable amount of the investment property at the end of the evaluation, the provision is reduced to its recoverable amount. Recoverable amount is recognized as the higher of net cash flows from the current use of the investment property and the net selling price.

Provision for Doubtful Receivables

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

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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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. Uncultivated tomatoes are reflected in the consolidated financial statements after the provision for impairment is booked, if there is a decrease in cost due to the absence of an active market.

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
Energy facilities	20-25
Motor vehicles	5
Fixtures and fittings	10

Intangible Assets

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

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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Leasing

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

Impairment of Assets

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

Employee Benefits / Severance Pay

- **Severance Pay**

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. As of 31 March 2018, such payments are calculated on the basis of 30 days’ pay limited to a maximum of TRY 5,002 (31 December 2017: TRY 4,732) 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.

The ratios of the basic assumptions used on the balance sheet date are as follows:

	31.03.2018	31.12.2017
Interest rate	% 15,07	% 14,42
Inflation rate	% 8.40	% 7.90
Discount rate	% 6,15	% 6,04

Employee Benefits / Severance Pay

• **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.

Rendering of services:

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

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

Interest income:

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

Dividend and other incomes:

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

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

Leasing Procedures

Operating lease as owner

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. In operating lease, the rented assets are classified under the tangible 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.

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

The Effects of Exchange Rates

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

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

	31.03.2018	31.12.2017
USD	3.9489	3.7719
EUR	4.8673	4.5155
GBP	5.5385	5.0803
CHF	4.1326	3.8548

Derivative Financial Instruments and Instruments to Protect from Risk

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

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

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

Effects of Change in Currency Rate

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

Earnings per Share / (Loss)

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

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

Other Balance Sheet Entries

Other balance sheet entries are reflected with their book values.

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Cash Flow Statement

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

Subsequent Events

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

Related Parties

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

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

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

Details of related parties are as follows:

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

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

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

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

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

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

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

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

Menderes Tekstil Pazarlama A.Ş.

Menderes Tekstil Pazarlama A.Ş.. was established in 1998. The company headquarters is in Izmir. The company is engaged in the marketing of home textile products

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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

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

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

Akça Holding A.Ş. “Akça Holding”

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

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

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

2.g.Critical Accounting Estimates, Assumptions and Judgments

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

Provision for severance pay:

The present value of the retirement pay liability is determined on an actuarial basis using certain assumptions. These assumptions are used in determining the net expense of the termination compensation liabilities and include the rate of reduction. Any change in the underlying assumptions affect the recorded value of the termination indemnity obligation. Actuarial losses and gains are recognized in the statement of comprehensive income in the period in which they are incurred.

The group determines the appropriate reduction rate at the end of each year. This rate is used to calculate the present value of estimated future cash outflows necessary to meet the retirement benefit obligations.

Deferred Tax

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax bases and statutory tax financial statements. Such differences usually arise from the fact that certain income and expense items are included in the tax base amounts and financial statements prepared in accordance with TAS at different periods. The Group has unused tax losses that can be deducted from future profits and deferred tax assets consisting of other deductible temporary differences. The recoverable amount of deferred tax assets partially or fully is estimated under current conditions. During the assessment, future profit projections, losses incurred in the current period, unused losses and other taxable assets are taken into consideration and tax planning strategies that can be used when necessary are taken into account. The possibility of the transferable financial loss to be deducted from the period corporate income for not more than five years and to the extent that the Group is able to utilize the high taxable profit of the Group in the foreseen period is evaluated together with the precautionary principle of accounting and deferred tax asset is calculated for the related tax losses.

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Doubtful receivables:

Provision for doubtful receivables represents the amount that the Group management believes will compensate future losses on receivables that are present as of the balance sheet date but are subject to uncollectible receivables under current economic conditions. The past performance of borrowers other than associates and key customers that are assessed for impairment of receivables due to impairment is based on market credits and performance from the balance sheet date to the date of approval of the financial statements and re-negotiated conditions.

Deferred financing income / expense:

The calculation of the amortized cost of trade receivables and payables by using the effective interest method is based on the expected collection and payment dates of the receivables and payables.

Useful lives:

Tangible and intangible assets are amortised and depreciated on useful lives.

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 assets and Investment properties:

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

2.h. Segment Reporting of Operation Results

Group mainly operates in textile, agriculture sector and energy sector. Textile production is conducting by Menderes Tekstil. Agricultural production is conducting by Smyrna and Menderes Tekstil. Energy sector is conducting by Tan Elektirik and Akça Enerji. Balance sheet items and operating results are given in Note 3.

2.i. Accounting of Business Mergers under Common Control

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

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

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

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

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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 3 – SEGMENT REPORTING

31 March 2018	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
ASSETS					
Cash and Cash Equivalents	14,295,600	30,386	1,214,712	-	15,540,698
Trade Receivables	76,751,184	10,780,409	2,466,425	(3,953)	89,994,065
Other Receivables	95,749,240	798,394	1,024,257	(75,634,933)	21,936,958
Derivative Financial Instruments	364,178	-	-	-	364,178
Inventories	295,002,573	40,591,106	304,254	-	335,897,933
Biological Assets	-	3,058,402	-	-	3,058,402
Prepaid Expenses	4,925,132	872,725	167,712	-	5,965,569
Current Tax Assets	1,657,808	-	5,888	-	1,663,696
Other Current Assets	37,666,576	4,257,286	12,591,825	-	54,515,687
Current Assets	526,412,291	60,388,708	17,775,073	(75,638,886)	528,937,186
Financial Investments	76,900,000	950,000	22,450,010	(90,650,010)	9,650,000
Other Receivables	53,032	15,682	61,403	-	130,117
Investments Valued by Equity Pick-up Method	164,747,210	-	-	-	164,747,210
Investment Property	64,943,449	-	-	-	64,943,449
Tangible Assets	134,043,317	19,799,139	216,164,514	-	370,006,970
Intangible Assets	5,492,066	5,966	10,755	-	5,508,787
Prepaid Expenses	571,710	118,845	771,707	-	1,462,262
Deferred Tax Assets	16,335,287	507,000	7,438,503	(3,209,575)	21,071,215
Non-Current Assets	463,086,071	21,396,632	246,896,892	(93,859,585)	637,520,010
TOTAL ASSETS	989,498,362	81,785,340	264,671,965	(169,498,471)	1,166,457,196
LIABILITIES					
Financial Borrowings	251,984,118	2,509	-	-	251,986,627
Current Installments of Long Term Financial Borrowings	106,353,294	-	14,006,117	-	120,359,411
Trade Payables	77,342,278	2,429,969	8,344,160	(740,320)	87,376,087
Employee Benefits Liabilities	17,074,022	491,469	256,941	-	17,822,432
Other Payables	2,011,676	62,405,121	13,535,386	(74,898,566)	3,053,617
Derivative Financial Instruments	474,164	-	-	-	474,164
Deferred Income	2,999,490	467,634	-	-	3,467,124
Period Income Tax Liability	-	207,813	-	-	207,813
Current Provisions	3,239,239	111,338	133,786	-	3,484,363
Current Liabilities	461,478,281	66,115,853	36,276,390	(75,638,886)	488,231,638
Long Term Borrowings	124,391,806	-	210,684,321	-	335,076,127
Provisions For Long Term Employee Benefits	33,997,161	716,185	124,280	-	34,837,626
Deferred Income	131,104	-	-	-	131,104
Deferred Tax Liabilities	192,966	669,347	2,606,999	(3,209,575)	259,737
Non-Current Liabilities	158,713,037	1,385,532	213,415,600	(3,209,575)	370,304,594
Paid in Capital	250,000,000	12,000,000	100,000,000	(112,000,000)	250,000,000
Inflationary Adjustments of Shareholders' Equity	485,133	-	-	-	485,133
Effect of Business Mergers Subject to Common Control	-	-	-	(25,567,435)	(25,567,435)
Actuarial Benefit / Loss of the Retirement Plans					
Actuarial Benefit / Loss of the Retirement Plans	1,016,448	16,458	(11,202)	(584)	1,021,120
Restricted reserves	10,147,245	62,532	127,759	(127,759)	10,209,777
Retained Earnings / Losses	123,209,624	(345,835)	(74,960,606)	47,905,231	95,808,414
Net Profit / Loss for the Period	(15,551,406)	2,550,800	(10,175,976)	2,171,494	(21,005,088)
Minority Interest	-	-	-	(3,030,957)	(3,030,957)
SHAREHOLDERS' EQUITY	369,307,044	14,283,955	14,979,975	(90,650,010)	307,920,964
TOTAL LIABILITIES	989,498,362	81,785,340	264,671,965	(169,498,471)	1,166,457,196

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

31 March 2018	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
Revenue	141,483,458	25,547,535	6,311,883	(137,730)	173,205,146
Cost of Sales (-)	(128,239,992)	(21,895,146)	(4,746,732)	137,730	(154,744,140)
GROSS PROFIT/LOSS	13,243,466	3,652,389	1,565,151	-	18,461,006
General Administrative Expenses (-)	(4,656,357)	(346,016)	(371,166)	15,075	(5,358,464)
Marketing Expenses (-)	(5,165,715)	(358,857)	-	-	(5,524,572)
Research and Development Expenses (-)	(438,895)	-	-	-	(438,895)
Other Operating Income	10,225,108	553,596	474,830	(15,075)	11,238,459
Other Operating Expenses (-)	(5,117,497)	(165,847)	(73,632)	-	(5,356,976)
OPERATING PROFIT/LOSS	8,090,110	3,335,265	1,595,183	-	13,020,558
Income From Investment Activities	-	-	-	-	-
Expenses From Investment Activities (-)	-	-	-	-	-
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	4,899,736	-	-	-	4,899,736
OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES	12,989,846	3,335,265	1,595,183	-	17,920,294
Financial Income (+)	2,949,122	-	4,113	(909,652)	2,043,583
Financial Expenses (-)	(36,721,724)	(572,826)	(12,452,933)	909,652	(48,837,831)
OPERATING ACTIVITY PROFIT/(LOSS) BEFORE TAXATION	(20,782,756)	2,762,439	(10,853,637)	-	(28,873,954)
Operating Activity Tax Income / (Expense)					
- Income/Expense Tax for the period	-	(207,813)	-	-	(207,813)
- Deferred Tax Income/Expense	5,231,351	(3,826)	677,661	-	5,905,186
PROFIT/(LOSS) FOR THE PERIOD	(15,551,405)	2,550,800	(10,175,976)	-	(23,176,581)

31 March 2018	Textile Sector	Agricultural Sector	Energy Sector	Elimination	Total
Details of Assets by Segments					
Total Tangible and Intangible Assets (Net Book Value)	134,043,317	19,799,139	216,164,514	-	370,006,970
Purchases of Tangible and Intangible Assets	3,988,285	28,963	37,196,967	-	41,214,215
Depreciation Expenses	4,098,988	549,677	1,831,517	-	6,480,182
Total Assets	69,059,888	4,452,895	1,373,609	-	74,886,392
Total Liabilities	510,728,185	619,045	229,390,247	-	740,737,477
Net Asset/ (Liability) Position of Foreign Currency Derivative Instruments Out of Financial Statements	(8,608,815)	-	-	-	(8,608,815)
Net Foreign Currency Asset/ Liabilities	(450,277,112)	3,833,850	(228,016,638)	-	(674,459,900)
Financial Payables	482,729,218	2,509	224,690,438	-	707,422,165
- USD	114,556,035	-	78,774,965	-	193,331,000
- EUR	368,083,527	-	145,915,473	-	513,999,000
- TRY	89,656	2,509	-	-	92,165
Export	108,765,908	14,732,697	-	-	123,498,605
Import	45,376,454	-	14,857,431	-	60,233,885
Total Debt	620,191,318	67,501,385	249,691,990	(78,848,461)	858,536,232
Cash Equivalents	(14,295,600)	(30,386)	(1,214,712)	-	(15,540,698)
Net Debt	605,895,718	67,470,999	248,477,278	(78,848,461)	842,995,534
Total Equity	369,307,044	14,283,955	14,979,975	(90,650,010)	307,920,964
Total Capital	975,202,762	81,754,954	263,457,253	(169,498,471)	1,150,916,498
Net Debt/Total Capital Ratio	62%	83%	94%	-	73%

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Information On The Geographical Region

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

Region	01.01-31.03.2018	01.01-31.03.2017
Germany	44%	49%
U.S.A	21%	2%
Italy	10%	13%
Netherlands	6%	10%
İngiltere	4%	4%
China	3%	4%
Poland	3%	5%
France	2%	5%
Other countries	7%	8%
	100%	%100

Information About Major Clients

The sales activities of the Group are determined according to fluctuations in the domestic and international markets and competition conditions. It is paid attention to not to concentrate on a specific sector, country, person and company in terms of dissolving risks. As of 31 March 2018, the share of the two largest buyers in the revenue from textile sector operations is % 59.3. (31 March 2017: the largest one, % 55,22) (Note 32).

NOTE 4 – CASH AND CASH EQUIVALENTS

As of 31 March 2018 and 31 December 2017, the details of cash and cash equivalents are as follows:

	31.03.2018	31.12.2017
Cash	83,961	16,399
Banks	15,456,737	36,140,149
<i>Demand deposits</i>	<i>15,456,737</i>	<i>9,090,149</i>
<i>Time deposits</i>	-	<i>27,050,000</i>
Interest accruals for banks	-	1,072,117
	15,540,698	37,228,665

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2018 and 31 December 2017, maturity schedule of time deposits in the cash and cash equivalents are as follows:

	31.03.2018	31.12.2017
Within 1 month	-	27,050,000
	-	27,050,000

As of March 31, 2018, there is no time deposit (for 31.12.2017: TRY %12.42).

As of 31 December 2017, average maturity date of time deposits is 3 days. As of 31 December 2017, time deposits consist of TRY 27,050,000.

As of 31 March 2018, there is no deposit pledge on the Group's bank deposits.(31.12.2017: None.)

NOTE 5 – FINANCIAL INVESTMENTS

Short term financial investments

None.

Long term financial investments

	31.03.2018	31.12.2017
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	9,650,000	9,650,000
	9,650,000	9,650,000

As of 31 March 2018, long term financial investments consist of Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş. subsidiary amount with 8.04% belonging to Akça Enerji Üretim Otoprodüktör Grubu A.Ş., subsidiary of the Group.

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 6 – RELATED PARTY TRANSACTIONS

i) Due from / to related parties:

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

	31.03.2018	31.12.2017
Menderes Tekstil Pazarlama A.Ş.	843,711	14,054,101
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	1,723,527	1,710,839
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	6,532,057	
Akçamen Tekstil A.Ş.	-	3,705
Unearned interests	(104,368)	(98,762)
	8,994,927	15,669,883

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

	31.03.2018	31.12.2017
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	1,124,301	43,733
Akça Solar Üretim Sanayi Ticaret A.Ş.	-	12,676
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	303	938
Aktur Araç Muayene İstasyonları İşl. A.Ş.	282	-
Unearned interests	(5,611)	(442)
	1,119,275	56,905

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

	31.03.2018	31.12.2017
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	33,844,833
Akça Holding A.Ş.	69,388	-
Ahmet Bilge Göksan	-	5,018
	69,388	33,849,851

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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

	31.03.2018	31.12.2017
Rıza Akça	1,104,495	802,333
Ahmet Bilge Göksan	2,020	-
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	815,634	-
	1,922,149	802,333

e) Advances given to related parties:

	31.03.2018	31.12.2017
Rıza Akça	-	39,735
	-	39,735

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

a) Sales to related parties:

	01.01.- 31.03.2018	01.01.- 31.03.2017
Menderes Tekstil Pazarlama A.Ş.	1,777	19,491,142
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	1,269,630	922,582
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	10,931,611	49,153
Aktur Araç Muayene İstasyonları İşl. A.Ş.	24,628	19,000
	12,227,646	20,481,877

b) Purchases from related parties:

	01.01.- 31.03.2018	01.01.- 31.03.2017
Selin Tekstil Sanayi ve Ticaret A.Ş.	-	10,291,251
Akça Holding A.Ş.	17,127	8,631
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	448	-
Aktur Araç Muayene İstasyonları İşl. A.Ş.	783	494
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	2,096,231	-
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	248	-
	2,114,837	10,300,376

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

c) Fixed asset purchases from related parties:		
	01.01.-	01.01.-
	31.03.2018	31.03.2017
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	38,290
	-	38,290
iii) Other income and expenses resulting from transactions with related parties:		
a) Benefits provided to senior management (Member of the board of directors, general manager and deputy general manager), gross:		
	01.01.-	01.01.-
	31.03.2018	31.03.2017
Benefits provided to senior management	166,474	89,959
	166,474	89,959
b) Service expenses paid to related parties:		
	01.01.-	01.01.-
	31.03.2018	31.03.2017
Akça Holding A.Ş.	156,321	142,966
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	181,997	50,299
Menderes Tekstil Pazarlama A.Ş.	160,537	-
	498,855	193,265
c) Rent income from related parties:		
	01.01.-	01.01.-
	31.03.2018	31.03.2017
Akça Holding A.Ş.	26,100	22,950
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	26,250	23,100
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	24,450	22,950
Selin Tekstil Sanayi ve Ticaret A.Ş.	-	8,100
Menderes Tekstil Pazarlama A.Ş.	3,645	3,210
Akçamen Tekstil Sanayi Ticaret A.Ş.	1,500	2,580
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	1,500	2,100
	83,445	84,990

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

d) Rent expenses paid to related parties:

	01.01.- 31.03.2018	01.01.- 31.03.2017
Menderes Tekstil Pazarlama A.Ş.	13,983	9,066
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	9,066	99,000
	23,049	108,066

e) Service income from related parties:

	01.01.- 31.03.2018	01.01.- 31.03.2017
Menderes Tekstil Pazarlama A.Ş.	-	19,350
	-	19,350

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

	01.01.- 31.03.2018	01.01.- 31.03.2017
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	3,404
	-	3,404

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

	01.01.- 31.03.2018	01.01.- 31.03.2017
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	617,810	2,306,314
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	-	3,664
Akça Holding A.Ş.	681	-
	618,491	2,309,978

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 7 – TRADE RECEIVABLES AND TRADE PAYABLES

Short Term Trade Receivables

	31.03.2018	31.12.2017
Trade receivables	78,400,274	57,074,258
Cheques and notes	370,343	1,775,980
Unearned interest on trade receivables	(332,728)	(234,615)
Doubtful trade receivables	42,444	54,600
Provision for doubtful receivables (-)	(42,444)	(54,600)
Income accruals	2,561,249	2,249,365
Trade Receivables From Third Parties	80,999,138	60,864,988
Trade receivables from related parties (Note 6-i-a)	9,099,295	15,768,645
Unearned interests on related party receivables (Note 6-i-a)	(104,368)	(98,762)
Trade Receivables From Related Parties	8,994,927	15,669,883
Total Short-Term Trade Receivables	89,994,065	76,534,871

As of 31 March 2018, the average maturity of trade receivables are 43 days (31 December 2017: 27 days).

Maturity schedule of notes receivables as of 31 March 2018 and 31 December 2017 are as follows:

	31.03.2018	31.12.2017
Overdue	25,000	-
1-30 days	78,185	369,641
31-60 days	44,728	130,023
61-90 days	177,654	783,952
91-120 days	44,776	357,864
121-150 days	-	134,500
	370,343	1,775,980

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2018 and 31 December 2017, provision for doubtful receivables movement schedule is as follows:

	31.03.2018	31.12.2017
Opening balance	54,600	25,376
Offsetting of balances that can not be collected (*)	(12,156)	-
Provision for the period	-	29,224
Closing Balance	42,444	54,600

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

Short Term Trade Receivables

	31.03.2018	31.12.2017
Trade payables	68,888,823	78,888,027
Unearned interests on trade payables	(406,619)	(711,526)
Notes payables	16,865,695	32,079,030
Unearned interests on payables	(194,381)	(262,490)
Expense accruals	1,102,688	3,401,542
Trade Payables To Third Parties	86,256,206	113,394,583
Payables to related parties (Note 6-i-b)	1,125,492	57,347
Unearned interests on notes payables to related parties (Note 6-i-b)	(5,611)	(442)
Trade Payables to Related Parties	1,119,881	56,905
Total Short Term Trade Payables	87,376,087	113,451,488

As of 31 March 2018, the average maturity of trade payables are 58 days (31 December 2017: 55 days).

As of 31 March 2018, sureties were given amounting to USD 7,251,157 (28,634,094 TRY) for trade payables of the Group by bank (31.12.2017: 3,299,451 USD (12,445,201 TRY) and 542,358 TRY)) (Note 19).

As of 31 March 2018 and 31 December 2017, maturity breakdown of notes payables are as follows:

	31.03.2018	31.12.2017
1 – 30 days	10,076,585	17,767,877
31 – 60 days	6,573,994	13,089,558
61 – 90 days	215,116	966,595
91 – 120 days	-	110,000
121 – 150 days	-	145,000
	16,865,695	32,079,030

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 8 – FINANCIAL BORROWINGS

	31.03.2018	31.12.2017
Short Term Borrowings:		
TRY borrowings	92,165	3,434,623
USD borrowings	78,768,628	75,629,693
EUR borrowings	172,704,140	131,617,236
Accrued Interest of Short Term Borrowings:		
TRY accrued interest of borrowings	-	103,889
USD accrued interest of borrowings	419,236	37,881
EUR accrued interest of borrowings	2,458	393
Short Term Financial Borrowings	251,986,627	210,823,715
Lease Payables:		
EUR lease payables, net	1,952,923	3,088,487
Borrowings		
USD borrowings	18,756,935	19,271,820
EUR borrowings	93,816,418	82,729,923
Accrued Interests of Long Term Borrowings		
USD accrued interest of borrowings	2,502,852	1,358,304
EUR accrued interest of borrowings	3,330,283	2,710,210
Current Installments of Long-Term Borrowings	120,359,411	109,158,744
Long Term Lease Payables:		
EUR lease payables, net	40,038	142,606
Long Term Borrowings:		
USD borrowings	92,883,349	72,293,457
EUR borrowings	242,152,740	242,307,469
Long Term Financial Borrowings	335,076,127	314,743,532
Total Financial Liabilities	707,422,165	634,725,991

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2018 and 31 December 2017, maturity analysis of borrowings and other financial borrowings are as follows:

	31.03.2018	31.12.2017
Within 3 months	134,703,046	70,029,932
Between 3 - 12 months	229,435,240	242,653,363
Between 1 - 5 years	219,324,812	219,308,025
More than 5 years	115,711,277	95,292,901
	699,174,375	627,284,221

As of 31 March 2018 and 31 December 2017, maturity schedule of long term bank borrowings are as follows:

	31.03.2018	31.12.2017
Between 1-2 years	77,389,513	77,780,327
Between 2-3 years	63,465,434	65,875,654
Between 3-4 years	47,242,154	43,360,747
Between 4-5 years	32,699,123	32,932,446
Between 5-6 years	24,835,534	20,481,876
Between 6-7 years	22,720,947	18,777,534
Between 7-8 years	20,223,053	16,233,843
Between 8-9 years	20,223,053	16,128,924
Between 9-10 years	15,881,540	12,058,651
Between 10-11 years	4,431,863	5,475,217
Between 11-12 years	2,961,937	2,747,853
Between 12-13 years	2,961,938	2,747,854
	335,036,089	314,600,926

As of 31 March 2018, effective interest rates for USD and EUR bank loans are %4.69 and %3.19 (31.12.2017: USD %2.70 and EUR %2.34).

The Group has guarantee by its shareholders and related companies in lending.

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions is USD 130,950,000 (517,108,455TRY), 21,000,000 EUR (102,213,300TL) and 73,910,000 TRY.

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2018 and 31 December 2017, the details of financial leasing borrowings of Group are as follows:

	31.03.2018	31.12.2017
Short term lease payables	1,983,180	3,141,855
Cost of deferred lease payables (-)	(30,257)	(53,368)
	1,952,923	3,088,487
	31.03.2018	31.12.2017
Long term lease payables	40,241	144,074
Cost of deferred lease payables (-)	(203)	(1,468)
	40,038	142,606

As of 31 March 2018, the repayment schedule of lease payables are as follows:

	Lease payables	Cost of deferred lease payables	Total liabilities
Between 0 – 1 years	1,983,180	(30,257)	1,952,923
Between 1 – 2 years	40,241	(203)	40,038
	2,023,421	(30,460)	1,992,961

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

	Lease payables	Cost of deferred lease payables	Total liabilities
Between 0 – 1 years	3,141,855	(53,368)	3,088,487
Between 1 – 2 years	144,074	(1,468)	142,606
	3,285,929	(54,836)	3,231,093

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 9 – OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

	31.03.2018	31.12.2017
Deposit and guarantees given	207,019	56,591
VAT return receivables	3,079,497	2,267,619
Other receivables (*)	18,581,054	34,991,014
Other Receivables from Third Parties	21,867,570	37,315,224
Receivables from shareholders (Note 6-i-c)	69,388	33,849,851
Other Receivables From Related Parties	69,388	33,849,851
Total Other Current Receivables	21,936,958	71,165,075

(*) Other receivables amounting to TRY 18,204,584 (USD 3,009,574, EUR 1,175,280 and GBP 108,410) (31 December 2017: TRY 33,844,834 (EUR 2,278,711, USD 5,911,232 and GBP 440,466)), included in various other receivables are due from Osman Akça Tarım Ürün. İth. İhr. San ve Tic. A.Ş. ("Osman Akça"), which was collected in return for non-trade receivables, Osman Akca's agricultural exports in 2018. (31 Aralık 2017:EUR 2,278,711, USD 5,911,232 and GBP 440,466 formed total TRY 33,844,834).

Other Non-Current Receivables

	31.03.2018	31.12.2017
Deposits and guarantees given	130,117	132,990
	130,117	132,990

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

Other Current Payables

	31.03.2018	31.12.2017
Deposit and guarantees received	56,576	56,576
Taxes and funds payable	1,074,236	2,328,568
Other various debts	656	1,013
Other Payables to Third Parties	1,131,468	2,386,157
Payables to shareholders (Note 6-i-d)	1,922,149	802,333
Other Payables to Related Parties	1,922,149	802,333
Total Other Current Payables	3,053,617	3,188,490

NOTE 10 – DERIVATIVE INSTRUMENTS

	31.03.2018	31.12.2017
Income accrual of forward exchange	364,178	74,004
	364,178	74,004
	31.03.2018	31.12.2017
Expense accrual of forward exchange	474,164	770,333
	474,164	770,333

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 11 – INVENTORIES

	31.03.2018	31.12.2017
Raw materials	117,082,970	131,380,411
Semi-finished products	145,395,809	130,845,618
Finished goods	32,955,340	11,866,835
Trade goods	538,242	794,336
Other inventories	205,621	251,259
Agricultural products	39,719,951	27,965,465
	335,897,933	303,103,924

All of the Group inventory is covered by insurance coverage.

NOTE 12 – BIOLOGICAL ASSETS

Current Biological Assets

	31.03.2018	31.12.2017
Biological assets (Tomato)	3,058,402	4,209,447
	3,058,402	4,209,447

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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 13 – PREPAID EXPENSES AND DEFERRED INCOME

Short Term Prepaid Expenses

	31.03.2018	31.12.2017
Order advances given	4,898,600	1,338,845
Prepaid expenses	1,011,259	1,222,554
Advances given for business purposes	55,710	220,283
	5,965,569	2,781,682

Long Term Prepaid Expenses

	31.03.2018	31.12.2017
Advances given for purchases of tangible assets	1,300,471	8,460,890
Prepaid expenses	161,791	162,423
	1,462,262	8,623,313

Short Term Deferred Income

	31.03.2018	31.12.2017
Advances received	3,156,390	6,166,425
Deferred income	310,734	310,734
	3,467,124	6,477,159

Long Term Deferred Income

	31.03.2018	31.12.2017
Deferred income	131,104	207,724
	131,104	207,724

NOTE 14 – ASSETS RELATED TO CURRENT YEAR TAX

	31.03.2018	31.12.2017
Prepaid taxes and funds	1,663,696	5,854,147
	1,663,696	5,854,147

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 15 – INVESTMENTS VALUED BY EQUITY PICK-UP METHOD

As of 31 March 2018 and 31 December 2017, the companies accounted according to the equity pick up method are as follows:

	31.03.2018	Share (%)	31.12.2017	Share (%)
Aktur Araç Muayene İstasyon İşletmeleri A.Ş.	164,747,210	48%	159,847,474	48%
	164,747,210		159,847,474	

The total assets, liabilities and owner’s equity of the investments which are evaluated by the equity pick up method with their summary of income statement related to the periods ended 31 March 2018 and 31 December 2017 are as follows::

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

	31.03.2018	31.12.2017
Current assets	83,709,864	94,411,728
Non-current assets	328,814,496	321,266,819
Total Assets	412,524,360	415,678,547
Current liabilities	48,412,017	62,886,446
Non-current liabilities	20,888,989	19,776,531
Shareholders’ equity	343,223,354	333,015,570
Total Equities	412,524,360	415,678,547
Sales, net	79,667,418	289,310,451
Cost of sales	(74,298,921)	(254,346,474)
Net profit / (loss)	10,694,036	40,939,559

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 16 – INVESTMENT PROPERTIES

Cost Value	Lands	Total
01 January 2017 opening balance	-	-
Additions	58,000,000	58,000,000
31 December 2017 closing balance	58,000,000	58,000,000
Additions	6,943,449	6,943,449
31 March 2018 closing balance	64,943,449	64,943,449
Accumulated Depreciation		
01 January 2017 opening balance	-	-
Additions	-	-
Disposals	-	-
31 December 2017 closing balance	-	-
Additions	-	-
Disposals	-	-
31 March 2018 closing balance	-	-
31.12.2017, Net Book Value	58,000,000	58,000,000
31.03.2018, Net Book Value	64,943,449	64,943,449

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 17 – TANGIBLE ASSETS

Cost Value	Land	Land Improvements	Buildings	Property, plant and equipment	Vehicles	Fixtures and fittings	Construction in progress	Total
01 January 2017 opening balance	4,765,171	73,222,407	69,756,696	326,320,308	2,339,958	13,436,770	7,873,243	497,714,553
Additions	-	-	10,450,000	21,926,139	779,063	1,364,934	57,192,412	91,712,548
Disposals	-	-	-	(74,210)	(128,641)	(9,987)	(7,273)	(220,111)
Transfers	-	-	-	6,152,256	-	9,321	(6,161,577)	-
31 December 2017 closing balance	4,765,171	73,222,407	80,206,696	354,324,493	2,990,380	14,801,038	58,896,805	589,206,990
Additions	-	-	6,493	1,835,176	-	165,938	39,206,608	41,214,215
Disposals	-	-	-	-	-	-	(2,303,502)	(2,303,502)
31 March 2018 closing balance	4,765,171	73,222,407	80,213,189	356,159,669	2,990,380	14,966,976	95,799,911	628,117,703
Accumulated Depreciation								
01 January 2017 opening balance	-	13,778,478	17,815,110	188,117,846	1,092,837	5,300,001	-	226,104,272
Additions	-	4,357,557	1,564,911	17,702,329	471,234	1,783,603	-	25,879,634
Disposals	-	-	-	(71,276)	(128,641)	(1,406)	-	(201,323)
Transfers	-	2,150,780	-	(2,150,780)	-	-	-	-
31 January 2017 closing balance	-	20,286,815	19,380,021	203,598,119	1,435,430	7,082,198	-	251,782,583
Additions	-	1,087,352	436,234	4,223,084	128,517	452,963	-	6,328,150
31 March 2018 closing balance	-	21,374,167	19,816,255	207,821,203	1,563,947	7,535,161	-	258,110,733
31.12.2017, Net Book Value	4,765,171	52,935,592	60,826,675	150,726,374	1,554,950	7,718,840	58,896,805	337,424,407
31.03.2018, Net Book Value	4,765,171	51,848,240	60,396,934	148,338,466	1,426,433	7,431,815	95,799,911	370,006,970

As of 31 March 2018, the depreciation expense of tangible assets for the period is TRY 6,328,150 (31 December 2017: TRY 25,879,634).

As of 31 March 2018, fixed assets are insured for TRY 8,335,731, EUR 26,490,000 (TRY 128,934,777), USD 118,289,269 (TRY 467,112,494). (31 December 2017: TRY 7,991,164, EUR 30,652,740 (TRY 138,412,447), USD 125,500,588 (TRY 473,375,668)).

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions are USD 130,950,000 (TRY 517,108,455), EUR 21,000,000 (TRY 102,213,300) and TRY 73,910,000.

As of 31 March 2018, net book value of leasing machines is TRY 4,833,018 (31.12.2017: 11,981,006 TRY).

(*)TRY 90,722,788 of the construction in progress is regarding to Akça Enerji Üretim Otoprodüktör Grubu A.Ş. which consists of the expenditures made for the Baklacı Geothermal Power Plant is under construction

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 18 – INTANGIBLE ASSETS

Cost Value	Rights	Research and Development Expenses	Other Intangible Assets	Total
01 January 2017 opening balance	498,963	-	395,624	894,587
Addition	2,559	2,910,544	489,633	3,402,736
Disposal	-	-	-	-
31 December 2017 closing balance	501,522	2,910,544	885,257	4,297,323
Addition	-	-	-	-
Disposal	-	-	-	-
Transfer	-	2,303,502	-	2,303,502
31 March 2018 closing balance	501,522	5,214,046	885,257	6,600,825
Accumulated Depreciation				
01 January 2017 opening balance	472,206	-	264,363	736,569
Addition	13,074	24,255	166,108	203,437
Disposal	-	-	-	-
31 December 2017 closing balance	485,280	24,255	430,471	940,006
Addition	2,883	91,959	57,190	152,032
Disposal	-	-	-	-
31 March closing balance	488,163	116,214	487,661	1,092,038
31.12.2017, Net Book Value	16,242	2,886,289	454,786	3,357,317
31.03.2018, Net Book Value	13,359	5,097,832	397,596	5,508,787

As of 31 March 2018, the amortization expense of intangible assets for the period is TRY 152,037 (31 December 2017: TRY 203,437).

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 19 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 31 March 2018 and 31 December 2017, the Group's guarantee / security / mortgage (“GSM”) position are as follows:

Guarantees, security and mortgage “(GSM)” given by the Group	31.3.2018	31.12.2017
A. Total Amount of GSM given on behalf of legal entity	995,253,183	933,289,665
B. Total Amount of GSM given for partnerships which included in full consolidation	41,521,379	38,520,286
C. Total Amount of GSM given for the purpose of guaranteeing third party loans to carry the regular trade activities	None	None
D. Total Amount of other GSM given	None	None
<i>i. Total Amount of GSM given for the Parent Company</i>	None	None
<i>ii. Total Amount of GSM Given for Other Group Companies not Included in B and C Clauses</i>	None	None
<i>iii. Total Amount of GSM Given for Third Parties not Included in C Clause</i>	None	None
Total	1,036,774,562	971,809,951

There is no guarantee given by the Group for the loans in favor of related parties. For credit contracts of the Group USD 112,250,000 (TRY 443,264,025), EUR 7,500,000 (TRY 36,504,750) and TRY 122,500,000 guarantee are provided by related parties (Akça Holding and Osman Akça) (31 December 2017: USD 112,250,000 (TRY 423,395,775), EUR 7,500,000 (TRY 33,866,250) and TRY 122,500,000).

As of 31 March 2018, the details of the guarantee given for the subsidiary Tan Elektrik’s financial borrowings to investment are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Commerzbank AG	EUR	8,530,680	4.8673	41,521,379
				41,521,379

As of 31 March 2018, details of mortgage on lands and buildings are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	TRY	72,310,000	1.0000	72,310,000
Türkiye Vakıflar Bankası T.A.O	USD	130,950,000	3.9489	517,108,455
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	4.8673	102,213,300
				693,231,755

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2018, details of the guarantee letters given are as follows:

Details of Guarantee Letters Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Electricity and Natural Gas Distribution Companies	TRY	1,224,056	1.0000	1,224,056
Energy Market Regulatory Authority	TRY	3,244,702	1.0000	3,244,702
Customs Administration	TRY	8,311,600	1.0000	8,311,600
Credit Guarantee	USD	5,311,000	3.9489	20,972,608
Credit Guarantee	EUR	10,719,200	4.8673	52,173,562
Credit Guarantee	EUR	600,000	4.8673	2,920,380
Natural Gas	TRY	5,573,069	1.0000	5,573,069
Food, Agriculture Livestock Directorate	TRY	625,669	1.0000	625,669
Public Institutions	TRY	1,090,899	1.0000	1,090,899
				96,136,545

As of 31 March 2018, bank details of the guarantee letters given are as follows:

Bank Details of Guarantee Letters Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O.	TRY	19,956,995	1.0000	19,956,995
Türkiye Vakıflar Bankası T.A.O.	EUR	600,000	4.8673	2,920,380
Türkiye Finans Katılım Bankası A.Ş.	TRY	58,000	1.0000	58,000
Halk Bank A.Ş.	TRY	55,000	1.0000	55,000
Denizbank A.Ş.	USD	4,500,000	3.9489	17,770,050
Denizbank A.Ş.	EUR	10,719,200	4.8673	52,173,562
Türkiye Finans Katılım Bankası A.Ş.	USD	811,000	3.9489	3,202,558
				96,136,545

As of 31 March 2018, avals which are given to trade receivables by the Group are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	USD	7,251,157	3.9489	28,634,094
				28,634,094

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2018, bank details of the general borrowing contracts are as follows:

General Borrowing Contracts:	FX Currency	FX Amount	FX Rate	TRY Equivalent
Albarakaturk A.Ş.	TRY	15,000,000	1.0000	15,000,000
Denizbank A.Ş.	USD	9,000,000	3.9489	35,540,100
Eximbank A.Ş.	USD	25,000,000	3.9489	98,722,500
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	3.9489	37,514,550
Odea Bank A.Ş.	TRY	33,000,000	1.0000	33,000,000
Şekerbank A.Ş.	USD	3,750,000	3.9489	14,808,375
Şekerbank A.Ş.	TRY	2,500,000	1.0000	2,500,000
Şekerbank A.Ş.	EUR	7,500,000	4.8673	36,504,750
Türkiye Finans katılım Bankası A.Ş.	TRY	30,000,000	1.0000	30,000,000
Akbank T.A.Ş.	TRY	4,000,000	1.0000	4,000,000
Vakıfbank A.Ş.	USD	65,000,000	3.9489	256,678,500
Turkland Bank A.Ş.	TRY	15,000,000	1.0000	15,000,000
				602,268,775

As of 31 March 2018, details of the guarantee notes given are as follows:

Guarantee Notes Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Eximbank	USD	461,250	3.9489	1,821,430
Eximbank	EUR	896,250	4.8673	4,362,318
				6,183,748

As of 31 March 2018, 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	10,500,000	3.9489	41,463,450
Türk Eximbank	Türkiye Vakıflar Bankası T.A.O.	EUR	12,500,000	4.8673	60,841,250
Türk Eximbank	Halkbank A.Ş.	USD	1,800,000	3.9489	7,108,020
Türk Eximbank	Halkbank A.Ş.	EUR	6,900,000	4.8673	33,584,370
Türk Eximbank	Odeabank A.Ş.	EUR	4,000,000	4.8673	19,469,200
Türk Eximbank	Şekerbank T.A.Ş.	EUR	500,000	4.8673	2,433,650
T.C. Merkez Bankası	Akbank	EUR	800,000	4.8673	3,893,840
T.C. Merkez Bankası	İşbankası	EUR	1,500,000	4.8673	7,300,950
T.C. Merkez Bankası	Halkbank A.Ş.	EUR	1,500,000	4.8673	7,300,950
T.C. Merkez Bankası	Türkiye Vakıflar Bankası T.A.O.	EUR	2,200,000	4.8673	10,708,060
T.C. Merkez Bankası	Turkland Bank	EUR	1,150,000	4.8673	5,597,395
					199,701,135

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 20 – SHORT TERM PROVISIONS

Other Short Term Provisions

	31.03.2018	31.12.2017
Provision for the lawsuits	415,624	419,248
Provision for unused personnel leave	3,068,739	2,125,159
	3,484,363	2,544,407

	31.03.2018	31.12.2017
Unused vacation provisions at beginning of period	2,125,159	1,683,347
Offsetting during the period	14,965	96,373
Provisions during the period	928,615	345,439
Closing balance	3,068,739	2,125,159

Long Term Provisions for Employee Benefits

	31.03.2018	31.12.2017
Provision for severance pay	34,837,626	31,436,701
	34,837,626	31,436,701

For the period of 01 January – 31 March 2018, average personnel number including subcontractors employed by the Group is 3,975. (01.01-31.12.2017: 4,000). The rate of retirement probability used is 99%. (01.01-31.12.2017: % 99).

For the period ended at 31 March 2018 and 31 December 2017, the movement schedule of severance pay provision is as follows:

	31.03.2018	31.12.2017
Balance of 01 January	31,436,701	26,646,229
Increase in the period	5,074,377	8,923,350
Interest cost	479,288	1,638,121
Payments	(1,969,147)	(5,503,545)
Actuarial profit/(loss)	(183,593)	(267,454)
Balance at the end of the period	34,837,626	31,436,701

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 21 – EMPLOYEE BENEFIT LIABILITIES

	31.03.2018	31.12.2017
Due to personnel	12,575,029	9,266,735
Social security deductions payable	5,247,403	5,576,501
	17,822,432	14,843,236

NOTE 22 – OTHER CURRENT ASSETS AND LIABILITIES

Other Current Assets

	31.03.2018	31.12.2017
VAT carried forward	54,515,687	49,902,738
	54,515,687	49,902,738

NOTE 23 – SHARE CAPITAL

23.1 Paid in Capital

As of 31 March 2018, Group’s paid in capital was divided into 250,000,000 shares as each valued at TRY 1 nominally (31 December 2017: 250,000,000 shares).

As of 31 March 2018 and 31 December 2017, Group’s paid in capital is as follows:

Shareholders::	31.03.2018		31.12.2017	
	Share (%)	TRY	Share (%)	TRY
Public domain	47.08%	117,689,944	47.12%	117,789,944
Akça Holding A.Ş.	50.53%	126,329,500	50.49%	126,229,500
Other	2.39%	5,980,556	2.39%	5,980,556
Toplam	100.00%	250,000,000	100.00%	250,000,000

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

23.2 Inflation Adjustments of Shareholders’ Equity

	31.03.2018	31.12.2017
Inflation adjustment of shareholders’ equity	485,133	485,133
	485,133	485,133

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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

23.3.1 Defined Benefit Plans Re-Measurement Gains (Losses)

	31.03.2018	31.12.2017
Defined Benefit Plans Re-Measurement Gains (Losses)	1,021,120	878,702
	1,021,120	878,702

23.4 Restricted Reserves

According to the Turkish Commercial Code, the general statutory reserves are allocated as 5% of the annual profit until 20% of the company's paid-up capital is reached. The other legal reserves are allocated at a rate of 10% of the total amount to be distributed to the shareholders after paying the shareholders a profit share of five percent. According to the Turkish Commercial Code, general legal reserves can only be used to cover losses, to keep operating at a time when things are not going well, or to take measures to prevent unemployment and mitigate its consequences, if it does not exceed the half of capital or capital removed.

	31.03.2018	31.12.2017
Legal reserves	10,209,777	10,209,777
	10,209,777	10,209,777

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

Profit Distribution

Public companies distribute their profit shares according to the Communiqué No: II-19.1, which is effective from 1 February 2014 of the CMB.

The partnerships distribute their profits within the framework of the profit distribution policies to be determined by the general assemblies and in accordance with the provisions of the related legislation by the decision of the general assembly. Within the scope of the said communiqué, a minimum distribution ratio has not been determined. Companies pay dividends in the manner specified in their articles of incorporation or profit distribution policies. In addition, dividends may be paid in installments of equal or different consistency, and cash dividend advances may be distributed over the profit on the interim period financial statements.

Unless the dividends determined according to the TCC are reserved for the shareholders in the Articles of Association or in the profit distribution policy; the profit share determined for the shareholders can not be distributed to the shareholders as long as the dividend determined for the shareholders is paid in cash, as it is not decided whether the other reserves will be allocated, the profit will be distributed to the beneficiaries, the members of the board of directors, partnership employees and persons other than the shareholders.

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

23.5 Retained Earnings/ Losses

The accumulated profits outside the net period profit are shown in this item. Extraordinary reserves which are essentially accumulated profits and therefore unrestricted are also considered to be accumulated profits and are shown in this item

23.6 Minority Interest

The details of the minority interests as of 31 March 2018 are as follows:

31 March 2018	Total Shareholders' Equity	Profit/(Loss) of the Period	Parent Company Share	Minority Interest	Minority part of Shareholders' Equity	Minority part of Profit/(Loss)	Minority Total comprehensive income / (loss)
Smryna	12,832,429	1,099,274	79.17%	20.83%	2,673,424	229,015	233,491
Tan Elektrik	3,680,880	(3,678,904)	68.99%	31.01%	3,652	(1,141,012)	(1,140,805)
Akça Enerji	11,299,095	(6,497,072)	80.61%	19.39%	(5,708,033)	(1,259,496)	(1,259,536)
					(3,030,957)	(2,171,493)	(2,166,850)

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

31 December 2017	Total Shareholders' Equity	Profit/(Loss) of the Period	Parent Company Share	Minority Interest	Minority part of Shareholders' Equity	Minority part of Profit/(Loss)	Minority Total comprehensive income / (loss)
Smryna	11,711,672	3,151,736	79.17%	% 20.83	2,439,933	656,612	650,801
Tan Elektrik	7,359,117	(5,877,174)	68.99%	% 31.01	1,144,457	(1,822,805)	(1,825,006)
Akça Enerji	17,796,375	(12,508,111)	80.61%	% 19.39	(4,448,497)	(2,424,771)	(2,424,709)
					(864,107)	(3,590,964)	(3,598,914)

NOTE 24 – SALES AND COST OF SALES

24.1 Sales

	01.01.- 31.03.2018	01.01.- 31.03.2017
Domestic sales	49,438,620	37,971,723
Export sales	123,498,605	98,116,036
Other sales	600,213	882,811
	173,537,438	136,970,570
Sales returns	(332,292)	(85,840)
Sales Income, (net)	173,205,146	136,884,730

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

24.2 Cost of Sales

	01.01.- 31.03.2018	01.01.- 31.03.2017
Direct material expenses	96,091,670	95,251,677
Direct labor expenses	38,668,715	29,061,415
General production expenses	18,123,473	12,382,262
Depreciation expenses	3,889,692	3,279,691
<u>Change in semi-finished goods</u>		
1. Beginning semi-finished goods(+)	130,845,618	60,271,642
2. Ending semi-finished goods (-)	(145,395,809)	(109,155,718)
Cost of finished goods produced	142,223,359	91,090,969
<u>Changes in finished goods inventory</u>		
1. Beginning inventory (+)	11,866,835	26,581,922
2. Ending inventory (-)	(32,955,340)	(23,545,717)
Cost of finished goods sold	121,134,854	94,127,174
<u>Cost of merchandises</u>		
1. Beginning merchandise inventory (+)	794,336	597,620
2. Purchases during the period (+)	5,361,248	3,180,880
3. Ending merchandise inventory (-)	(538,242)	(655,262)
Cost of merchandises sold	5,617,342	3,123,238
Cost of other service rendered	297,174	313,118
Cost of other sales	10,401,913	950,176
Cost of biological assets	11,996,448	5,574,376
Depreciation of biological assets	549,677	558,823
Energy costs	2,915,215	2,354,853
Energy depreciation	1,831,517	2,664,096
Cost of sales, net	154,744,140	109,665,854

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 01 January – 31 March 2018 and 2017, for each main production group, quantities of goods and services:

	Birim	01.01.- 31.03.2018	01.01.- 31.03.2017
Yarn	Kg	3,271,022	3,485,035
Raw Clothing	Mt2	26,262,137	31,571,089
Finishing Cloth	Mt2	35,904,422	38,905,909
Lining	Mt2	6,491,548	5,879,330
Linens, Sheets, Curtains, Pillows	Unit	4,126,194	3,743,498
Electricity	Kwh	36,621,674	39,953,063
Cotton Waste	Kg	92,904	13,617
Piece of Cloth	Kg	671,114	412,429
Yarn Waste	Kg	144,422	212,460
Textile Trash Powder	Kg	116,520	56,510
Pepper	Kg	13,720	-
Tomato	Kg	1,441,632	1,578,910
Dried Figs	Kg	426,843	-
Dried Apricot	Kg	127,052	-

As of 01 January – 31 March 2018 and 2017, for each main sales group, quantities of goods and services:

	Unit	01.01.- 31.03.2018	01.01.- 31.03.2017
Yarn	Kg	87,801	410,958
Finishing Cloth	Mt2	4,212,097	4,088,742
Lining	Mt2	5,672,922	4,859,245
Linens, Sheets, Curtains, Pillows	Adet	3,443,180	3,671,703
Electricity	Kwh	19,117,796	18,847,713
Cotton Waste	Kg	100,380	19,940
Piece of Cloth	Kg	710,460	641,300
Yarn Waste	Kg	144,422	233,640
Textile Trash Powder	Kg	116,520	58,474
Pepper	Kg	13,720	-
Tomato	Kg	3,717,363	1,931,082
Dried Figs	Kg	426,843	-
Dried Apricot	Kg	127,052	-

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 25 – GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	01.01.- 31.03.2018	01.01.- 31.03.2017
Research and development expenses	438,895	-
Marketing, sales and distribution expenses	5,524,572	4,203,430
General administrative expenses	5,358,464	3,721,104
	11,321,931	7,924,534

25.1 Research and Development Expenses

	01.01.- 31.03.2018	01.01.- 31.03.2017
Material expenses	258,098	-
Personnel expenses	178,428	-
Other expenses	2,369	-
	438,895	-

25.2 Marketing Expenses

	01.01.- 31.03.2018	01.01.- 31.03.2017
Personnel expenses	1,760,306	1,420,813
Export expenses	2,876,050	2,198,664
Transportation of domestic sale	142,039	125,828
Depreciation expenses	6,382	5,073
Other expenses	471,842	224,422
Severance pay	105,897	39,940
Fair expenses	162,056	188,690
	5,524,572	4,203,430

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

25.3 General Administrative Expenses

	01.01.- 31.03.2018	01.01.- 31.03.2017
Personnel expenses	1,481,381	1,028,561
Insurance expenses	275,849	313,447
Representation and entertainment expense	38,653	10,946
Communication expenses	41,087	90,521
Vehicle and office rental expenses	138,059	182,581
Education and consultancy expenses	307,067	145,369
Capital market expenses	84,477	27,520
Repair and maintenance expenses	17,737	48,711
Travelling expenses	399,106	96,116
Membership expenses	17,708	43,874
Tax and duty expenses	272,673	143,489
Shares in holding cost (*)	316,859	188,394
Notary and insurance expenses	4,349	15,004
Aid and donation expenses	26,530	194,611
Provision for severance pay expense	363,802	122,486
Provision for unused personnel leave	695,465	252,167
Depreciation expenses	202,914	586,095
Other expenses	674,748	231,212
	5,358,464	3,721,104

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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 26 – OTHER OPERATING INCOME/ (EXPENSES)

26.1 Other Income From Operating Activities

	01.01.- 31.03.2018	01.01.- 31.03.2017
Reversal of unnecessary provision	-	45,824
Foreign exchange gains related to commercial activities	9,010,674	1,263,357
Discount income / expenses on payables, net	935,239	1,507,546
Rental income	119,843	115,558
Other income and profit	1,172,703	101,262
	11,238,459	3,033,547

26.2 Other Expenses From Operating Activities (-)

	01.01.- 31.03.2018	01.01.- 31.03.2017
Commissions expenses	470,977	215,371
Foreign exchange gains related to commercial activities	3,259,073	3,044,761
Discount income / (expenses) on trade receivables	1,406,805	1,406,654
Other expenses and losses	220,121	690,230
	5,356,976	5,357,016

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 27 – INVESTMENT ACTIVITIES INCOME / EXPENSE

27.1 Income from Investment Activities

	01.01.- 31.03.2018	01.01.- 31.03.2017
Profit on sale of fixed assets	-	55,046
	-	55,046

27.2 Expenses from Investment Activities (-)

	01.01.- 31.03.2018	01.01.- 31.03.2017
Losses on sale of fixed assets	-	74
	-	74

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

	01.01.- 31.03.2018	01.01.- 31.03.2017
Shares related with investment valued by the equity pick-up method	4,899,736	5,403,489
	4,899,736	5,403,489

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 28 – FINANCIAL INCOME / EXPENSES

28.1 Financial Income

	01.01.- 31.03.2018	01.01.- 31.03.2017
Interest income	148,498	102,529
Maturity differences income from related parties (6-iii-g)	618,491	2,309,978
Foreign exchange income regarding financial activities	823,814	2,629,043
Foreign exchange income from related parties (6-iii-f)	-	3,404
Foreign exchange income arising from future contracts	452,780	701,379
	2,043,583	5,746,333

28.2 Financial Expenses (-)

	01.01.- 31.03.2018	01.01.- 31.03.2017
Interest expenses	4,096,514	3,457,703
Foreign exchange losses	42,759,679	18,585,832
Commission expenses of borrowings	398,061	550,842
Maturity differences expenses	181,569	151,694
Foreign exchange losses arising from futures contracts	690,990	567,069
Other financial expenses	711,018	415,991
	48,837,831	23,729,131

NOTE 29 –TAX ASSETS AND LIABILITIES

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

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

The applied effective interest rate in the year of 2018 is 22% (2017: 20%)

Permanent tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 22% in 2018 (2017: 20%).

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

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

Taxable losses

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

Issue Premium Exception

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

The Real Estate and Subsidiary Share Sales Gain Exemption

The 75% of income of corporations composed of subsidiary shares, real estates, privilege, and promoter’s stock and perpetual bonds are exemptions of Corporation tax as of 31 December 2017 for two years. However, this rate has been decreased from 75% to 50% for the real estates regarding to new updates over the rule numbered 7061 and the rate shall be used as 50% for the tax declarations as of 2018.

Investment Allowance Exemptions

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

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

According to this execution, Income and Corporation Taxpayers;

- a. As of 31 December 2005, its existence is subject and the investment allowance amount that was not able to be deducted from 2005 earnings,
- b. In the extent of investment incentive certificate which were issued and based on the application before 24 April 2003, ante abolishment of Income Tax Legislation numbered 193 and dated 09 April 2003 and law numbered 4842, in the extent of certificate the commenced investment projects relying on 1, 2, 3, 4, 5 and 6th the article of appendix and the ones commenced after 01 January 2006,
- c. In the extent of abolished 19th article of Income Tax Legislation numbered 193, the started investments prior to 01 January 2006, in terms of economical and technical completeness the ones started post the date,

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

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

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.

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Deferred Tax:

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

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

	31.03.2018		31.12.2017	
	Cumulative temporary differences	Deferred tax / (liability)	Cumulative temporary differences	Deferred tax / (liability)
<i>Deferred tax assets:</i>				
Unearned interests on receivables	437,096	96,161	333,377	73,343
Severance pay provision	34,837,626	6,967,525	31,436,701	6,287,340
Unused leave provisions	3,068,739	675,122	2,125,159	467,536
Reversal of capitalized financial expenses	27,243,567	5,448,713	23,450,850	4,690,170
Tangible assets (except land, building, land improvements and depreciations excluded), net	7,749,610	1,549,921	8,182,702	1,636,541
Tangible assets (land, building, land improvements and depreciations), net	13,505,446	1,350,546	13,352,208	1,335,220
Deductible retained losses	16,773,315	3,690,129	-	-
Forward	109,986	24,197	696,329	153,192
Other	5,767,717	1,268,901	4,954,253	1,089,933
Deferred tax assets		21,071,215		15,733,275
<i>Deferred tax liabilities:</i>				
Liability rediscounts	606,611	133,454	974,458	214,381
Other	574,013	126,283	2,618,497	576,070
Deferred tax liabilities		259,737		790,451
Deferred tax assets / (liabilities), net		20,811,478		14,942,824

The Group calculates deferred tax assets and liabilities considering the effect of temporary differences arising from the different evaluations between the statutory financial statements prepared in accordance with TAS / TFRS issued by the Company and its financial statements. These temporary differences usually result from the recognition of income and expenses in different reporting periods according to TAS / TFRS and Tax Code.

Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 05 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Under the said law, deferred tax assets and liabilities are recognized in the consolidated financial statements as of 31 December 2017 with a tax rate of 22% for the portion of temporary differences that will have a tax effect in 2018, 2019 and 2020 and 20% for temporary differences and 20% for 2021 and for after this year.

For the period ended 31 March 2018 and 2017, movements of deferred tax assets and liabilities are as follows:

	01.01.- 31.03.2018	01.01.- 31.03.2017
Current corporation tax	(207,813)	-
Deferred tax assets/(liabilities), net	5,905,186	(1,837,464)
	5,697,373	(1,837,464)

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Deferred Tax (Asset) / Liability Movements	01.01.- 31.03.2018	01.01.- 31.12.2017
Opening balance	14,942,824	17,526,916
Deferred tax income / (expense)	5,905,186	(2,530,601)
Actuarial (gain) / loss effect prior periods	(36,532)	(53,491)
Closing balance	20,811,478	14,942,824

NOTE 30 – EARNINGS PER SHARE

	01.01.- 31.03.2018	01.01.- 31.03.2017
Net profit / (loss) for the period	(21,005,088)	3,804,527
Weighted-average number of shares outstanding (per share with TRY 1 value)	250,000,000	250,000,000
Profit per share (TRY)	(0.0840)	0.0152

NOTE 31 – FINANCIAL INSTRUMENTS

Financial assets	31.03.2018	31.12.2017
Liquid assets	15,540,698	37,228,665
Trade receivables	89,994,065	76,534,871
Other receivables	22,067,075	71,298,065
Financial assets	9,650,000	9,650,000
Financial liabilities		
Borrowings	705,429,204	631,494,898
Lease payables	1,992,961	3,231,093
Other payables	3,053,617	3,188,490
Trade payables	87,376,087	113,451,488

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 32 –NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial Instruments

Credit Risk

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

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

As of 31 March 2018, maximum net credit risk is as follows:

Credit risks exposed by types of financial instruments	Trade Receivables		Other Receivables		Deposits
	Related Party	Third Party	Related Party	Third Party	
	Maximum net credit risk as of balance sheet date (A+B+C+D+E)	8,994,927	80,999,138	69,388	
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	8,994,927	80,999,138	69,388	21,997,687	15,456,737
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)	-	42,444	-	-	-
Impairment (-)	-	(42,444)	-	-	-
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	-	-	-	-	-

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

Credit risks exposed by types of financial instruments	Trade Receivables		Other Receivables		Deposits
	Related Party	Third Party	Related Party	Third Party	
	Maximum net credit risk as of balance sheet date (A+B+C+D+E)	15,669,883	60,864,988	33,849,851	
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	15,669,883	60,864,988	33,849,851	37,448,214	36,140,149
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)	-	54,600	-	-	-
Impairment (-)	-	(54,600)	-	-	-
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	-	-	-	-	-

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Liquidity risk

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

As of 31 March 2018, Group’s liquidity risk table is as follows:

31 March 2018						
Maturities according to agreement	Book Value	Contractual total cash out flow (=I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1- 5 Years (III)	More than 5 Years (IV)
Financial Liabilities Non Derivatives	819,141,425	926,276,221	240,095,213	246,923,022	293,334,185	145,923,801
Financial borrowings	705,429,204	812,667,249	146,201,152	244,481,086	276,061,210	145,923,801
Financial leasing	1,992,961	2,023,421	767,355	1,217,205	38,861	-
Trade payables	87,376,087	87,242,378	86,804,411	437,967	-	-
- Related parties	1,119,275	991,957	991,957	-	-	-
- Other parties	86,256,812	86,250,421	85,812,454	437,967	-	-
Other liabilities	24,343,173	24,343,173	6,322,295	786,764	17,234,114	-
- Related parties	1,922,149	1,922,149	-	-	1,922,149	-
- Other parties	22,421,024	22,421,024	6,322,295	786,764	15,311,965	-
	819,141,425	926,276,221	240,095,213	246,923,022	293,334,185	145,923,801

As of 31 December 2017, Group’s liquidity risk table is as follows:

Maturities according to agreement	Book Value	Contractual total cash out flow (=I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1- 5 Years (III)	More than 5 Years (IV)
Financial Liabilities Non Derivatives	772,686,364	879,789,222	216,921,668	335,881,639	248,804,061	78,181,857
Financial borrowings	631,494,898	723,796,960	82,580,498	328,737,829	234,296,776	78,181,857
Financial leasing	3,231,093	3,285,930	1,408,759	1,733,097	144,074	-
Trade payables	113,451,488	114,425,946	109,605,180	4,820,769	-	-
- Related parties	56,905	-	-	-	-	-
- Other parties	113,394,583	114,425,946	109,605,180	4,820,769	-	-
Other liabilities	24,508,885	38,280,386	23,327,231	589,933	14,363,211	-
- Related parties	802,333	610,677	-	211,479	399,198	-
- Other parties	23,706,552	37,669,709	23,327,231	378,465	13,964,013	-
	772,686,364	879,789,222	216,921,668	335,881,639	248,804,061	78,181,857

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Interest Rate Risk

The Group’s financial liabilities exposure the Group to interest rate risk. The Group’s financial liabilities mainly consist of fixed rate borrowings. As of 31 March 2018, 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 1,119,422.

Foreign currency risk

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

As of 31 March 2018, 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 67,445,990 more/less.

Foreign currency risk sensitivity

	Profit/ (Loss)		Shareholders’ Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
	In the case of increasing / losing value of TRY by 10% against USD			
1-USD net asset / liability	(15,414,907)	15,414,907	(15,414,907)	15,414,907
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(15,414,907)	15,414,907	(15,414,907)	15,414,907
	In the case of increasing / losing value of TRY by 10% against EUR			
4- EUR net asset / liability	(51,882,742)	51,882,742	(51,882,742)	51,882,742
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(51,882,742)	51,882,742	(51,882,742)	51,882,742
	In the case of increasing / losing value of TRY by 10% against GBP			
7- GBP net asset / liability	(148,371)	148,371	(148,371)	148,371
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	(148,371)	148,371	(148,371)	148,371
	In the case of increasing / losing value of TRY by 10% against CHF			
10- CHF net asset / liability	30	(30)	30	(30)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect(10+11)	30	(30)	30	(30)
TOTAL (3+6+9+12)	(67,445,990)	67,445,990	(67,445,990)	67,445,990

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018

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

As of 31 December 2017, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 57,841,576 more/less.

Foreign currency risk sensitivity

	Profit / (Loss)		Shareholders' Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In the case of increasing / losing value of TRY by 10% against USD				
1-USD net asset / liability	(12,006,167)	12,006,167	(12,006,167)	12,006,167
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(12,006,167)	12,006,167	(12,006,167)	12,006,167
In the case of increasing / losing value of TRY by 10% against EUR				
4- EUR net asset / liability	(45,902,750)	45,902,750	(45,902,750)	45,902,750
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(45,902,750)	45,902,750	(45,902,750)	45,902,750
In the case of increasing / losing value of TRY by 10% against GBP				
7- GBP net asset / liability	67,313	(67,313)	67,313	(67,313)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	67,313	(67,313)	67,313	(67,313)
In the case of increasing / losing value of TRY by 10% against CHF				
10- CHF net asset / liability	28	(28)	28	(28)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect (10+11)	28	(28)	28	(28)
TOTAL (3+6+9+12)	(57,841,576)	57,841,576	(57,841,576)	57,841,576

Risk of intensification of sales

During the reporting periods ending on 31 March 2018 and 31 December 2017, the risk of intensification of the Group's sales is due to sales from textile sector operations.

The sales activities of the Group are determined according to fluctuations in the domestic and international markets and competition conditions. It is paid attention to not to concentrate on a specific sector, country, person and company in terms of dissolving risks. As of 31 March 2018, the share of the two largest buyers in the revenues from textile sector operations is %42.96 and %16.39 (31.03.2018: the largest one, % 55.22)

Percentage of total sales of two buyers with the largest share in total sales of the Group is given below:

Customer	01.01.- 31.03.2018	01.01. - 31.12.2017
A Company	42.96%	55.22%
B Company	16.39%	-
	59.3%	55.22%

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2018, amounts of assets and liabilities of the Group in foreign currency are as follows:

Foreign Currency Table					
	31 March 2018				
	TRY equivalent functional currency	USD	EUR	GBP	CHF
1. Trade Receivables	37,589,721	6,182,488	2,259,049	393,649	-
2a. Monetary Financial Assets (including cash and banks)	18,322,428	2,619,513	1,588,070	44,835	73
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	18,204,584	3,009,374	1,175,280	108,410	-
4. Current Assets (1+2+3)	74,116,733	11,811,375	5,022,399	546,894	73
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	769,659	19,325	142,450	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-Current Assets (5+6+7)	769,659	19,325	142,450	-	-
9. Total Assets (4+8)	74,886,392	11,830,700	5,164,849	546,894	73
10. Trade Payables	31,275,965	6,354,630	1,270,143	-	-
11. Financial Liabilities	372,253,873	25,436,869	55,843,326	-	-
12a. Other monetary financial liabilities	2,131,307	42,377	386,678	14,785	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current Liabilities (10+11+12)	405,661,145	31,833,876	57,500,147	14,785	-
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	335,076,332	23,521,323	49,759,205	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	335,076,332	23,521,323	49,759,205	-	-
18. Total Liabilities	740,737,477	55,355,199	107,259,352	14,785	-
19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)	(8,608,815)	4,488,550	(4,500,000)	(800,000)	-
19a. Off-balance sheet foreign currency derivative assets	23,648,185	5,988,550	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	32,257,000	1,500,000	4,500,000	800,000	-
20. Net foreign currency asset / liabilities (9-18+19)	(674,459,900)	(39,035,950)	(106,594,503)	(267,891)	73
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(684,055,669)	(46,533,873)	(103,269,783)	423,699	73
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-
23. Exports(*)	123,498,605	7,883,504	7,090,312	645,116	-
24. Imports(**)	60,233,885	14,052,402	1,339,317	-	-

(*) The Group has TRY 57,061,760 export for the period of 01.01.-31.03.2018.

(**) The Group has TRY 459,368 import for the period of 01.01.-31.03.2018.

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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

	31 December 2017				
	TRY equivalent functional currency	USD	EUR	GBP	CHF
1. Trade Receivables	48,716,926	7,552,379	3,949,003	472,095	-
2a. Monetary Financial Assets (including cash and banks)	8,909,996	1,006,307	1,106,508	23,146	73
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	34,714,185	5,896,216	2,268,676	438,959	-
4. Current Assets (1+2+3)	92,341,107	14,454,902	7,324,187	934,200	73
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	7,879,793	1,801,225	240,450	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-Current Assets (5+6+7)	7,879,793	1,801,225	240,450	-	-
9. Total Assets (4+8)	100,220,900	16,256,127	7,564,637	934,200	73
10. Trade Payables	34,997,230	7,755,716	1,271,940	-	-
11. Financial Liabilities	316,443,947	25,534,566	48,749,888	-	-
12a. Other monetary financial liabilities	4,998,311	119,014	1,005,593	1,702	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current Liabilities (10+11+12)	356,439,488	33,409,296	51,027,421	1,702	-
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	314,743,532	19,165,934	53,693,178	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	314,743,532	19,165,934	53,693,178	-	-
18. Total Liabilities	671,183,020	52,575,230	104,720,599	1,702	-
19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)	(7,453,628)	4,488,550	(4,500,000)	(800,000)	-
19a. Off-balance sheet foreign currency derivative assets	22,588,212	5,988,550	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	30,041,840	1,500,000	4,500,000	800,000	-
20. Net foreign currency asset / liabilities (9-18+19)	(578,415,748)	(31,830,553)	(101,655,962)	132,498	73
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(605,676,305)	(42,215,319)	(99,424,638)	493,539	73
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-
23. Exports(*)	652,700,514	52,595,762	32,313,040	1,957,708	-
24. Imports(**)	332,910,961	81,778,324	7,116,688	32,300	21,924

(*) The Group has TRY 323,840,853 export for the period of 01.01.-31.12.2017.

(**) The Group has TRY 5,297,643 import for the period of 01.01.-31.12.2017.

(Convince translation of a report and financial statements originally issued in Turkish)
MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR PERIOD AT
31 MARCH 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 33 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES)

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

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

Financial Assets

Monetary assets for which fair value approximates carrying value:

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

Financial Liabilities

Monetary liabilities for which fair value approximates carrying value:

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

Capital Risk Management

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

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

As of 31 March 2018 and 31 December 2017, net debt / total equity ratio is as follows:

	31.03.2018	31.12.2017
Total debts	858,536,232	812,672,845
Liquid assets	(15,540,698)	(37,228,665)
Net debt	842,995,534	775,444,180
Total equity	307,920,964	330,950,484
Total capital	1,150,916,498	1,106,394,664
Net Debt/Total Equity Ratio	73%	70%