

EXECUTION OF EXCELLENCE

TRAKYA CAM SANAYİİ A.Ş. 2017 ANNUAL REPORT



Executing production with a total of 12 float lines, Şişecam Flat Glass provides input for the construction, automotive, solar energy and white goods sectors with facilities in 10 different countries, strategic partnerships and expanding product range.

- 02 Trakya Cam Sanayii A.Ş. in Brief
- 03 Financial Indicators
- 04 Production Facilities
- 06 Board of Directors
- 07 Executives
- 08 Chairman's Message
- 12 An Overview of 2017
- 13 Achievements in 2017 and Goals for the Future
- 17 Expectations and Objectives for 2018
- 18 Human Resources
- 19 Industrial Relations, Occupational Health and Safety
- 20 Risk Management and Internal Audit Activities
- 23 Convenience Translation into English of Consolidated Financial Statements at Together with Independent Auditor's Report
- 103 Profit Distribution of 2017
- 104 Corporate Governance Compliance Report
- 119 Shareholder's Ordinary General Assembly Agenda for 2017
- 120 Capital Increase, Amendments on the Articles of Association, Profit Distributions and Other Issues in the Period
- 121 Convenience Translation into English of Independent Auditor's Report on the Board of Directors' Annual Report
- 122 Directory



RISING PERFORMANCE

We continuously improve our performance with our flexible and proactive management approach, and by bolstering our leadership in Europe with our strong product portfolio and production capacity.

We are making a difference with our customer-focused approach, value added products, and innovative solutions in the global arena where we operate. We are shaping a sustainable future through our achievements and rising performance expanding to overseas markets.

TRAKYA CAM SANAYİİ A.Ş. IN BRIEF

Operating in the field of flat glass within Şişecam Group, Trakya Cam Sanayii A.Ş. (Şişecam Düzcam) ranks fifth globally and first in Europe in the industry in terms of production capacity. Trakya Cam Sanayii conducts its operations in four main business areas: architectural glass (flat glass, patterned glass, mirror, laminated glass and coated glass); automotive and encapsulated glass; solar glass; and glass for home appliances.

With its float glass plant inaugurated in 1981, it became the first company across a broad region spanning from Eastern Europe and the Balkans to the Middle East and North Africa to use the modern float technology in production. Since that time, the Company has been a pioneer in the development of flat glass, both in Turkey and in the region, introducing many firsts to the industry.

Şişecam Flat Glass realized significant quality and capacity increases in the 1980s when it entered global markets. Şişecam Flat Glass started operating abroad since the second half of 2000s. The Company opened the Şişecam Flat Glass Bulgaria EAD plant in Bulgaria in 2006. Şişecam Flat Glass conducted its flat glass operations in Egypt in 2009 and its automotive glass operations in Bulgaria in 2010, as well as laminated and coated glass facilities in 2013. Şişecam Flat Glass started operating in Russia in 2014.

The Company acquired shares in the HNG Float Glass Limited Company in India in 2013, while continuing its expansion in Europe by acquiring Richard Fritz Holding GmbH. Şişecam Flat Glass also invested in two new auto glass plants in Russia and Romania to produce automotive glass in 2015. Finally, in 2016, Şişecam Flat Glass acquired the assets of Sangalli Vetro Porto Nogaro S.p.A., domiciled in Italy, and started production there with both a float line, which has a 220 thousand tons/year capacity and a laminated line.

Şişecam Flat Glass, focusing on continuous improvement in light of customer needs and expectations, accelerated the structuring activities for automotive and encapsulated glasses, which now accounts for 34% in total consolidated revenues. The Company provided operational and organizational synergies by gathering its operations in 2016 under the newly established Şişecam Otomotiv A.Ş. in Turkey, and under Trakya Investment B.V. abroad.

Executing production with a total of 12 float lines, Şişecam Flat Glass currently provides products for the construction, automotive, solar, and home appliances industries through its 12 float lines, production plants in 10 different countries, joint ventures, and expanding product range. Şişecam Flat Glass conducts its operations in accordance with the vision of "being a fast growing, global flat glass company with strong brands and innovative solutions."

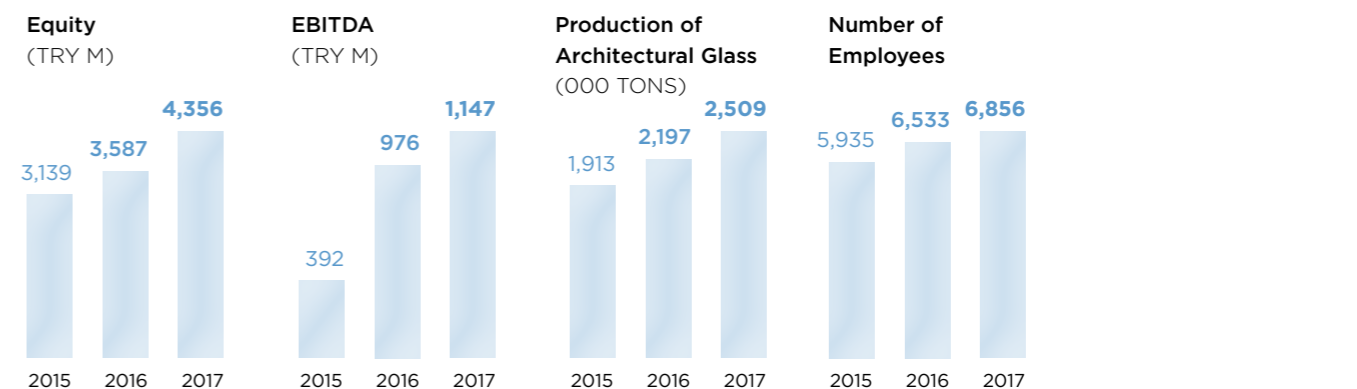
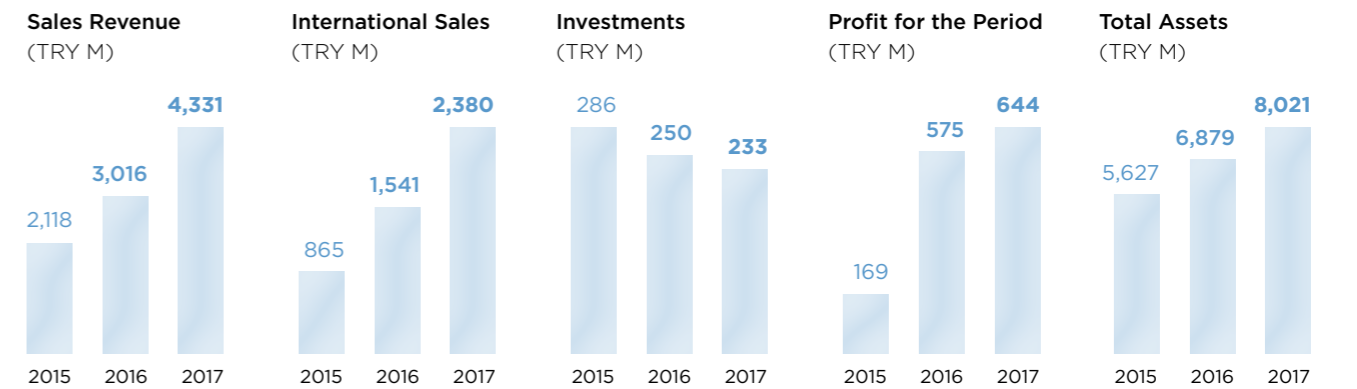
FINANCIAL INDICATORS

Financial Indicators	2016		2017	
	(TRY M)	(USD M)	(TRY M)	(USD M)
Total Assets	6,879	1,955	8,021	2,127
Equity	3,587	1,019	4,356	1,155
Sales	3,016	1,000	4,331	1,188
Gross Profit	888	294	1,400	384
EBIT	721	239	840	231
EBITDA	976	323	1,147	315
Profit for the Period	575	191	644	177
Net Financial Liabilities	789	224	459	122

Financial Ratios	2016	2017
Current Asset/Short Term Liabilities	2.02	2.03
Equity/Total Liabilities	52%	54%
Net Financial Liabilities/Equity	22%	11%
Net Financial Liabilities/Total Shareholders' Equity and Liabilities	11%	6%
Gross Profit/Sales Revenue	29%	32%
EBITDA*/Sales Revenue	32%	26%
EBIT*/Sales Revenue	24%	19%
Net Financial Liabilities**/EBITDA*	0.81	0.40

* In EBITDA and EBIT calculations, operating profit before financial income/expenses was taken into consideration.

** Net Financial Debt is calculated by deducting other receivables from related parties, cash and fixed assets investments from the sum of short and long-term borrowings and other liabilities to related parties.



PRODUCTION PLANTS

2.5 Million Tons Architectural Glass Production
 10.3 Million m² Automotive Glass Production
 10 Production Plants in 10 Countries



BOARD OF DIRECTORS



PROF. DR. AHMET KIRMAN
Chairman



DR. REHA AKÇAKAYA
Vice Chairman



ANIL KARACA
Member



ZEYNEP HANSU UÇAR
Member



PROF. DR. A. MURAT DEMİRCİOĞLU
Independent Member



HALİT BOZKURT ARAN
Independent Member

PROF. DR. AHMET KIRMAN/Vice Chairman

(59) Dr. Ahmet Kirman graduated from Ankara University, Faculty of Law. He then earned his Master's degree in EU Competition Law, and his Ph.D. in Commercial Law, to become Associate Professor and then Professor of Financial Law. Prof. Dr. Kirman served as Faculty Member, Division Head, Head of the Finance Department and Institute Director at Ankara University, Faculty of Political Science. He was also a Faculty Member at Galatasaray University, Faculty of Law. Prof. Dr. Kirman started his career in 1981 as a judge for the Council of State. Later, he joined Türkiye İş Bankası A.Ş. where he held various positions in banking and insurance. He served as Chairman of Türkiye İş Bankası A.Ş., Milli Reasürans T.A.Ş., Destek Reasürans A.Ş., Petrol Ofisi A.Ş., and as Board Member at several companies including Anadolu Sigorta A.Ş. Prof. Dr. Kirman has served as the Chairman and Managing Director of Türkiye Şişe ve Cam Fabrikaları A.Ş. from 2006 to 2011, and he is serving as Vice Chairman and CEO of Şişecam Group since 2011. He is also the Chairman of Soda San. A.Ş., Trakya Cam San. A.Ş., Anadolu Cam San. A.Ş., Paşabahçe Cam. San. ve Tic. A.Ş. and several other Group companies, while serving on ICC Turkish National Committee's Board of Director, TEPAV's Board of Trustees and Board of Directors, BTHE's and IAV's Board of Directors, and the Turkish Shooting and Hunting Federation's Board of Directors and Council of Legal Affairs. Prof. Dr. Kirman is the author of 12 books and numerous scholarly articles. He has also had speech in many scientific and work meeting.

DR. REHA AKÇAKAYA/Flat Glass Group President

(55) Dr. Reha Akçakaya completed graduate and postgraduate studies at Boğaziçi University, Mechanical Engineering Department. He received a postgraduate degree in Glassware Science from Alfred University in the US, and a doctorate in Engineering Management from Marmara University. He also completed Harvard Business School's Advanced Management Program in 2013. Dr. Akçakaya was a Research Fellow at Boğaziçi University from 1985 to 1988, and started work at Şişecam Glass Research Centre in 1988. He is also Chairman of Glass for Europe. Dr. Akçakaya has worked in various management roles, and has been Şişecam Flat Glass Group President since 2014.

ANIL KARACA/Member⁽¹⁾

(40) Anil Karaca graduated from Marmara University, German Informatics Department, and completed the Advanced Management Program at Harvard Business School in 2015. Mr. Karaca started his professional career in 2001 as Audit Expert at PricewaterhouseCoopers. Anil Karaca served as Financial Consolidation and Reporting Manager at Anadolu Group from 2004 to 2007, as Budget and Reporting Manager between 2007 and 2010, and as Corporate Control Director from 2010 until 2011. Then he worked as CFO of Anadolu Efes's Kazakhstan operations until 2014. Subsequently, he served as CFO and Group Director at Çelik Motor until 2016. In October 2016, he was assigned as the Finance Director of Şişecam Flat Glass. He has been the CEO of Şişecam Automotive.

ZEYNEP HANSU UÇAR/Member⁽²⁾

(46) Zeynep Hansu Uçar is a graduate of Middle East Technical University, Faculty of Economic and Administrative Sciences, Department of Business Administration. She started her career as an Assistant Investment Specialist in the Subsidiaries Division of İşbank in 1994. She held several managerial positions responsible for various group companies at the same department. She currently serves as a Board Member at Türkiye Şişe ve Cam Fabrikaları A.Ş., Trakya Cam Sanayii A.Ş., Anadolu Cam Sanayii A.Ş. and Paşabahçe Cam Sanayii ve Tic. A.Ş. Having functioned as a Board Member and Auditor at various companies of Şişecam Group since 2010. Ms. Uçar has been serving as the Subsidiaries Division Unit Manager since 2015. She also holds seats on the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş., a İşbank subsidiary, since November 27, 2015.

PROF. DR. ATILLA MURAT DEMİRCİOĞLU/Independent Member⁽³⁾

(70) Prof. Dr. Atilla Murat Demircioğlu is a graduate of Istanbul University, Faculty of Law and obtained his second bachelor's degree and his doctorate degree from Bern University, Faculty of Law. He became Associate Professor and subsequently Professor in Labour and Social Security Law. He served as a faculty member and held executive positions at various universities. The author of several books, articles, research papers and publications, Prof. Dr. Demircioğlu served as a Member of the Editorial Board of the Ministry of Culture's Encyclopaedia of Trade Unions, Board Member at Hamburg Turkish-European Research Institute, and Deputy Chairman at the Society for Japanese Studies. He was an advisor to the Minister of Labour and Social Security, Honorary Consultant to

TRNC Government, Member of the Audit Board and of the Board of Directors at THY, Legal Advisor to Istanbul Chamber of Commerce, and Advisor to İstanbul 2010 European Capital of Culture Agency. In 2014, he was elected President of Alexander von Humboldt Alumni Association of Turkey, and Moderator of Istanbul Chamber of Commerce's Business Life Issues Commission. Prof. Dr. Demircioğlu serves as an Independent Board Member in accordance with CMB's Corporate Governance Principles, and does not engage in any relationships with Trakya Cam Sanayii A.Ş. and its third parties.

HALİT BOZKURT ARAN/Independent Member⁽⁴⁾

(70) Bozkurt Aran is a graduate of Ankara University, Faculty of Political Sciences in 1971 and began his professional career at the Ministry of Foreign Affairs in 1973. Mr. Aran served as Vice Consul at Salzburg Consulate General; First Secretary at the Kuala Lumpur Embassy; and as Economic Counsellor at the Washington Embassy. He was appointed as the Consul General in Dusseldorf, Germany and as Ambassador to Pakistan and Iran. He functioned as Permanent Delegate of Turkey to UNESCO in Paris, and to the World Trade Organization (WTO) in Geneva. At the WTO, Ambassador Aran also chaired the Trade Policy Review Body, the Committee on Trade and Environment, and the Accession Working Committee of Belorussia. Following his post as the Deputy Director General for Political Affairs for European Countries at the head office, Mr. Aran also worked as the Director General for Bilateral Economic Affairs and Director General for Middle East Political Relations. Serving as the Director of the TEPAV Centre for Multilateral Trade Studies established in August 2012, Bozkurt Aran is also a Member of The Bretton Woods Committee. He was appointed as an Independent Board Member at the Ordinary General Assembly held on April 14, 2014 in accordance with the CMB Corporate Governance Principles.

⁽¹⁾ Corporate Governance Committee Member.

⁽²⁾ Corporate Governance Committee Member, Early Detection of Risk Committee Member.

⁽³⁾ Corporate Governance Committee Chairman, Early Detection of Risk Committee Chairman, Audit Committee Chairman.

⁽⁴⁾ Corporate Governance Committee Member, Early Detection of Risk Committee Member, Audit Committee Member.

Directors have been commissioned for a year on 2016 General Assembly Meeting dated March 29, 2017, and their authorizations have been specified in the Turkish Commercial Code provisions and the Company's Articles of Association.

EXECUTIVES

Dr. Reha Akçakaya	Flat Glass Group President
Gökhan Atikkan	Vice President Production Basic Glass
Ebru Şapoğlu	Vice President Sales and Marketing
Anıl Karaca	General Manager of Şişecam Automotive
Serkan Şahin	Development Director
Altuğ Özeren ^(*)	Planning Director
Arda Eroğlu	Supply Chain Director
A. Mert Aksu	Human Resources Director
Kaan Ertaş	Trakya Lüleburgaz Plant Manager
Güral Savaşürk	Mersin Plant Manager
Tolga Güven	Trakya Yenişehir Plant Manager
Erkan İlkılıç	Trakya Automotive Glass Plant Manager
A. Alper Can	Trakya Polatlı Cam Sanayii A.Ş. Plant Manager
Acar Çetintaş	Richard Fritz Holding GmbH General Manager
Zeki Budak	Trakya Glass Bulgaria EAD Flat Glass Plant Manager
Muhsin Miroğlu	Şişecam Automotive Bulgaria EAD Plant Manager
Beytullah Şahin	General Manager of Şişecam Flat Glass Italy
Gültekin Şimşek	General Manager of Trakya Glass Rus AO
Onur Akdağlı	General Manager of Glasscorp
Barış Kuru	General Manager of Automotive Glass Alliance Rus ZAO

^(*) As of 01.01.2018, Bülent Aydın has been appointed to replace Altuğ Özeren, who is designated as Strategic Planning Director.

CHAIRMAN'S MESSAGE

Şişecam Flat Glass increased total revenues by 44% in TRY terms by effectively managing its production and sales processes with its strong product portfolio in 2017.

IN 2017, ŞİŞECAM FLAT GLASS CONTINUED TO DEVELOP INNOVATIVE PRODUCTS, TAILORED FOR CUSTOMER NEEDS IN COOPERATION WITH ŞİŞECAM SCIENCE AND TECHNOLOGY CENTRE - ONE OF THE FEW GLASS RESEARCH CENTRES IN THE WORLD - WHICH INCORPORATED IN ŞİŞECAM.

Dear Shareholders,

Providing fast-growing and innovative solutions with its strong brands as a global flat glass company, Trakya Cam Sanayii A.Ş. recorded a successful operating year in 2017, outperforming its expectations and maintaining its sustainable profitability. The Company achieved this success thanks to its customer-oriented approach, especially in international markets, in which it is a local producer. In addition, Trakya Cam Sanayii raised its service level with business development activities tailored to the needs of all stakeholders in the value chain.

Despite the increasing risks in the global economic environment, the world economy continued its growth momentum in 2017.

The global economy expanded above expectations despite increased risks worldwide with the policy normalization steps of central banks, rising protectionism among countries which affected trade, efforts to ease China's debt burden, conflicts in the Middle East, government crises in European Union countries, the tough Brexit process, and geopolitical tensions in North Korea. The Turkish economy, meanwhile, is expected to have grown over 6% as of year-end 2017. This robust performance is due to the positive impact of the government measures to stimulate the real economy despite increased geopolitical risks globally.

Trakya Cam Sanayii continues operating in terms of both organic and inorganic expansion with new investments in line with its value-added sustainable growth targets. The Company posted total investment spending of TRY 233 million in 2017.

As Trakya Cam Sanayii A.Ş., we focus on operational excellence in the face of rising competition in domestic and international markets while conducting our operations in four main business lines—architectural glass, automotive and encapsulated glass, solar glass, and home appliances glass. The Company

increased total sales by 44% in TL by closely monitoring production and sales processes with strong product portfolio in addition to the flexible and proactive management approach. The Company bolsters its overall position by maintaining its solid presence in the Turkish market and continuing its investments and initiatives abroad at an accelerated pace. In parallel with the expansion in Turkey's flat glass market, Trakya Cam Sanayii targets to further strengthen its production infrastructure by deciding to invest in a flat glass line in Polatlı. The 7 million m² capacity coating line investment launched at the Yenişehir Plant is scheduled to be commissioned in the first half of 2018. The 6.2 MW capacity Solar Energy Power Plant (SEPP) investments at the Mersin Plant were successfully completed in November 2017.

Realizing high quality automotive glass production for the world's leading automotive producers, the Company added a new ring to its value chain with the laminated windshield, which it started to produce at the Automotive Glass Plant in Bulgaria.

In 2017, Trakya Cam Sanayii continued to develop innovative products, tailored for customer needs in different sectors in cooperation with Şişecam Science and Technology Centre - one of the few glass research centres in the world - which incorporated in Şişecam. The Company closely monitors customer needs and expectations as well as the sector developments with an innovation perspective and aims to diversify its product portfolio with new investments in the coming period.

During the year, Trakya Cam Sanayii successfully continued its research efforts on product development tailored for the needs of different sectors.

Trakya Cam Sanayii also continued to contribute to energy savings and protection of the environment by developing high performance, double silver temperable coated glass products that provide thermal insulation and solar control

PROF. DR. AHMET KIRMAN
Chairman of the Board



CHAIRMAN'S MESSAGE

Şişecam Flat Glass achieved significant gains in resource utilization and production process efficiency by continuing its Six-Sigma projects.

IN LINE WITH ITS SUSTAINABILITY APPROACH, ŞİŞECAM FLAT GLASS SEES ITS STRATEGIC PRIORITIES AS GENERATING VALUE ADDED FOR FINANCIAL SUSTAINABILITY, REDUCING THE ENVIRONMENTAL IMPACT CAUSED BY ITS ACTIVITIES, AND CREATING PERMANENT VALUE FOR ITS STAKEHOLDERS.

for the architectural glass market. Having succeeded in the development of the temperable lacquered glass product, the Company offered effective solutions for safety needs in decoration and exterior applications. In addition, the ultra-clear flat glass product in our product portfolio was revised to have a more neutral colour.

As for the automotive sector, In 2017, Trakya Cam Sanayii successfully carried out production of a new "Privacy" product that ensures control of the heat and light penetrating through the glass into the vehicles. Studies on the unleaded solder as well as atmospheric coated water repellent (hydrophobic) glass and IR and UV reflective atmospheric coated glass were conducted during the year. In addition, low pressure injection work in the production of encapsulated glass was undertaken along with studies for the optical/reflective simulation on glass. Targeting continuous progress and improvement, the Company made a significant breakthrough by initiating production of head-up display featured glass in 2017.

Trakya Cam Sanayii launched a versatile digital transformation project to facilitate decision-makers in reaching the right information easily and quickly. In addition to the websites and social media accounts, mobile applications offered for Turkey and international markets were successfully transferred to a digital platform.

Trakya Cam Sanayii formulated its sustainability strategy in keeping with the United Nations Sustainable Development Goals.

The Company embraces a sustainability approach, which it reflects in its corporate strategy and all its operations. Trakya Cam Sanayii's strategic priorities in this area include generating value added for financial sustainability, reducing the environmental impact caused by its activities, and creating permanent value for its stakeholders. Supporting the United Nations Sustainable Development Goals (SDG) in parallel with its sustainability strategy, the Company

presents the progress it has made in this key area through sustainability reports released to its stakeholders. Pursuant to SDG 12 on Responsible Consumption and Production, the Environmental Product Declaration (EPD) s of our products have been prepared and disclosed to our stakeholders. EPDs quantitatively disclose the environmental performance of all transportation and production phases, which comply with European Standard EN 15804, of our products from "cradle-to-gate." As part of the integration of technology into our production activities, studies started for adoption of the Industry 4.0 approach.

Our Company continued its Six-Sigma projects and achieved significant gains in resource utilization and production process efficiency. Operating in an energy intensive sector, our efforts to boost energy efficiency also continued successfully in 2017.

As Trakya Cam Sanayii A.Ş., we develop our production activities on a sustainable basis and bolster our presence in the market with new technologies. We also increase product competitiveness and customer satisfaction with high added value products. Furthermore, our Company reviews business models with a focus on efficiency. With this approach, Trakya Cam Sanayii A.Ş. will continue to focus on operational excellence against uncertainties in its markets that are caused by global risks, and to create value for its shareholders by closely monitoring opportunities and using the capabilities efficiently.

The greatest asset we have on this journey is our strong human capital. I would like to thank our esteemed partners, customers, suppliers and stakeholders, especially our employees, who are the architects of our success in the past and guarantors of the coming period. I bid you all my utmost respect.



PROF. DR. AHMET KIRMAN
Chairman of the Board

AN OVERVIEW OF 2017

With the successful performance it has achieved, Şişecam Flat Glass bolstered its strong market position globally.

44%

INCREASE IN
SALES INCOME

The Turkish economy expanded above expectations thanks to fiscal measures implemented by the government, rebounding domestic demand backed by sector incentives, and a strong export performance. The industries that consume flat glass, particularly construction, have outperformed overall expected production.

The construction industry grew 8% year-on-year, driven by extensive public incentives; inducements granted to the real estate sector and public construction also spurred growth. Financing opportunities for construction companies and home buyers increased production and demand. The number of buildings that received occupancy permit and were opened to use posted double digit growth while residential unit sales went up about 5.1% to over 1.4 million. The share of new home sales in the total is 47%.

Automotive industry is the nation's export engine

In the automotive sector, the total market size of EU and EFTA countries expanded 3.3% in 2017, climbing to 18.1 million vehicles. Meanwhile, Turkey's automotive market shrank 3% compared to the previous year, falling to 1 million vehicles. The driving force of the Turkish automotive sector, automotive exports jumped 17% to 1.3 million vehicles in 2017, while production went up 13% year-on-year to 1.7 million vehicles.

Strong growth in the white goods sector driven by incentives

Turkey is Europe's largest and the world's second largest white goods manufacturer, after China, with an annual production capacity of 30 million units. With the positive effects of special consumption tax implemented in the industry in 2017, white goods production increased 8% year-on-year to 28.4 million units, while domestic sales jumped 14% to 8.5 million units. According to Home Appliances Manufacturers'

Association data, refrigerator and oven production – to which were flat glass supplied by Trakya Cam Sanayii is consumed products – grew by 5% and 12%, respectively.

Despite political uncertainties, the European economy closed 2017 with the highest growth rate of the last decade at 2.5%, with individual EU economies continuing to rebound consistently. Growth in the construction industry paralleled economic growth. These positive developments in the economy and construction in 2017 increased the consumption and the price level of flat glass.

Russia's economy, after contracting in 2016, started to bounce back in 2017 driven by rising oil prices, political stability and consumer confidence, expanding 1.7% for the year. At year-end 2017, monthly inflation fell back to 2.5%, the lowest level of the last 25 years. Despite this economic recovery, the contraction in new building starts in Russia persisted in the construction sector. As local producers in the flat glass market turned toward export markets, market prices remained the same.

Uncertainties in the Middle East and the resulting geopolitical risks have dampened growth of the construction industry in this region. Demand in the flat glass market was dominated by quality products.

The Indian economy, which expanded 5.7% in second quarter 2017, signalled further recovery by growing 6.3% in third quarter. However, India is expected to return its fastest growing economy title back to China, according to the IMF. The negative effect of the removal of some banknotes from circulation in November 2016, in an attempt to curb the informal economy, played a role in lower than expected economic growth. Tax reform, which took effect in July 2017, also resulted in uncertainty in the markets and pressure on those sectors in which flat glass was consumed, particularly during the initial months. This, in turn, led to partial stagnation in the flat glass market.

ACHIEVEMENTS IN 2017 AND GOALS FOR THE FUTURE

Rising performance across all product groups...

Şişecam Flat Glass had a year above expectations across all product groups and increased its profitability in 2017. As a global flat glass company delivering innovative solutions with strong brands, Şişecam Flat Glass increased total architectural glass revenues by 44% (TRY) in 2017. This strong performance was thanks to its customer-oriented approach and extensive distribution network primarily in Turkey and international markets, in which it is a local producer.

Serving business development efforts toward the entire value chain and having a solution-oriented approach, the Company increased architectural glass sales revenue 44% (TRY).

In international markets, the advantage of our high capacity and broad product range, together with a widespread distribution network, have boosted the sales of value-added products by 54% over the last year.

Şişecam Flat Glass has expanded its sales – supported by both capacity increases and various value-added products – in Europe. This was achieved by providing customized services and continuing to execute communication activities efficiently that increase brand and product recognition. The Company provides customized solutions throughout Europe, particularly in the main markets that the Company is the local manufacturer such as Bulgaria and Italy.

In Russia, alternative logistics were assessed, and the customer service quality was increased. The Company gives priority to the supply of value-added products with the advantage of product.

In Middle East and North African markets, despite the pressure caused by risks and a highly competitive environment, the Company preserved its existing customer portfolio and maintained its operations thanks to the competitive advantage of having a broad product range. The Company prioritises meeting customers' value added product demands.

In addition to the existing overseas markets, Şişecam Flat Glass continues to expand its customer portfolio into new overseas markets by keeping a close watch on capacity potential and profitability.

In India, sales and marketing efforts have continued, to boost awareness and sales of qualified products in the market, including reflective and out-of-line coated products and the Company increased the number of operating countries.

Şişecam Otomotiv A.Ş. (Şişecam Automotive) within Şişecam Flat Glass also completed its infrastructure preparations toward new projects to be initiated in 2018. In 2017, total car glass sales revenue rose up 43% (TRY) compared to the prior year. Meanwhile, with the synergy generated by the ongoing integration with Richard Fritz Holding in Germany, Şişecam Automotive won new encapsulation projects for top class vehicles, the production of which is to start between 2018-2021. Under the project, the glass is planned to be substantially produced by Şişecam Automotive.

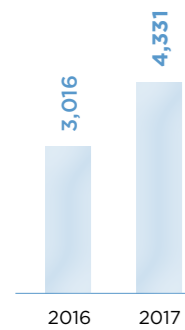
44%

INCREASE IN
ARCHITECTURAL
GLASS

43%

INCREASE IN
AUTO GLASS

Sales Income
TRY Million



Execution of excellence in details

AN OVERVIEW OF 2017

FLAT GLASS LINE INVESTMENT DECISION IN TURKEY

In 2017, total revenue in solar panel glasses grew 74% year-on-year. In 2017, solar panel manufacturing significantly expanded in Turkey. This was due to the anti-dumping implementation imposed on solar panels, and companies' efforts to complete their installation before the increase to be implied on distribution fees in 2018. As a result, demand for photovoltaic (PV) glass also went up.

Şişecam Flat Glass offers panel manufacturing capability at maximum performance and world class standards through the use of anti-reflective (AR) coated solar panel glass. The Company serves the PV glass market with AR coated solar panel glass.

DEVELOPMENT OF INNOVATIVE PRODUCTS TAILORED TO MEET CHANGING NEEDS

New investments, new capacities

Şişecam Flat Glass bolstered its position in the Turkish market with the success it has achieved over the last five years. In line with its vision of being a global flat glass company, it continued efforts by expanding in the European, Russian, and Indian markets.

After the operation of the newly commission lines at full capacity and integration of the facilities that the Group acquired, Şişecam Flat Glass worked with high efficiency across the entire organization in 2017. As a result, the Company strengthened its first place position in Europe based on flat glass capacity.

Trakya Cam Sanayii has strengthened its presence in the Turkish market and expanded its investments and ventures in foreign markets. In parallel with the expansion in Turkey's flat glass market, Şişecam Flat Glass targets to further strengthen its production infrastructure by deciding to invest in a flat glass line in Polatlı. The 7 million m² capacity coating line investment launched at the Yenişehir Plant is scheduled to be commissioned in the first half of 2018. The 6.2 MW capacity Solar Energy Power Plant (SEPP) investments at the Mersin Plant were successfully completed in November 2017.

In addition to bolstering its position in the Turkish market, Şişecam Flat Glass conducted its business operations in line with the vision of being a global flat glass company by expanding in the European, Russian, and Indian markets.

In the automotive glass line, as part of the product range offered to its automotive customers, and projects planned, the Company produced high quality automotive glass for the world's leading automotive manufacturers in 2017. During the year, the Company also realized its second quarter window glass line investment in Romania and started to produce laminated glass at the Automotive Glass Plant in Bulgaria.

New product studies

In 2017, Şişecam Flat Glass aimed to provide functional solutions that meet changing needs in line with sector developments. Thus, the Company developed innovative products using the latest technology.

In 2017, two high-performance Temperable Solar Control Low-E Glass products that provide thermal insulation and solar control was added to coated glass products' portfolio for the architectural glass market.

The Şişecam Temperable Solar Control Low-E Glass Neutral 70/37 product with high light transmittance is recommended for dwelling and residential projects where neutral appearance and low reflection are desired. Şişecam Temperable Solar Control Low-E Glass Deep Blue 40/28 product, providing effective solar control and heat insulation, is specially designed for projects such as residences, plazas and shopping malls where the visuality stands out.

The Temperable Lacquered Glass product was added to the decorative lacquered glass portfolio. The new product, which provides safety in usage areas, was offered to customers in black colour. Studies continue on various colour options in line with the different usage areas and customer demands.



Meanwhile, the low iron float glass product, which has been on the market under the Şişecam Ultra Clear Glass brand, was renewed to be suitable for use in the solar sector. It was also given a more neutral colour for use in decorative purposes.

The coated glass product range is targeted to be enriched with the commissioning of the second off-line coated glass production line at the Trakya Cam Yenişehir Plant in 2018.

Targeting the automotive market, the Company developed a high performance athermic coating that eases the load on air conditioning and gains a defrosting function by providing heat and solar control for use on laminated windshields of vehicles. The second colour option of the privacy glass product group was developed from the blend, which helps save energy by providing solar control in automotive glasses. In addition, the Company produced its first commercial viridescent privacy glass and offered to the market in 2017.

Efforts to develop production competencies

Şişecam Flat Glass embraces a sustainability approach, which it reflects in its corporate strategy and all its operations. The Company carries out ongoing studies to create value added for financial sustainability, reduce its environmental impact, and create permanent value for its stakeholders. The Company announces the results of these studies in the form of detailed sustainability reports, which are released to the public.

The Company's sustainability strategy guides its business operations. This strategy is based on principles that support the United Nations Sustainable Development Goals (SDG). Pursuant to SDG 12 on Responsible Consumption and Production, the Environmental Product Declaration (EPD) s of the products have been prepared and made accessible to stakeholders. EPDs quantitatively disclose the environmental performance of all transportation and production phases, which comply with European Standard EN 15804, of the products from "cradle-to-gate." As part of the integration of technology into our production activities, studies started for adoption of the Industry 4.0 approach. Our Company continued its Six-Sigma projects and achieved significant gains in resource utilization and production process efficiency. Operating in an energy intensive sector, our efforts to boost energy efficiency also continued successfully in 2017.

IN 2017, ŞİŞECAM FLAT GLASS WORKED WITH HIGH EFFICIENCY ACROSS ALL ITS FACILITIES AND BOLSTERED ITS FIRST PLACE POSITION IN EUROPE BASED ON FLAT GLASS PRODUCTION CAPACITY.

AN OVERVIEW OF 2017

With Europe's second largest monoblock solar power plant installed on the roof top, the 6.2 MW Mersin Solar Energy Power Plant became operational in 2017.

ŞİŞECAM FLAT GLASS CONTINUES TO ACTIVELY SUPPORT THE RESEARCH STUDIES CARRIED OUT BY THE EUROPEAN FLAT GLASS MANUFACTURERS ASSOCIATION.

Aiming to use more renewable energy sources, the Company installed a 6.2 MW solar energy plant that covers 79,300 m² on the roof of Mersin Plant. All the glasses used in solar power plant were produced in Mersin Flat Glass Plant. This SEPP has the second largest capacity as a roof-top application in Turkey and Europe.

Şişecam Flat Glass continues to actively support the research studies conducted by the European Glass Manufacturers Association (Glass for Europe) on the sustainable development of the glass industry.

Providing cost savings and enhancing service levels and performance by improving its processes and methods, the Company continues to work on increasing customer satisfaction. With particular focus on working capital management, the Group executes projects to effectively manage the entire supply chain.

FOUR DIFFERENT MOBILE APPLICATIONS WERE LAUNCHED FOR SECTOR PROFESSIONALS TO EASILY MAKE THE RIGHT GLASS CHOICE.

The "Order to Delivery Process Design" project - initiated to develop end to end business processes from the time customer places their order to the delivery of the product - was completed in 2017. The SAP ERP system was revised accordingly and the system went live also in 2017.

During the year, projects to further develop stocking and transportation infrastructure continued, while the warehouse management system using the Radio Frequency Identification (RFID) technology was implemented at the plants in Turkey and Bulgaria. In addition, the Company continues its Six-Sigma and development projects to reduce breakage, improve stocking and delivery performance, and standardize the work processes.

Multidimensional promotions and communication activities

In 2017, the Company continued to execute marketing communication activities with communication resources that are suitable for the needs of target audiences and efficient advertising. These activities were supported by project-based work.

Four different mobile applications were launched - Right Glass, Glass Acoustics, Right Glass Pro and Performance Calculator - in the languages needed as required by the digital age. These applications aim to enable sector professionals in the market to easily and quickly access technical information and performance values related to our products. As a result, customers are empowered to select the right glass for their projects.

During the year, Isıcam Systems' official Facebook and Twitter accounts and Flotal's official Instagram account were launched to create an audience to maintain continuous interaction in social media. These efforts will also serve to turn the interaction with these audiences into dialogue and ensure brand awareness across social media.

Isıcam Systems, one of the most valuable brands of Şişecam Flat Glass, launched a new communication project with its mascot named Isıcık. The project aims to facilitate the communication of Isıcam, a technological product with the consumers.

Many projects of architects, facade consultants, investors and contractors were supported technically through glass consulting services. Solution recommendations were developed in line with the project needs. Thanks to this effort, Isıcam products were chosen in many prestigious projects that were provided solution partnership.

To increase demand of PVC frame producer companies for Isıcam branded products the membership program of Isıcam Systems MoneyBox Card Club, was initiated throughout Turkey in second half of 2016 and exceeded 5,000 members in 2017. The Club continues to create more Isıcam brand ambassadors every day and boost the sales of qualified Isıcam products.

EXPECTATIONS AND OBJECTIVES FOR 2018

Şişecam Flat Glass will continue its growth initiatives in 2018 by evaluating acquisition opportunities in international markets in addition to pursuing organic investments. The Group, which closely monitors developments in the flat glass sector, aims to offer innovative products that add value to people's lives while meeting the increasing demand for flat glass.

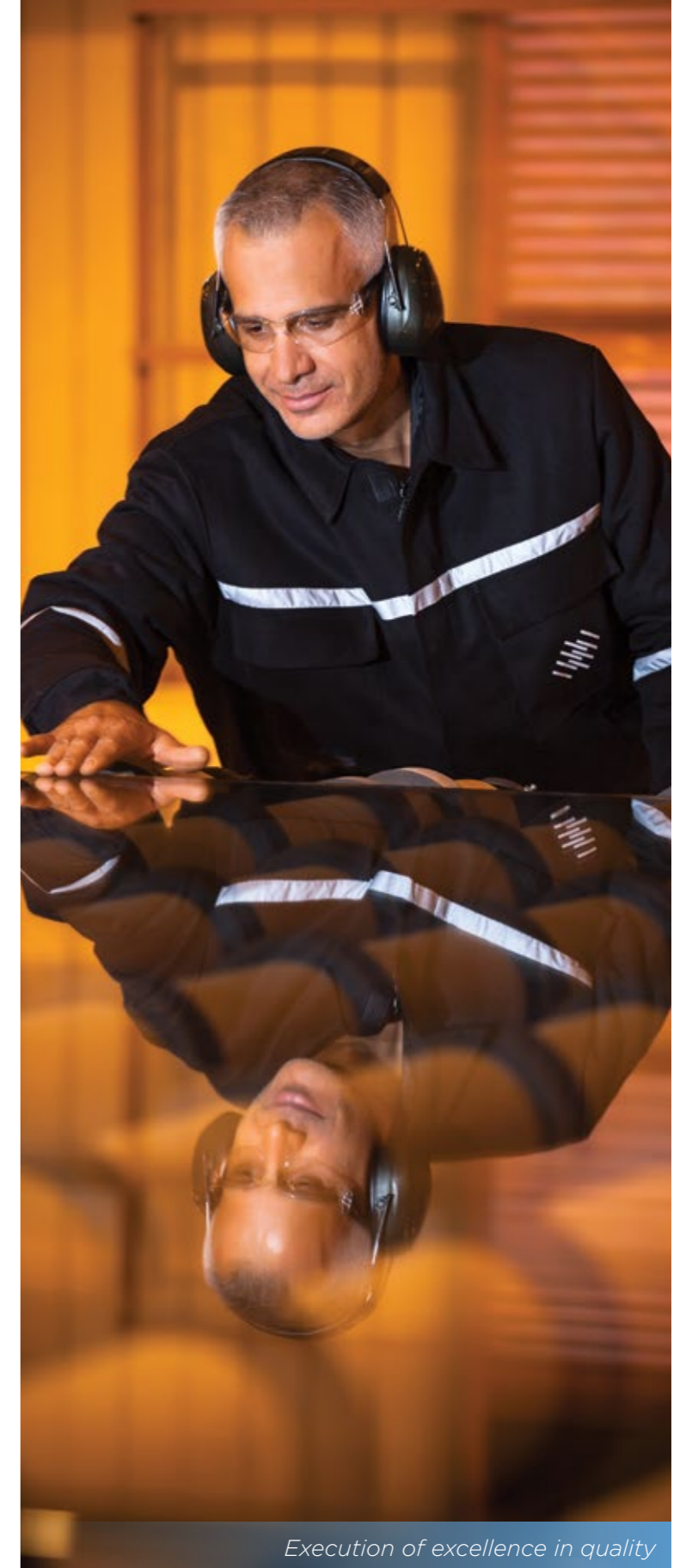
The Group plans to commission the coating line at the Yenişehir Plant in 2018. It also will complete the capacity increase and automation investment in the white goods glass facility at the Bulgaria plant.

Operating with seven flat glass lines at four different locations in Turkey, the Group aims to start its second flat glass investment with 750 tons/day capacity at the Polatlı Plant in 2018. With this investment, the plant's flat glass capacity will expand to 1,675 tons/day while the opportunities for value added production at the facility will increase.

As a solution partner that focuses on delivering satisfaction to its customers and business partners across all its global operations, the Group will continue to meet the demand for flat glass products with efficient production and capacity optimization in the coming period.

In 2018, Şişecam Flat Glass plans to continue developing new products for the architectural, solar and automotive sectors by research studies undertaken by Şişecam Research and Technological Development Department and joint projects with institutions that the Company has entered into technological cooperation.

Şişecam Flat Glass will also continue its R&D activities related to products sensitive to comfort of living, human health and the environment as well as its investments ensuring the required technological infrastructure. These efforts are in line with the Company's vision of being a global flat glass manufacturer that offers innovative solutions with its strong brands.



Execution of excellence in quality

AN OVERVIEW OF 2017

The diversity among employees at Şişecam Flat Glass is an asset that enriches the corporate culture and helps it thrive as an innovative company.

ŞİŞECAM FLAT GLASS KNOWS THAT THE KEY TO SUCCESS IS TO ACQUIRE A TALENTED WORKFORCE AND PROVIDE A SAFE AND HAPPY WORKING ENVIRONMENT FOR ITS STAFF.

HUMAN RESOURCES

As of end-2017, Şişecam Flat Glass employs a total of 6,856 personnel in all its companies, with 1,718 staff members receiving monthly salaries; of which, 383 are temporary, with 5,138 employees earning hourly wages.

The Company is aware that its business success is based on hiring a skilled workforce, developing this talent and providing a confident, happy workplace for its staff. The Company's main goals including creating a fair and pleasant working environment where all discrimination is prevented, entitling employee benefits in accordance with national and international standards and unionization rights, providing health and safety at high standards.

A fair and transparent management approach that respects diversity is adopted at the Company. In light of these principles, employees are provided with equal opportunities in all human resources processes – from hiring to performance assessment and career development management to training opportunities. Diversity among staff is considered an asset that contributes to the corporate culture and helps the Company become innovative.

ŞİŞECAM FLAT GLASS OFFERS TRAINING FOR ALL PERSONNEL TO ENABLE THEM TO BETTER PERFORM AT THEIR JOBS.

Serving training programs that help employees perform their job better; Şişecam Academy was initiated in 2015. The Academy enriched and extended the training/development opportunities that were provided on the basis of business families/positions and schools. Şişecam Academy – which manages the Human Resources Certificate Program and the Sales School, Glass School and Leadership

School Programs – also included the Financial School Program in its portfolio of offerings in 2017. The Company is also working to offer the same opportunities in its subsidiaries abroad. By strengthening its university-industry cooperations, the Company started research studies with universities in cities where it operates to ensure employment of a qualified labour force. The Company aims to educate students about glass technology and its applications via internship, scholarship, and joint programs.

As of 2017, orientation training was restructured to facilitate the adaptation of new employees to the organization and their work, as well as for more effective use of this time. The number and quality of internal tutors were increased through the Internal Tutorship Development Program.

The main aim of the recruitment system is to acquire the most accurate ability. Internal and external announcements are published for experienced candidates. Job applications are evaluated by measurement and evaluation systems taking into consideration the competencies and potential of the candidate.

In addition, new graduates are ensured to be a part of the organization through structured summer term internship programs and long term project internship applications. The "First Step" Summer Term Internship Program is designed to help university students take their first steps toward a professional career with a positive experience. Company communication with high-potential candidates is maintained. These promising candidates are directed to the Global Young Talent Program "Together," and evaluated for open positions post-graduation.

A wage policy, which is competitive, fair, stable, and that is supportive of a high performance, is adopted according to market conditions. Employee projects that positively contribute to work processes and results and that make a difference are rewarded. Staff ideas that are in compliance with Group strategies and targets and create value are put to use via the Suggestion Development System. As part of recognition and appreciation practices, employees are remembered on their special days; their exemplary conduct and achievements are also recognized by the Company. The Flexible Benefits Program enables staff select among Şişecam's various benefit packages. In addition, the Hourly Wage Personnel Bonus System was updated with the launch of various production processes and maintained in 2017.

INDUSTRY RELATIONS, OCCUPATIONAL HEALTH AND SAFETY

Şişecam Flat Glass Group operates with the target of ensuring competition and efficiency oriented industry relationships, consistent with contemporary working conditions. In accordance with the policies of Şişecam Group, competitiveness and efficiency are aimed to be increased through consistent and healthy industrial relations. As such, the Group's Industrial Relations vision is to work with labour unions to maintain labour peace based on trust and dialogue, and to uphold the principle of "people first" to make occupational health and safety an effective part of the Company's culture.

The Group has three collective labour agreements in Turkey, and four collective labour agreements abroad. Among the collective labour agreements, which have termination periods ranging from one to three years, negotiations for the terminated ones commenced at end-2016 and at the beginning of 2017. The collective bargaining negotiations were positively concluded. Expired collective labour agreements, applicable in workplaces abroad, have been renewed through negotiations that are executed in accordance with the particular conditions of the country where the workplaces are located and in line with the priorities of the Group.

UNDER THE "PEOPLE FIRST" PHILOSOPHY, ŞİŞECAM FLAT GLASS SUPPORTS THE EFFORTS CARRIED OUT TO MAKE OCCUPATIONAL HEALTH AND SAFETY AT THE WORKPLACE MORE EFFECTIVE.



Execution of excellence in operations

AN OVERVIEW OF 2017

IN 2017, THE EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL AUDIT PROCESSES WAS CONSTANTLY MONITORED. WITH THIS APPROACH, THE TWO FUNCTIONS THAT CONSTITUTE IMPORTANT ELEMENTS OF CORPORATE GOVERNANCE WERE MANAGED IN A WIDER PERSPECTIVE AND MORE EFFECTIVELY.

The Company aims to execute all aspects of production activities in a healthy and safe working environment. In 2017, the Group undertook projects and research studies jointly with Şişecam Group Industry Relations Directorate to develop an Occupational Health and Safety (OHS) culture both in light of legal requirements and global developments. The audits, OHS Leadership Trainings, Occupational Health and Safety Painting Competition and OHS Ambassadors studies were conducted throughout the year in factories affiliated with the Group.

The Human Resources Department of the Company is in continuous communication and coordination of the Industrial Relations Department of the Group to ensure that all work is carried out in healthy and safe work environments, and ensures the audit of all workplaces in accordance with national and international standards. A healthy and safe working environment is considered a precondition for a productive and efficient corporate performance.

RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES

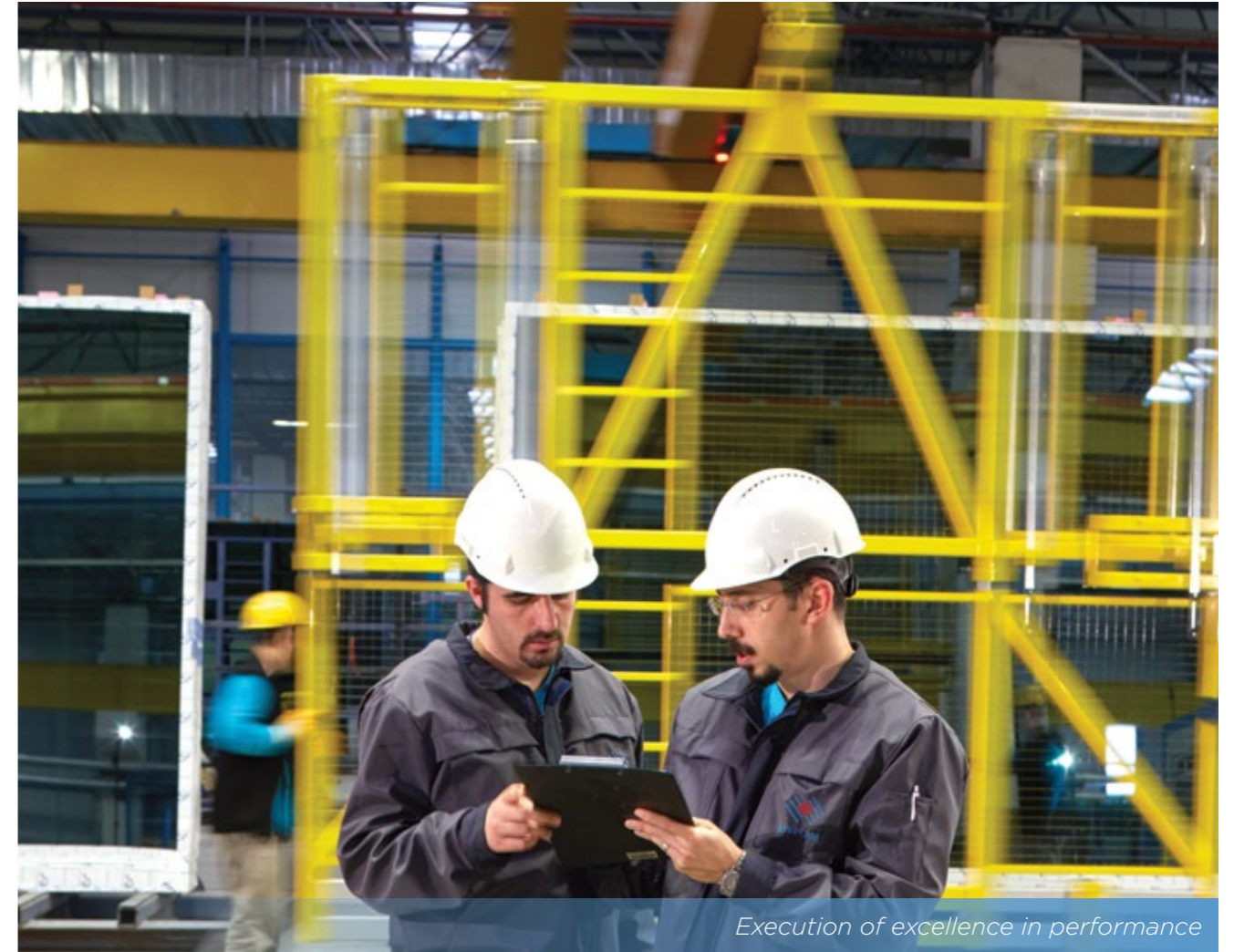
Risk management and internal audit at Şişecam Group are carried out under the direction of the Early Detection of Risk Committee and the Audit Committee, which are subcommittees of the Board of Directors. Committee meetings are held periodically to discuss predetermined agenda items. Decisions taken and recommendations made are recorded to be presented to the Board of Directors, which follows risk management and internal audit through these committees and gives necessary directives.

Aiming to realize all stages of production activities in a healthy and safe working environment, the Group undertook projects and research studies to further develop an Occupational Health and Safety culture in 2017, in light of legal requirements and global developments.

The dramatic results of financial crisis, intergovernmental conflicts of interest, security issues triggered by geopolitical factors, the technological developments and digitalization, coined Industry 4.0, as they pertain to work performance and climate change have transformed the world into a place with many different political, economic, technological and environmental risks.

Global risks have penetrated all areas of life and have changed the way risks a significant part of which are uninsurable have been viewed and, significantly increasing the importance of risk management as a discipline. Parallel to these developments, the effectiveness of risk management and internal audit processes were continuously reviewed throughout 2017. The two functions are key elements of corporate governance and were managed efficiently with a broad perspective. Within this context, risks and potential risks are handled with a proactive approach and audit activities are maintained with a risk-focused view.

In order to establish a sound corporate structure, provide confidence for stakeholders, protect the Company's tangible, intangible assets, resources and environment, minimize losses caused by uncertainties and to make best use of opportunities, the Company aims to maintain communication between the internal audit and risk management functions at the highest level and to support both decision making processes and management efficiency enhancement.



Risk Management

Risk management activities in the Group are based on corporate risk management principles and are executed with a holistic and proactive approach. These efforts are designed to increase the effectiveness of risk management processes. The aim is to manage the uncertainties created by global developments more effectively and sustain the risk assurance provided to stakeholders in an environment characterized by sharp internal and external competition. Under the corporate risk management concept, communication and coordination activities are emphasized throughout the Group to manage the risks. The Group's risks are determined, prioritized, and connected to the action plans in line with the risk appetite. In addition, the Group uses advanced technology and reporting to ensure the monitoring of the process in a healthy manner in keeping with legal and regulatory requirements.

Internal Audit

Internal audit has continued for many years within Şişecam Group with a well-established and corporate structure. This function aims to help the Company develop in a healthy and well-coordinated manner, and to carry out constructive and efficient controls and take corrective measures in a timely manner so that all operations are conducted in compliance with applicable laws, rules, internal and external regulations. Results from risk management efforts are taken into consideration during internal auditing work, which constitutes part of the regular annual auditing program, and the creation of the auditing program. Risk-focused audit practices are in use at the Company.

RISK MANAGEMENT ACTIVITIES AT ŞİŞECAM FLAT GLASS ARE BASED ON CORPORATE RISK MANAGEMENT PRINCIPLES AND EXECUTED WITH A HOLISTIC AND PROACTIVE APPROACH.

TRAKYA CAM SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH
OF CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY-31 DECEMBER
2017 TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)



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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Trakya Cam Sanayii A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Trakya Cam Sanayii A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards (TAS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matters

How key audit matter addressed in the audit

Auditor's Rotation and Audit of Opening Balance

Initial audit engagements involve a number of considerations not encountered in recurring audits. Additional planning activities and assessments necessary to establish an appropriate audit strategy and plan shall include:

- Gaining an initial understanding of the Group and its core businesses, including its control environment and information systems to determine audit risks, and develop audit plans,
- Gathering sufficient audit evidence regarding the opening balances, adequacy and accuracy of accounting policies, and communicating with the previous auditor to perform file review,
- Maintaining communication with the previous auditor

Prior to undertaking audit responsibilities for the Group on 31 December 2017. We developed a transition plan that includes the following items starting from May 2017:

- Communicating with the previous auditor to perform file review, to discuss significant audit and accounting matters, and to clarify identified audit differences for all subsidiaries of the Group,
- Holding meetings with the auditors and management of the subsidiaries,
- Arranging periodic meetings with the management to further understand existing risks, internal control mechanisms and audit findings,
- Participating in closing meetings with all subsidiary audit teams via conference calls or in person.

Deferred Tax Assets Related to Investment Incentives

As of 31 December 2017, the Group has corporate tax advantages pertaining to investment expenditures made within the scope of investment incentive certificates. As of 31 December 2017, TRY 68,861 thousand deferred tax assets were recognized within the scope of these investment incentive certificates.

As detailed in Note 35, based on the regulatory changes of the Council of Ministers decree regarding incentives and due to the assumptions presented in Note 27, a focus on the audit procedures for this area has been granted.

To examine the management's assumptions and the effect of the issued decree of the Council of Ministers, tax experts from an organization associated with our audit firm were included in the process. Assessment of related deferred tax assets is presented for the review and evaluation of the tax experts. In addition, the compliance of disclosures included in the financial statements has been evaluated in accordance with TAS.

Provisions for employee benefits

As of 31 December 2017, the Group's employee benefits related to termination and vacation pay amount to TL 82,973 thousand and TL 2,011 thousand, respectively. The Group utilizes various assumptions such as discount rate, inflation rate, real salary increase rate, probability of voluntary termination to calculate the provisions for employee benefits.

The disclosures on provisions for employee benefits are provided in Note 24.

As part of the audit procedures, in addition to assessing assumptions on discount rate, inflation rate, real salary increase rate, and the probability of voluntary termination, the employee list used in conjunction with the calculations of employee benefits is also evaluated. As part of the performed procedures, a test for the validity of the management's assumptions is performed.

An evaluation of the compliance of the disclosures included in the financial statements has also been performed in accordance with TAS.

4) Other matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Reports on other responsibilities arising from regulatory requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 27 February 2018.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2017 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors of the Company submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Tolga Kirelli.

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



Tolga Kirelli, SMMM
Partner

26 February 2018
Istanbul, Turkey

TRAKYA CAM SANAYİİ A.Ş.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

ASSETS	Notes	31 December 2017	31 December 2016
Current Assets			
Cash and cash equivalents	6	1,393,526	1,191,571
Financial investments	7	37,022	24,193
Trade receivables	10	705,090	703,265
Other receivables	11,37	189,580	35,508
- Due from related parties	37	173,979	24,588
- Other receivables	11	15,601	10,920
Inventories	13	681,841	548,160
Prepaid expenses	14	68,402	69,594
Other current assets	26	30,332	29,415
Total Current Assets		3,105,793	2,601,706
Non - Current Assets			
Financial assets	7	702,510	466,545
Other receivables	11	285	180
Investments in associates and joint ventures	16	480,763	403,686
Tangible assets	18	3,577,374	3,282,318
Intangible assets	19,20	43,629	45,057
- Goodwill	20	31,403	26,349
- Other intangible assets	19	12,226	18,708
Prepaid expenses	14	58,873	29,688
Deferred tax assets	35	52,098	50,217
Total Non - Current Assets		4,915,532	4,277,691
TOTAL ASSETS		8,021,325	6,879,397

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

TRAKYA CAM SANAYİİ A.Ş.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

LIABILITIES	Notes	31 December 2017	31 December 2016
Current Liabilities			
Short term borrowings	8	314,481	292,634
Short term portion of long term borrowings and interests	8	321,032	212,565
Trade payables	10,37	483,757	445,628
- Due to related parties	37	58,937	126,557
- Other trade payables	10	424,820	319,071
Other Payables	11,37	219,466	217,882
- Due to related parties	37	171,424	127,719
- Other payables	11	48,042	90,163
Deferred income	14	29,238	24,494
Current income tax liabilities	35	40,987	11,082
Short term provisions	22,24	36,595	20,250
- Short term provisions for employment benefits	24	2,011	940
- Other short term provisions	22	34,584	19,310
Other current liabilities	26	80,664	63,605
Total Current Liabilities		1,526,220	1,288,140
Non-Current Liabilities			
Long term financial liabilities	8	1,959,369	1,863,423
Other payables	11	1,330	427
Deferred income	14	53,620	58,245
Long-term provisions	24	82,973	66,812
Deferred tax liabilities	35	41,638	15,628
Total Non-Current Liabilities		2,138,930	2,004,535
Total Liabilities		3,665,150	3,292,675
EQUITY			
Shareholder's Equity	27	4,009,965	3,293,284
Paid-in share capital		1,130,000	930,000
Adjustment to share capital		5,577	5,577
Share premium (discounts)		23	23
Other comprehensive income / expense not to be reclassified to profit or loss		459,433	464,097
- Gain/(loss) on revaluation and remeasurement		459,433	464,097
- Increases/decrease in revaluation of tangible assets		464,325	463,297
- Funds for actuarial gain/(loss) on employee termination benefits		(4,892)	800
Other comprehensive income / expense to be reclassified to profit or loss		464,047	253,097
- Currency translation reserve		464,047	253,097
Restricted reserves		159,699	137,116
Retained earnings		1,174,791	956,665
Net profit for the year		616,395	546,709
Non - controlling interest	27	346,210	293,438
TOTAL EQUITY		4,356,175	3,586,722
TOTAL LIABILITIES AND EQUITY		8,021,325	6,879,397

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

TRAKYA CAM SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2017 AND 2016

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

	Notes	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	28	4,331,162	3,016,238
Cost of sales (-)	28	(2,930,884)	(2,128,700)
Gross Profit/(Loss)		1,400,278	887,538
General administrative expenses	29	(286,649)	(276,834)
Selling and marketing expenses	29	(504,217)	(354,473)
Research and development expenses	29	(25,527)	(32,777)
Other operating income	31	207,952	149,419
Other operating expenses	31	(94,356)	(69,783)
Operating profit/(loss)		697,481	303,090
Income from investing activities	32	93,513	383,414
Expenses from investing activities	32	(422)	(455)
Income/(expense) from investments accounted for under equity accounting	16	49,537	35,319
Operating profit/(loss) before financial income and expense		840,109	721,368
Financial income	33	329,868	309,796
Financial expenses	33	(397,264)	(429,275)
Profit/(loss) before tax from continued operations		772,713	601,889
Tax expense/(income) from continuing operations	35	(128,831)	(26,800)
- Taxes on income	35	(116,779)	(63,026)
- Deferred tax income	35	(12,052)	36,226
Profit/(loss) for the period		643,882	575,089
Attributable to:			
- Non controlling interest	27	27,487	28,380
- Equity holders of the parent	27	616,395	546,709
Earnings per share	36	0.5455	0.4838

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

TRAKYA CAM SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2017 AND 2016

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

	Notes	1 January- 31 December 2017	1 January- 31 December 2016
Profit/(loss) for the period	27	643,882	575,089
Other comprehensive income:			
Items not to be reclassified to profit or loss	27	(4,664)	1,304
Gains /(loss) on revaluation of tangible fixed assets		1,028	-
Other items not to be reclassified to profit or loss on other comprehensive		(7,115)	1,630
Items not to be reclassified to profit or loss for income tax on other comprehensive		1,423	(326)
Items to be reclassified to profit or loss	27	250,635	(12,104)
Currency translation differences		250,635	226,065
Gains/(loss) on revaluation and/or reclassification of available for sale financial assets		-	(250,704)
-Gains/(loss) on revaluation of available for sale		-	20,168
Items to be reclassified to profit or loss on other comprehensive income		-	(270,872)
Items to be reclassified to profit or loss for income tax on other comprehensive		-	12,535
Other comprehensive income/ (loss)		245,971	(10,800)
Total comprehensive income/(loss)		889,853	564,289
Attributable to:			
- Non-controlling interest		67,172	56,840
-Equity holders of parent		822,681	507,449
Earnings per share	36	0.7280	0.4491

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

TRAKYA CAM SANAYİİ A.Ş. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2017 AND 2016

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

	Paid in Capital	Adjustment to Capital	Share Premium (Discount)	Other Comprehensive Income/Expense reclassified to profit or loss	Other Comprehensive Income/Expense not to be reclassified to profit or loss	Restricted Reserve	Retained Earnings	Net Profit for the Period	Equity Attributable to the Equity Holders of the Parent	Non- Controlling Interests	Total Equity
Balance at January 2016	895,000	5,577	23	467,812	293,663	132,432	935,630	159,261	2,889,398	249,478	3,138,876
Transfers	-	-	-	-	-	4,684	154,577	(159,261)	-	-	-
Total comprehensive income/ (loss)	-	-	-	(3,715)	(40,566)	-	5,021	546,709	507,449	56,840	564,289
Capital Increase	35,000	-	-	-	-	-	(35,000)	-	-	-	-
Transactions with non- controlling shareholders	-	-	-	-	-	-	(10,563)	-	(10,563)	(1,630)	(12,193)
Dividends	-	-	-	-	-	-	(93,000)	-	(93,000)	(11,250)	(104,250)
Balance at 31 December 2016	930,000	5,577	23	464,097	253,097	137,116	956,665	546,709	3,293,284	293,438	3,586,722
Balance at January 2017	930,000	5,577	23	464,097	253,097	137,116	956,665	546,709	3,293,284	293,438	3,586,722
Transfers	-	-	-	-	-	22,583	524,126	(546,709)	-	-	-
Total comprehensive income/ (loss)	-	-	-	(4,664)	210,950	-	-	616,395	822,681	67,172	889,853
Capital increase	200,000	-	-	-	-	-	(200,000)	-	-	-	-
Dividends	-	-	-	-	-	-	(106,000)	-	(106,000)	(14,400)	(120,400)
Balance at 31 December 2017	1,130,000	5,577	23	459,433	464,047	159,699	1,174,791	616,395	4,009,965	346,210	4,356,175

Not 27 sets out disclosures for the changes in the equity.

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

TRAKYA CAM SANAYİİ A.Ş. CONSOLIDATED CASH FLOWS STATEMENTS FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2017 AND 2016

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

	Notes	January- 31 December 2017	January- 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period	27	667,579	338,757
Adjustments to reconcile net profit to net cash provided by operating activities		411,995	(15,180)
Adjustments for depreciation and amortization	18,19	307,290	254,285
Adjustments for impairments /(reversals)	10,13	19,785	14,663
Adjustments for provisions	22,24	33,488	5,137
Adjustments for dividend income/(expense)	32	-	(24,445)
Adjustments for interest gain/(loss)	8,31,33	19,859	37,003
Adjustments for unrealised foreign exchange losses / (gains)	31,33	46,392	72,584
Adjustments for fair value (gain)/loss	7	(79,664)	(67,847)
Adjustments for undistributed profits of investments accounted for using equity method	16	(49,537)	(35,319)
Adjustments for tax expense/(income)	35	128,831	26,800
Adjustments for losses(gains) on disposal of non-current assets	31,32	(13,427)	(290,667)
Other adjustments to reconcile profit/(loss)	7,26	(1,022)	(7,374)
Changes in net working capital		(203,301)	(69,296)
Adjustments for decreases/(increases) in trade receivables	10,37	(15,534)	(279,901)
Adjustments for decreases/(increases) in other receivables	11,37	(154,072)	(1,221)
Adjustments for decreases/(increases) in derivative instruments	13	(142,323)	(89,920)
Adjustments for decreases/(increases) in inventories	33	-	25
Adjustments for decreases/(increases) in trade payables	10,37	46,395	183,839
Adjustments for decreases/(increases) in other payables	11,14,26,37	6,328	148,547
Other Adjustments for decreases/(increases) in net working capital	14,26	55,905	(30,665)
Cash flows from operating activities		852,576	490,613
Interest paid	8,31,33,37	(107,010)	(93,235)
Interest received	31,33,37	17,807	15,820
Payments for employment termination benefits	24	(8,920)	(6,620)
Current income tax refunds (paid)	35	(86,874)	(67,821)

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

TRAKYA CAM SANAYİİ A.Ş.

CONSOLIDATED CASH FLOWS STATEMENTS FOR THE PERIODS BETWEEN 1 JANUARY – 31 DECEMBER 2017 AND 2016

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

	Notes	1 January-31 December 2017	1 January-31 December 2016
B. CASH FLOWS FROM INVESTING ACTIVITIES		(349,288)	(418,063)
Proceeds from changes in ownership rate of subsidiaries that do not result in control change	7	-	299,334
Cash outflows related to gain control of subsidiaries	3	-	(124,209)
Cash outflows related to purchase of additional share of subsidiaries		-	(14,759)
Cash inflow from sales of shares or due to capital reduction of associates and/or joint ventures	7	118,284	-
Cash outflows due to purchase of other entities' or fund's share	7	(318,942)	(429,648)
Proceeds from sale of tangible and intangible assets	18,19,32	23,538	18,759
Cash outflows due to purchases of tangible and intangible assets	18,19	(232,733)	(250,292)
Advances given and payables	14	(211,875)	(38,489)
Proceeds from advances given and payables	14	178,141	45,434
Dividends received from associates	16,32	3,035	26,617
Interest received	6,33	99,923	48,128
Other inflows (outflows) of cash	3,10,11,26	(8,659)	1,062
C. CASH FLOWS FROM FINANCING ACTIVITIES		(242,514)	(108,780)
Proceeds from financial borrowings	8	409,303	502,892
Repayments of financial borrowings	8	(530,029)	(506,298)
Financial leases repayments	8	(1,388)	(1,124)
Dividends paid	27	(120,400)	(104,250)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		75,777	(188,086)
D. EFFECTS OF UNREALIZED EXCHANGE LOSS / (GAIN) ON CASH AND CASH EQUIVALENTS		162,189	172,336
Effect of change in the exchange rates on cash and cash equivalents	33	75,435	136,948
Effect of currency translation difference	27	86,754	35,388
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		237,966	(15,750)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6	1,152,391	1,168,141
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	6	1,390,357	1,152,391

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

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

1. Group's Organisation and Nature of Operations

Trakya Cam Group (the "Group") consists of a holding company, Trakya Cam Sanayii A.Ş. ("Company") and 18 subsidiaries, 3 associates and 1 joint venture.

Trakya Cam Sanayii A.Ş. was established on 17 January 1978 and started production in 1981,

The Company is a subsidiary of Türkiye Şişe ve Cam Fabrikaları A.Ş. Group ("Şişecam Holding") which is under the control of Türkiye İş Bankası A.Ş. The Company produces and sells basic flat glass, patterned glass, mirror, automotive glass, tempered glass, laminated glass, coated glass, processed glass and glassware in its production facilities at Kırklareli (Lüleburgaz), Mersin (Tarsus), Bursa (Yenişehir). There are also overseas factories at Bulgaria (Targovishte), Russia (Tatary), Germany (Besigheim and Aurach), Slovakia (Malacky), Hungary (Aszod), Romania (Buzau), Italy (Udine), Egypt (Sukhna) and India (Halol).

The shares of the Company have been publicly traded on the Istanbul Stock Exchange ("ISE") since 5 November 1990 and as of 31 December 2017 they are quoted on the BIST 100 National Index.

The Head Office and the Shareholder Structure of the Company

The shareholder structure of the Company is presented in Note 27,

The Company is registered in Turkey and contact information and trade registry information is as below:

Address: İcmeler Mah. D-100 Karayolu Cad. N44/A 34947 Tuzla/İSTANBUL
 Phone : +90 850 206 50 50
 Fax : +90 850 206 50 80
 Electronic correspondence Address : trakyacam@hs03.kep.tr
 Registered e-mail address : tymuhasebe@sisecam.com
 Web page : www.trakyacam.com.tr
 www.sisecamduzcam.com

Trade register Information of the Company

Registered at : Istanbul Trade Registry Office
 Registration N : 151415
 Central Registration System (Mersis) No : 2953-9497-3752-4526

Details of the number of personnel are as follows

	31 December 2017	31 December 2016
Personnel charged by monthly pay	1,718	1,702
Personnel charged by hour	5,138	4,831
Total	6,856	6,533

The 303 employees who are counted in the total number of employee in the Group comprise of the employee of HNG Float Glass Limited that are evaluated by the equity method and represents half of the HNG's personnel. (31 December 2016: 303 employees).

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

1. Group's Organisation and Nature of Operations

Companies Included in the Consolidation

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

	Nature of business	Country of incorporation
Subsidiaries		
Trakya Yenişehir Cam Sanayii A.Ş.	Production and Sale of Flat, Coated and Laminated Glass	Turkey
Trakya Polatlı Cam Sanayii A.Ş.	Production and Sale of Flat Glass	Turkey
Şişecam Otomotiv A.Ş.	Production and Sale of Automotive Glass	Turkey
Trakya Investment B.V. ⁽¹⁾	Finance and Investment Company	Netherlands
TRSG Glass Holding B.V.	Finance and Investment Company	Netherlands
Trakya Autoglass Holding B.V. ⁽¹⁾	Finance and Investment Company	Netherlands
Sisecam Flat Glass Holding B.V. ⁽¹⁾	Finance and Investment Company	Netherlands
Trakya Glass Bulgaria EAD	Production and Sale of Flat, Coated and Laminated Glass	Bulgaria
Sisecam Automotive Bulgaria EAD	Production and Sale of Automotive Glass and Home Appliances Glass	Bulgaria
Glasscorp S.A	Production and Sale of Automotive Glass and Home Appliances Glass	Romania
Trakya Glass Rus AO	Production and Sale of Flat Glass and Mirror	Russia
Automotive Glass Alliance Rus AO	Production and Sale of Automotive Glass	Russia
Trakya Glass Rus Trading OOO	Import and Sale Services	Russia
Automotive Glass Alliance Rus Trading OOO	Import and Sale Services	Russia
Sisecam Flat Glass Italy S.R.L.	Production and Sale of Flat and Laminated Glass	Italy
Richard Fritz Holding GmbH	Commercial Activity	Germany
Richard Fritz Prototype + Spare Parts GmbH	Production and Sale of Glass Encapsulation	Germany
Richard Fritz Spol, S.R.O.	Production and Sale of Glass Encapsulation, Plastic Process	Slovakia
Richard Fritz Kft	Production and Sale of Glass Encapsulation	Hungary
Joint Ventures:		
HNG Float Glass Limited	Production and Sale of Flat Glass, Mirror	India
Associates		
Çayırova Cam San. A.Ş.	Commercial Activity	Turkey
Camiş Elektrik Üretim A.Ş.	Production and Sale of Electricity	Turkey
Saint Gobain Glass Egypt	Production and Sale Flat Glass	Egypt

⁽¹⁾ As of January 2017, Trakya Autoglass Holding B.V., located in Netherland, is liquidated by spinning-off. The portion regarding to flat glass operations was transferred to Sisecam Flat Glass Holding B.V. Company, automotive glass operations was transferred to Trakya Investment B.V. Company.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

1. Group's Organisation and Nature of Operations

Companies Included in the Consolidation

All consolidated companies of the Group their proportion of ownership interest and the effective interest of the Company in these subsidiaries are as follows:

	31 December 2017		31 December 2016	
	Direct and Indirect ownership ratio %	Effective ownership ratio %	Direct and Indirect ownership ratio %	Effective ownership ratio %
Subsidiaries:				
Trakya Yenişehir Cam Sanayii A.Ş.	85.00	85.00	85.00	85.00
Trakya Polatlı Cam Sanayii A.Ş.	85.00	85.00	85.00	85.00
Şişecam Otomotiv A.Ş.	100.00	100.00	100.00	100.00
Trakya Investment B.V. (1)	100.00	100.00	100.00	100.00
TRSG Glass Holding B.V.	70.00	70.00	70.00	70.00
Trakya Autoglass Holding B.V. (1)	-	-	100.00	100.00
Sisecam Flat Glass Holding B.V. (1)	100.00	100.00	100.00	100.00
Trakya Glass Bulgaria EAD	100.00	100.00	100.00	100.00
Sisecam Automotive Bulgaria EAD	100.00	100.00	100.00	100.00
Glasscorp S.A.	100.00	100.00	100.00	100.00
Trakya Glass Rus AO	100.00	70.00	100.00	70.00
Automotive Glass Alliance Rus AO	100.00	100.00	100.00	100.00
Trakya Glass Rus Trading OOO	100.00	70.00	100.00	70.00
Automotive Glass Alliance Rus Trading OOO	100.00	100.00	100.00	100.00
Sisecam Flat Glass Italy S.R.L.	100.00	100.00	100.00	100.00
Richard Fritz Holding GmbH	100.00	100.00	100.00	100.00
Richard Fritz Prototype + Spare Parts GmbH	100.00	100.00	100.00	100.00
Richard Fritz Spol, S.R.O.	100.00	100.00	100.00	100.00
Richard Fritz Kft	100.00	100.00	100.00	100.00
Joint ventures:				
HNG Float Glass Limited	50.00	50.00	50.00	50.00
Associates:				
Çayırova Cam San. A.Ş.	28.14	28.14	28.14	28.14
Camiş Elektrik Üretim A.Ş.	34.43	34.43	34.43	34.43
Saint Gobain Glass Egypt S.A.E	30.00	30.00	30.00	30.00

⁽¹⁾ As of 1 January 2017, Trakya Autoglass Holding B.V., located in Netherland, is liquidated by spin-off. The portion regarding to flat glass operations was transferred to Sisecam Flat Glass Holding B.V. Company and automotive glass operations was transferred to Trakya Investment B.V. Company.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.1 Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14,1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC"). The accompanying consolidated financial statements are prepared in accordance with resolution No. 30 TAS framework published by POAASA on 2 June 2016.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the consolidated financial statements of the Group have been prepared accordingly.

The Company (and its subsidiaries and Joint Ventures registered in Turkey) maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiaries, joint ventures and associates operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations of the country in which they operate. The interim consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion in TRY. These interim consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/TFRS.

Functional and Presentation Currency

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

Presentation of Financial Statements in Hyperinflationary Periods

In accordance with the CMB's resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards (including the application of TFRS) are not subject to inflation accounting effective from 1 January 2005. Therefore, as of 1 January 2005, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying consolidated financial statements.

Going Concern

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

Comparative information and correction of prior period financial statements

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

In this context; the presentation is prepared in thousands of Turkish Liras due to financial assets reach to significant dimension and prior period has been rounded to thousand Turkish Liras in terms of being comparable with the previous period.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.1 Basis of Presentation

Financial Statements of Foreign Subsidiaries and Joint Ventures

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

Foreign currencies and exchange rates of the countries where a significant portion of the Group's foreign operations are performed are summarized below:

Foreign Currency	31 December 2017		31 December 2016	
	Period End	Period Average	Period End	Period Average
Euro	4.51550	4.11588	3.70990	3.33755
Bulgarian Lev	2.30874	2.10442	1.89684	1.70646
Russian Rubbles	0.06507	0.06210	0.05732	0.04506
Romanian Leu	0.96374	0.89552	0.81310	0.73900
Egyptian Pounds	0.21333	0.20491	0.19400	0.31914
Indian Rupee	0.05900	0.05597	0.05179	0.04492

Consolidation Principles

The consolidated financial statements include the accounts of the parent company on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with Turkish Financial Reporting Standards applying uniform accounting policies and presentation. The results of subsidiaries and joint ventures are included or excluded from their effective dates of acquisition or disposal respectively.

Subsidiaries

Control is obtained by controlling over the activities of an entity's financial and operating policies in order to benefit from those activities. Subsidiaries are companies over which the parent company has capability to control the financial and operating policies for the benefit of parent company, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The table in Note 1 sets out all Subsidiaries included in the scope of consolidation and shows the ownership and effective interest rates as at 30 June 2017 and 31 December 2016. Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated at control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The result of operations of Subsidiaries and Joint Ventures are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively. Costs of purchase are recognized in profit or loss in the period in which they are incurred.

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

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.1 Basis of Presentation

Subsidiaries

The non-controlling shareholders' share in the net assets and results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated balance sheets and statements of income. The non-controlling interests consist of shares from the initial business combinations and the non-controlling shares from the changes in equity after the business combinations date. When the losses applicable to the non-controlling portion exceed the non-controlling interest in the equity of the subsidiary, the excess loss and the further losses applicable to the non-controlling are charged against the non-controlling interest.

Joint Ventures

Joint Ventures are the companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Company and one or more other parties. The Company exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of ownership interest directly and indirectly held by itself. The table in Note 1 sets out all Joint Ventures included in the scope of consolidation and shows their ownership and effective interests as of 31 December 2017 and 31 December 2016. Joint Ventures are accounted for under equity accounting method.

Associates

Associates are companies in which the Group has the interest that is more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Equity method is used for accounting of associates.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables or the significant influence ceases the Group does not continue to apply the equity method, unless it has incurred obligations or made payments on behalf of the associate. Subsequent to the date of the caesura of the significant influence the investment is carried either at fair value when the fair values can be measured reliably or otherwise at cost when the fair values cannot be reliably measured.

2.2 Statement of Compliance to TAS

The Group prepared the accompanying consolidated financial statements as of 31 December 2017 in accordance with Communiqué Serial II, No: 14.1 and the related announcements. The accompanying consolidated financial statements and explanatory notes were disclosed in compliant with reporting formats recommended by CMB, including the compulsory explanations.

2.3 Significant Changes in Accounting Policies

Significant changes in accounting policies are applied retrospectively by restating the prior period consolidated financial statements. The accounting policies except the situation stated below used in the preparation of these consolidated financial statements for the period ended 31 December 2017 are consistent with those used in the preparation of financial statements for the year ended 31 December 2016.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.4 Restatement and Errors in the Accounting Policies and Estimate

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

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements.

2.5 Amendments in International Financial Reporting Standards ("IFRS")

New and revised standards and comments

The accounting policies adopted in preparation of the interim consolidated financial statements as at 31 December, 2017 are consistent with those of the previous financial year. There is no new and amended TFRS or TFRIC interpretation effective as of 1 January 2017.

a. 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.

IFRS 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 1 January 2018, with early adoption permitted.

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

The Group does not expect that the standard will have significant impact on the financial position or performance of the Group because contracts with customers in which the sale of goods is generally expected to be the only performance obligation thus are not expected to have any impact on the performance of the Group. Besides, currently trade discounts and volume rebates can be reliably measured on a quarterly basis accordingly they are recognised at annual and interim financial statements. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.5 Amendments in Financial Reporting Standards ("TFRS")

TFRS 9 Financial Instruments

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

The Group has performed a high-level impact assessment of TFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of TFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

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

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

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

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

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

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

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.5 Amendments in Financial Reporting Standards ("TFRS")

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

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

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

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

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

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

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

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

Annual Improvements to TFRSs - 2014-2016 Cycle

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

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

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

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.5 Amendments in Financial Reporting Standards ("IFRS")

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

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 to IFRSs - 2010-2012 Cycle

IFRS 13 Fair Value Measurement

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

IFRS 16 Leases

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

The effects of these changes on the financial status and performance of the group are evaluated.

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:

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

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The effects of these changes on the financial status and performance of the group are evaluated.

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. Changes in future cash flow forecasts and risk adjustments are where services are provided. Businesses prefer to account for the profit or loss in favor of discounts or others in income. The standard provides specific guidance for the 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 effects of these changes on the financial status and performance of the group are evaluated

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.5 Amendments in Financial Reporting Standards ("IFRS")

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

Early Payment Specifications with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB published minor amendments to IFRS 9 Financial Instruments in order to be measured at the entity's amortized cost of some early-maturity financial assets.

An entity that implements IFRS 9 measures the early-paid financial presence, the value-appropriate exchange of profit or loss as a projected asset. In the event that certain conditions are met with the implementation of the amendments, enterprises will be able to measure the cost of early payable financial assets with negative compensation.

The amendments will apply to the annual accounting periods starting on 1 January 2019 and later. Early application is permitted.

The effects of these changes on the financial status and performance of the group are evaluated

Annual Improvements - 2015-2017 Cycle

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

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

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

2.6 Summary of Significant Accounting Policies

Revenue Recognition

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

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.6 Summary of Significant Accounting Policies

[Sales of Goods](#)

Revenue obtained from the sales of the goods is accounted for when the conditions below are met:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the Group,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

[Interest Income](#)

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

[Dividend income](#)

Dividend income is recorded as income of the collection right transfer date. Dividend payables are recognized in the period that the profit distribution is declared.

[Inventories](#)

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

[Property, plant and equipment](#)

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

Land and buildings were accounted for under the net method in accordance with revaluation method. The change of accounting policy was applied with the financial statements as of 31 December 2015.

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

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

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.6 Summary of Significant Accounting Policies

[Property, plant and equipment](#)

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

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

	Useful life
Buildings	7-50 years
Land improvements	5-50 years
Machinery and equipment	2-30 years
Motor vehicles	3-15 years
Furniture and fixtures	2-20 years
Other tangible assets	3-20 years

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

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

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

[Intangible assets](#)

[Intangible assets acquired](#)

Intangible assets acquired separately are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each year and the effect of any change in the estimate is accounted for on a prospective basis. Purchase costs are included in the related assets and are amortized at between 3 and 5 years based on their economic lives (Note 19).

[Computer software](#)

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-5 years). Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Software development costs include employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years) (Note 19).

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.6 Summary of Significant Accounting Policies

Property, plant and equipment

Customer Relationships

The customer relationships and contracts acquired in a business combination are accounted for at fair value at the date of transaction. Contracted customer relationships are amortized by the straight-line method in accordance with their expected useful lives (4 years) and carried at cost less accumulated amortization. When an indication of impairment exists, the Customer relationships are subject to impairment testing where there are circumstances that indicate the existence of an impairment. In the case of an impairment, the carrying amount of the customer relationship is taken to its recoverable amount and the related amount is recognized as expense in the period results.

The Group implements customer loyalty program which enables customers to use pre-earned bonuses accumulated during glass purchases. The Group provides provision in the consolidated financial statements for these bonuses which is estimated by the total number of bonuses by the customers but not yet used.

Assets Classified as Held for Sale

Non-current asset are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Assets are are classified as assets held for sale when their carrying amount is considered to be recovered principally through a sale transaction instead of usage. The assets can be a business unit, sales group or a separate tangible asset. The sale of assets held for sale is expected to be settled within 12 months after the end of balance sheet date. Various events or circumstances can extend the completion time more than one year. If there is no sufficient evidence supporting that the delay is beyond the control of entity and sales plan of sales transaction of the asset (or disposal asset group) continues; the delay does not prevent the classification of assets (or disposal asset group) as assets held for sale.

Assets held for sale are stated at the lower of carrying amount and fair value. The impairment loss is recognised as expense under consolidated income statement of the period, at which time the carrying value is less than the fair value. No amortisation is recognized for these assets.

Impairment of Assets

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

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

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.6 Summary of Significant Accounting Policies

Leases

The Group as the lease

Financial Leasing

Leasing of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leasing. Finance leased are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Financial costs of leasing are distributed over the lease period with a fixed interest rate. The property, plant and equipment acquired under financial leases are depreciated over the useful lives of the assets. If there is a decrease in the value of the property, plant and equipment under financial leasing, the Group provides impairment. The foreign exchange and interest expenses related with financial leasing have been recorded in the income statement. Lease payments have been deducted from leasing debts.

Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

In operating lease, leased assets (except properties, land and investment properties) are classified under tangible assets in consolidated statement of financial position and acquired lease income is recognized at equal amounts in the consolidated statement of income or loss during the lease term. Lease income is reflected in the consolidated statement of income or loss with straight line method.

The Group as the lessor

Operating Leases

Assets leased out under operating leases, excluding land and investment properties, are included in property, plant and equipment in the consolidated balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognized in the consolidated statement of income on a straight-line basis over the lease term.

Borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of income over the period of the borrowings (Note 8 and Note 33).

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred. Foreign exchange differences relating to borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalized.

The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

Related Party

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

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.6 Summary of Significant Accounting Policies

Offsetting

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

Financial assets

Classification

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

Receivables

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

Available-for-sale financial assets

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

Held to maturity financial assets

Debt securities with fixed maturities, where management has both the intent and the ability to hold to the maturity excluding the financial assets classified as originated loans and advances to customers are classified as "held-to-maturity financial assets". Held-to-maturity financial assets are carried at amortized cost using the effective yield method (Note 7).

Recognition and measurement

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed for translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in the income statement; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.6 Summary of Significant Accounting Policies

Financial assets

Recognition and measurement

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

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

Trade receivable

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (Note 6). Bank deposits with original maturities of more than three months are classified under short-term financial investments (Note7).

Financial liabilities

Financial liabilities related to non-controlling share put options are reflected in the financial statements in conformity with their discounted value of them own redemption plan. The discounted value of the financial liability which is the subject of the put option is estimated to be the fair value of the financial asset.

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

Equity instruments

Financial liabilities related to non-controlling share put options are reflected in the financial statements in conformity with their discounted value of them own redemption plan. The discounted value of the financial liability which is the subject of the put option is estimated to be the fair value of the financial asset.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.6 Summary of Significant Accounting Policies

Financial liabilities

Other financial liabilities

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

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

Trade payables

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

Business combinations and Goodwill

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

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquired business and in addition, any costs directly attributable to the business combination. The cost of the business combination at the date of the acquisition is adjusted if a business combination contract includes clauses that enable adjustments to the cost of business combination depending on events after acquisition date, and the adjustment is measurable more probable than not. Costs of the acquisition are recognized in the related period. Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements. In each acquisition, the non-controlling shares of the acquired company are accounted for on the basis of the share of the net assets of the acquired company.

For the impairment test, the goodwill is distributed to the cash-generating units. Distribution is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises. Each unit or group of units for which goodwill is distributed is the smallest asset group of the entity for which goodwill is monitored for internal business purposes. Goodwill operating segments are followed up on a basis. Goodwill impairment is made once a year, or more often when the event or condition changes indicate a possibility of impairment.

The carrying value of goodwill is reviewed annually at the same time for impairment and the impairment provision, if any, is immediately recognized in the consolidated statements of income.

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

Transactions with non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.6 Summary of Significant Accounting Policies

Foreign Currency Transactions

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

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

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

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

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

Earnings per Share

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

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

Events after the Reporting Period

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

Provisions, Contingent Assets and Liabilities

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

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

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

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

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.6 Summary of Significant Accounting Policies

Segment reporting

The Group has two business segments determined by the management based on the information available for the evaluation of performances and the allocation of resources. These segments are managed separately because they are affected by the economic conditions and geographical positions in terms of risks and returns. The Group management has determined gross profit as the most suitable method for assessing the segmental performance (Note 5).

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

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group classified its operations into two operational divisions for management accounting purposes which constitute the basis for the segment reporting (Note 5). The Basic Glass category contains flat glass, coated, laminated, mirror and project glass, energy glass and home appliances glass. The Automotive Glass category contains automotive glass and encapsulated glass.

Employee benefits

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

The liabilities related to employee termination benefits are accrued when they are entitled.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.6 Summary of Significant Accounting Policies

Government grants

Grants from the government are recognized at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the required conditions (Note 21).

Government grants related to costs are accounted as income on a consistent basis over the related periods with the costs.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statements of income on a straight-line basis over the expected lives of the related assets.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity (Note 35). In such case, the tax is recognized in shareholders' equity. The current year tax on income is calculated for the Group's subsidiaries, associates and joint ventures considering the tax laws that are applicable in the countries where they operate.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

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

Statement of cash flows

The Group prepares statements of cash flows as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows include those from operating activities, working capital, investing activities and financing activities. Cash flows from operating activities represent the cash flows generated from the Group's activities. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments). Cash flows related to financing activities represent the resources that are used in Group's financing activities and repayments of these resources.

Dividends

Dividend income is recognized by the Group at the date the right to collect the dividend is realized. Dividend payables are recognized as a result of profit distribution in the period they are declared.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. Basis of Presentation of Consolidated Financial Statements

2.7 Significant Accounting Estimates and Assumptions

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

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

As a result of the assessment of Group Management, a deferred income tax asset amounting to TRY 14,190 thousand (31 December 2016: TRY 13,783 thousand) results from temporary differences as of 31 December 2017 that are arising from the tax allowances and can be used as long as the tax allowances continue. The Group is entitled with corporate tax allowances in accordance with Corporate Tax Law No. 5520, article 32/A. As of 31 December 2017, the amount of corporate tax allowances related to temporary differences and that can be utilized during the period of corporate tax allowance right is TRY 68,861 thousand (31 December 2016: TRY 96,971 thousand) (Note 35).

Land and buildings are recognized stated at revalued amounts in accordance with IAS 16 revaluation method. As there were recent similar buying/ selling transactions nearby, revaluations of land were based on the method of reference comparison whereas if there were recent similar buying/ selling transactions nearby revaluations of buildings were based on of reference comparison if not the method of cost approach.

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

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

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

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

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

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

3. Business Combinations

There was no business combination under TFRS 3 in 1 January-31 December 2017 period.

For the 1 January-31 December 2016 period, in accordance with IFRS 3. The Group established a its new company, Sisecam Flat Glass Italy S.R.L in Italy. Sisecam Flat Glass Italy S.R.L. acquired certain assets of Sangalli Porto Nogaro S.p.a, located in Italy for a total amount of EUR 84,282 thousand on 31 October 2016. The net cash consideration is EUR 52,017 thousand including the transferee of the financial debt of Sangalli amounting to EUR 32,265,349.

The Group aimed to gain a large share of market and support its target of production and sales in Europe.

The related purchase is based on an asset purchase agreement thus is considered as a business combination in accordance with the "TFRS-3 Business Combinations" standard for the reason that all such assets and activities are able to be executed and managed as a business.

Fair values of purchased assets are represented below;

	Fair Value
Trade receivables	25,159
Inventories	21,380
Total Current Assets	46,539
Tangible assets (Note 18)	238,539
Intangible assets	82
Total Non - Current Assets	238,621
Total Assets	285,160
Short term borrowings	7,670
Long term financial liabilities	101,372
Other Liabilities	125
Total Liabilities	109,167
Net Assets	175,993
Total cash paid	124,209
Total cash to be paid	51,784
Total Purchase Consideration	175,993
Goodwill	-

Sisecam Flat Glass Italy S.R.L. has contributed by TRY 45,887 thousand to consolidated revenues after the acquisition date. Had Sisecam Flat Glass Italy S.R.L. been included in the consolidation starting from 1 January 2016, additional net revenue of TRY 274,839 thousand would have been recognised.

4. Interest in Other Entities

None (31 December 2016:None).

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

5. Segment Reporting

The Group has adopted TFRS 8 starting from 1 January 2009 and has identified relevant operating segments based on internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker of the Group, identified as the board of directors.

The chief operating decision maker reviews results and operations on a product line segment basis as well as on a geographic segment basis in order to monitor performance and to allocate resources. Product line segments of the Group are defined in the following categories: basic glass and other glass. Geographic segments of the Group are defined in the following regions: Turkey, Europe and other.

The Group management assesses the performance of the operating segments based on the measure of operating income. The measurement basis excludes the effects of non - recurring expenses from the operating income. The measurement basis also excludes the share in result of associates and joint ventures. Interest income and expenses and income and expenses from investing activities are not allocated to segments, as cash position of the Group is driven by the central finance function of the Group.

Activity-Based Reporting

The Group reviews its product line segments on the basis of gross profit, and operating profit, purchases of tangible fixed and intangible assets and depreciation and amortization of tangible fixed and intangible assets. Research and development expenses, financial income and expenses, and tax expense / income are not allocated to segments.

Total assets and liabilities of operating segments are not reported since such amounts are not regularly provided to the chief operating decision maker.

1 January - 31 December 2017	Basic glass	Autoglass	Total	Consolidation adjustments	Consolidated
Revenue	3,184,741	1,634,835	4,819,576	(488,414)	4,331,162
Cost of sales	(1,997,031)	(1,424,672)	(3,421,703)	490,819	(2,930,884)
Gross profit	1,187,710	210,163	1,397,873	2,405	1,400,278
Operating expenses	(604,873)	(239,915)	(844,788)	28,395	(816,393)
Other operating incomes	81,249	75,658	156,907	51,045	207,952
Other operating expenses	(37,746)	(6,066)	(43,812)	(50,544)	(94,356)
Income/(expense) from investments accounted for under equity accounting	-	-	-	-	-
Operating profit	626,340	39,840	666,180	31,301	697,481

Purchases of tangible and intangible fixed asset	127,101	105,632	232,733	-	232,733
Depreciation and amortization on fixed assets	(218,593)	(88,697)	(307,290)	-	(307,290)

1 January - 31 December 2016	Basic glass	Autoglass	Total	Consolidation adjustments	Consolidated
Revenue	2,044,758	1,208,136	3,252,894	(236,656)	3,016,238
Cost of sales	(1,309,699)	(1,065,040)	(2,374,739)	246,039	(2,128,700)
Gross profit	735,059	143,096	878,155	9,383	887,538
Operating expenses	(488,952)	(178,040)	(666,992)	2,908	(664,084)
Other operating incomes	138,626	51,283	189,909	(40,490)	149,419
Other operating expenses	(82,151)	(9,397)	(91,548)	21,765	(69,783)
Income/(expense) from investments accounted for under equity accounting	-	-	-	-	-
Operating profit	302,582	6,942	309,524	(6,434)	303,090

Purchases of tangible and intangible fixed asset	92,293	157,999	250,292	-	250,292
Depreciation and amortization on fixed assets	(176,368)	(77,917)	(254,285)	-	(254,285)

TRAKYA CAM SANAYİİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

5. Segment Reporting

Geographical segments

	1 January - 31 December 2017			Consolidation adjustments		Consolidated
	Turkey	Europe	Other	Total	Consolidated	
Revenue	2,562,439	1,910,178	346,959	4,819,576	(488,414)	4,331,162
Cost of sales	(1,636,838)	(1,551,294)	(233,571)	(3,421,703)	490,819	(2,930,884)
Gross profit	925,601	358,884	113,388	1,397,873	2,405	1,400,278
Operating expenses	(457,099)	(331,037)	(56,652)	(844,788)	28,395	(816,393)
Other operating incomes	86,256	61,986	8,665	156,907	51,045	207,952
Other operating expenses	(31,307)	(7,774)	(4,731)	(43,812)	(50,544)	(94,356)
Income/(expense) from investments accounted for under equity accounting	-	-	-	-	-	-
Operating profit	523,451	82,059	60,670	666,180	31,301	697,481
Purchases of tangible and intangible fixed asset	129,483	99,088	4,162	232,733	-	232,733
Depreciation and amortization on fixed assets	(121,653)	(141,092)	(44,545)	(307,290)	-	(307,290)

	1 January - 31 December 2016			Consolidation adjustments		Consolidated
	Turkey	Europe	Other	Total	Consolidated	
Revenue	1,824,669	1,240,233	187,992	3,252,894	(236,656)	3,016,238
Cost of sales	(1,247,842)	(975,272)	(151,625)	(2,374,739)	246,039	(2,128,700)
Gross profit	576,827	264,961	36,367	878,155	9,383	887,538
Operating expenses	(392,710)	(248,858)	(25,424)	(666,992)	2,908	(664,084)
Other operating incomes	136,750	50,729	2,430	189,909	(40,490)	149,419
Other operating expenses	(80,186)	(4,646)	(6,716)	(91,548)	21,765	(69,783)
Income/(expense) from investments accounted for under equity accounting	-	-	-	-	-	-
Operating profit	240,681	62,186	6,657	309,524	(6,434)	303,090
Purchases of tangible and intangible fixed asset	101,342	139,360	9,590	250,292	-	250,292
Depreciation and amortization on fixed assets	(121,570)	(100,079)	(32,636)	(254,285)	-	(254,285)

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

6. Cash and Cash Equivalents

	31 December 2017	31 December 2016
Cash	36	26
Cash in banks	1,393,486	1,191,498
- Demand deposits	145,384	73,361
- Time deposits that have maturity less than 3 months	1,142,199,627	1,248,102
Other	4	47
	1,393,526	1,191,571

Time deposits

Currency	Interest Rate (%)	Maturity	31 December 2017	31 December 2016
EUR	1,10-1,45	January 2018	252,300	157,196
US Dollar	1,10-2,80	January 2018	510,540	493,156
Turkish Lira	10,15-12,54	January 2018	368,205	442,178
Other	0,10-8,70	January 2018	117,057	25,607
			1,248,102	1,118,137

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

	31 December 2017	31 December 2016
Cash and cash equivalents	1,393,526	1,191,571
Less: Interest accrual	(3,169)	(1,860)
Less: Blocked Deposits	-	(37,320)
	1,390,357	1,152,391

Nature and the level of risk related to cash and cash equivalents are explained in Note 38.

7. Financial Investment

a) Short-term financial investments

	31 December 2017	31 December 2016
Held to maturity financial investments ^(*)	37,022	24,193

^(*) The long-term, semi-annual fixed-rate US dollar denominated short-term portion of the securities in the currency and TRY denominated commercial paper.

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

7. Financial Investments

b) Long-term financial investments

	31 December 2017	31 December 2016
Held to maturity financial investments		
Private sector bonds	702,510	466,545

Held to maturity financial investments

	31 December 2017	31 December 2016
Company that has issuance of securities		
Türkiye İş Bankası A.Ş.	167,554	117,559
Türkiye Halk Bankası A.Ş.	107,856	99,956
Türkiye Sınai Kalkınma Bankası A.Ş.	85,311	54,334
Türkiye Vakıflar Bankası A.O.	84,684	23,869
Yapı ve Kredi Bankası A.Ş.	68,823	9,512
Türkcell İletişim Hizmetleri A.Ş.	62,589	58,543
Türkiye Garanti Bankası A.Ş.	54,572	50,918
Arçelik A.Ş.	54,427	50,672
T.C. Ziraat Bankası A.Ş.	28,898	-
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	19,501	17,968
Türkiye İhracat Kredi Bankası A.Ş.	3,618	-
Finansbank A.Ş.	1,699	-
Türk Telekomünikasyon A.Ş.	-	7,407
	739,532	490,738

The Group has accounted for fixed income securities that it intends to hold to maturity at amortized cost using the effective interest rate. The securities in question are in US dollar denominated fixed interest payment every six months.

Held to maturity financial investments denominated in US dollar, have carried in active market and their market value regarding market prices is as follow;

	31 December 2017	31 December 2016
Company that has issuance of securities		
Türkiye İş Bankası A.Ş.	169,937	113,500
Türkiye Halk Bankası A.Ş.	105,727	96,405
Türkiye Sınai Kalkınma Bankası A.Ş.	85,843	51,996
Türkiye Vakıflar Bankası A.O.	85,634	23,930
Yapı ve Kredi Bankası A.Ş.	69,687	9,575
Türkcell İletişim Hizmetleri A.Ş.	65,680	55,506
Arçelik A.Ş.	55,882	49,023
Türkiye Garanti Bankası A.Ş.	55,794	49,295
T.C. Ziraat Bankası A.Ş.	28,899	-
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	20,419	17,358
Türkiye İhracat Kredi Bankası A.Ş.	3,863	-
Finansbank A.Ş.	1,679	-
Türk Telekomünikasyon A.Ş.	-	6,940
	749,044	473,528

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

7. Financial Investments

Held to maturity financial investments

Maturity of held to maturity financial investments are as follows:

Collection period	31 December 2017	31 December 2016
Less than 3 months	5,251	3,718
Between 3-12 months	31,771	20,475
Between 1-5 years	598,945	306,195
Exceed 5 years	103,565	160,350
	739,532	490,738

The movement of held to maturity financial investments are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
1 January	490,738	-
Addition	318,942	429,648
Disposal	(7,384)	-
Principal received in current period	(110,900)	-
Interest received in current period	(31,528)	(6,757)
Revaluation difference	79,664	67,847
	739,532	490,738

Coupon rates and latest redemption dates of held to maturity financial investments are as follows:

Company that has issuance of securities	ISIN Code	Coupon Rate (%)	Redemption date
Türkiye Halk Bankası A.Ş.	XS1188073081	4.750	11,02,2021
Türkiye İş Bankası A.Ş.	XS1390320981	5.375	6,10,2021
Türkiye Sınai Kalkınma Bankası A.Ş.	XS1219733752	5.125	22,04,2020
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	XS0848940523	3.375	1,11,2022
Arçelik A.Ş.	XS0910932788	5.000	3,04,2023
Türkiye Sınai Kalkınma Bankası A.Ş.	XS1412393172	4.875	18,05,2021
Türkiye İş Bankası A.Ş.	XS1079527211	5.000	25,06,2021
Türkiye Halk Bankası A.Ş.	XS1439838548	5.000	13,07,2021
Türkiye Halk Bankası A.Ş.	XS0882347072	3.875	5,02,2020
Turkcell İletişim Hizmetleri A.Ş.	XS1298711729	5.750	15,10,2025
Türkiye Garanti Bankası A.Ş.	USM8931TAF68	5.250	13,09,2022
Türkiye Vakıflar Bankası A.O.	XS1508914691	5.500	27,10,2021
Türkiye İş Bankası A.Ş.	XS1508390090	5.500	21,04,2022
Yapı ve Kredi Bankası A.Ş.	XS0874840688	4.000	22,01,2020
Yapı ve Kredi Bankası A.Ş.	XS1028938915	5.125	22,10,2019
T.C. Ziraat Bankası A.Ş.	XS1223394914	4.750	29,04,2021
Türkiye İhracat Kredi Bankası A.Ş.	XS1496463297	5.375	24,10,2023
Türkiye İş Bankası A.Ş.	XS1117601796	5.375	30,10,2019
Türkiye İş Bankası A.Ş.	XS1578203462	6.125	25,04,2024
T.C. Ziraat Bankası A.Ş.	XS1605397394	5.125	3,05,2022
Yapı ve Kredi Bankası A.Ş.	XS1571399754	5.750	24,02,2022
Finansbank A.Ş.	XS1613091500	4.875	19,05,2022
Türkiye Vakıflar Bankası A.O.	XS1622626379	5.625	30,05,2022
Yapı ve Kredi Bankası A.Ş.	XS1634372954	5.850	21,06,2024

Effective interest rate of related US dollar denominated securities is 5.42%. (31 December 2016: 5.41%).

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

7. Financial Investments

Held to maturity financial investments

All securities amounting to TRY 739,532 thousand are maintained in the İş Portföy Yönetimi A.Ş. accounts and are valued by the effective interest rate method (31 December 2016: TRY 490,738 thousand).

8. Financial Liabilities

Current financial liabilities	31 December 2017	31 December 2016
Short term borrowings	314,481	292,634

Short term portion of long term borrowings	31 December 2017	31 December 2016
Short term portion of long term borrowings and interests	316,735	208,306
Due to related parties (Note 37)	2,987	2,987,274
Liabilities for financial leasing	626	1,272
Total short term borrowings	321,032	212,565
Total short term borrowings	635,513	505,199

Non - current financial liabilities	31 December 2017	31 December 2016
Long term portion of long term borrowings	1,017,083	984,576
Due to related parties (Note 37)	941,971	878,094
Liabilities for financial leasing	315	753
Total long -term financial liabilities	1,959,369	1,863,423
Total financial liabilities	2,594,882	2,368,622

Reprising periods for loans	31 December 2017	31 December 2016
3 months and shorter	297,743	519,032
Between 3-12 months	1,350,556	966,484
	1,648,299	1,485,516

The debt amounting TRY 945,642 thousand that The Group borrowed from T.Şişe ve Cam Fabrikaları A.Ş. will be paid with equal instalments every six months (31 December 2016: TRY 881,081 thousand). In 2017, financial leasing liabilities amounting TRY 941 thousand will be paid with equal instalments every month. (31 December 2016: TRY 2,025 thousand).

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

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

8. Financial Liabilities

Short and long-term bank borrowings as of 1 January-31 December 2017 are summarized as below:

Bank Borrowings	Capital	Interest	Commission	Total
1 January	1,479,522	7,958	(1,964)	1,485,516
Currency translation differences	214,771	886	(228)	215,429
Foreign exchange (gain)/loss	70,343	-	-	70,343
Additions - accruals for the period	409,303	39,639	-	448,942
Payments - reversals for the period	(530,029)	(43,167)	1,265	(571,931)
31 December 2017	1,643,910	5,316	(927)	1,648,299

Bonds issued	Capital	Interest	Discounts on Bonds	Commission	Total
1 January	879,800	3,705	(1,726)	(698)	881,081
Currency translation differences	63,175	-	-	-	63,175
Additions - accruals for the period	-	40,076	-	-	40,076
Payments - reversals for the period	-	(39,381)	487	204	(38,690)
31 December 2017	942,975	4,400	(1,239)	(494)	945,642

Financial Leases	Capital+Interest	Interest(-)	Total
1 January	2,025	-	2,025
Currency translation differences	304	-	304
Additions - accruals for the period	73	-	73
Payments - reversals for the period	(1,461)	-	(1,461)
31 December 2017	941	-	941

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

Bank Borrowings	Capital	Interest	Commission	Total
1 January	1,149,792	7,383	(708)	1,156,467
Spin off effect	109,041	-	-	109,041
Currency translation differences	156,097	1,066	(151)	157,012
Foreign exchange (gain)/loss	66,633	-	-	66,633
Additions - accruals for the period	504,257	39,803	(1,365)	542,695
Payments - reversals for the period	(506,298)	(40,294)	260	(546,332)
31 December 2016	1,479,522	7,958	(1,964)	1,485,516

Bonds issued	Capital	Interest	Discounts on Bonds	Commission	Total
1 January	726,900	2,662	(2,193)	(902)	726,467
Currency translation differences	152,900	-	-	-	152,900
Additions - accruals for the period	-	33,307	-	-	33,307
Payments - reversals for the period	-	(32,264)	467	204	(31,593)
31 December 2016	879,800	3,705	(1,726)	(698)	881,081

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

8. Financial Liabilities

Financial Leases	Capital+Interest	Interest(-)	Total
1 January	2,804	-	2,804
Currency translation differences	345	-	345
Payments - reversals for the period	(1,124)	-	(1,124)
31 December 2016	2,025	-	2,025

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

31 December 2017

Currency	Interest rate (%) ^(*)	Short - term	Long - term
US dollar	Libor + 2.00 - 3.75	24,551	1,029,360
EUR	Euribor + 0.08 - 3.75	596,487	902,083
RUB	9.50	14,475	27,926
		635,513	1,959,369

31 December 2016

Currency	Interest rate (%) ^(*)	Short - term	Long - term
US Dollar	Libor + 2.00 - 3.75	22,448	978,922
EUR	Euribor + 0.08 - 3.75	452,678	847,601
RUB	9.50	30,073	36,900
		505,199	1,863,423

^(*) The weighted average interest rate for EUR is Euribor + 2.62 %, for US dollar is Libor + 2.82 %.(31 December 2016: EUR is Euribor + 2.62 %, for US dollar is Libor + 2.82 %).

The redemption schedule of financial liabilities is as follow:

Repayment maturities of financial liabilities	31 December 2017	31 December 2016
Up to 1 year	635,513	505,199
Between 1-2 years	410,396	324,442
Between 2-3 years	1,242,021	257,674
Between 3-4 years	135,447	1,016,999
Between 4-5 years	94,372	101,871
Exceed 5 years	77,133	162,437
	2,594,882	2,368,622

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

9. Other Financial Liabilities

None (31 December 2016: None).

10. Trade Receivables and Payables

Trade receivables

Short-term trade receivables	31 December 2017	31 December 2016
Trade receivables	753,320	737,063
Notes receivables	5,458	6,202
Rediscount on notes receivables (-)	(5,009)	(2,857)
Allowance for doubtful receivables (-)	(48,679)	(37,143)
	705,090	703,265

A portion of domestic sales of flat glass is made on cash and remaining portion of receivable has average 90 days maturity (31 December 2016: 90 days). A portion of foreign sales of flat glass are made in cash and the remaining portion of receivable has average 45 days maturity. For overdue payments, 2% interest is charged on a monthly basis (31 December 2016: 2%). Average sales term for auto glass and glassware products is 45 days (31 December 2016: 45 days)

The Group has allocated allowance for its doubtful receivables. Allowance for doubtful receivables is determined by referring to past default experience. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted to the reporting date. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, the management believes that no further credit provision is required in excess of the allowance for doubtful debts.

TRY 59,974 thousand portion of trade receivable is related to the sales that the Company's related party Şişecam Dış Ticaret A.Ş. (31 December 2016: TRY 89,198 thousand).

The Group's the movement in the allowance for doubtful receivable is as follow:

	1 January- 31 December 2017	1 January- 31 December 2016
1 January	(37,143)	(20,063)
Charge for the period	(11,620)	(11,768)
Subsidiary acquisition effect	-	(10,344)
Currency translation difference	(4,275)	(2,489)
Collections	4,359	7,521
	(48,679)	(37,143)

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

10. Trade Receivables and Payables

As of 31 December 2017 TRY 82,849 thousand (31 December 2016: TRY 92,534 thousand) of trade receivable amount was past due but not impaired. This is related to various independent customers with no recent history of default. The aging analysis of trade receivable amounts and collateral information are presented in Note 38.

Trade Payables

Short term trade payables	31 December 2017	31 December 2016
Trade payables	426,462	319,797
Due to related parties (Note 37)	58,937	126,557
Rediscount on notes payables (-)	(1,642)	(726)
	483,757	445,628

Average credit term for purchases of goods is 60 days. The Group has financial risk management policies to ensure that all liabilities are paid within credit terms.

11. Other Receivables and Payables

Other current receivables	31 December 2017	31 December 2016
Due from related parties (Note 37)	173,979	24,588
Due from personnel	760	573
Deposits and guarantees given	1,939	713
Other receivables	12,902	9,634
	189,580	35,508

Other non-current receivables	31 December 2017	31 December 2016
Deposits and guarantees given	285	180

Other current payables	31 December 2017	31 December 2016
Due to related parties (Note 37)	171,424	127,719
Due to personnel	18,303	12,437
Deposits and guarantees received	14,246	12,581
Other payables ⁽¹⁾	15,493	65,145
	219,466	217,882

Other non - current payables	31 December 2017	31 December 2016
Deposits and guarantees received	1,330	427

⁽¹⁾ As of 31 December 2016 EUR 15,318 thousand (TRY 59,867 thousand) portion of other payables is related to the purchase of assets of Sangalli Vetro Porto Nogaro, a company in Italy.

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

12. Derivative Instruments

None (31 December 2016: None).

13. Inventories

	31 December 2017	31 December 2016
Finished goods	307,922	279,604
Raw materials	213,865	159,217
Trade goods	32,316	16,445
Work in process	47,037	34,085
Operating supplies	35,190	17,497
Other inventories	57,322	47,275
Provision for impairment of inventory (-)	(11,811)	(5,963)
	681,841	548,160

The movement of provision for impairment of inventory is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
1 January	(5,963)	(4,978)
Currency translation difference	(477)	(590)
Current year additions	(8,165)	(2,895)
Provisions realized during the year	2,794	2,500
	(11,811)	(5,963)

14. Prepaid Expenses and Deferred Income

Prepaid expenses in current assets	31 December 2017	31 December 2016
Order advances given for inventories	54,537	59,058
Prepaid expenses	13,865	10,536
	68,402	69,594

Prepaid expenses in non-current assets	31 December 2017	31 December 2016
Given advances	53,187	18,509
Prepaid expenses	5,686	11,179
	58,873	29,688

Short term deferred income	31 December 2017	31 December 2016
Order advances received	16,182	16,501
Deferred income	13,056	7,993
	29,238	24,494

Long term deferred income	31 December 2017	31 December 2016
Deferred income (*)	53,620	58,245

(*) The amount TRY 49,871 thousand consists of the government incentive provided by the Romania government to Glasscorp SA.

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

15. Construction Contracts

None (31 December 2016: None).

16. Joint Ventures and Associates

Net asset values of Joint Ventures and associates accounted for under equity accounting method represented in the balance sheet of the associates are as follows:

Joint Ventures	31 December 2017	31 December 2016
HNG Float Glass Limited	257,897	205,952
Associates	31 December 2017	31 December 2016
Camış Elektrik Üretim A.Ş.	21,967	22,017
Saint Gobain Glass Egypt S.A.E	96,306	69,634
Çayırova Cam Sanayii A.Ş.	104,593	106,083
	222,866	197,734
	480,763	403,686

Movements of the investments accounted for under equity accounting method during the year are as below:

	1 January- 31 December 2017	1 January- 31 December 2016
1 January	403,686	399,031
Participation in capital increase of subsidiaries and joint-ventures	-	2,567
Income and losses from associates and joint ventures (net)	49,537	35,319
Dividend income from associates	(3,035)	(2,172)
Currency translation differences	30,575	(31,059)
	480,763	403,686

Movements of the investments accounted for under equity accounting method during the period are as below:

Çayırova Cam Sanayii A.Ş.	31 December 2017	31 December 2016
Current assets	14,476	9,041
Non - current assets	357,418	368,143
Total assets	371,894	377,184
Current liabilities	268	264
Non - current liabilities	-	-
Total Liabilities	268	264
Net Assets (including goodwill)	371,626	376,920
Group share in net assets (including goodwill)	104,593	106,083

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

16. Joint Ventures and Associates

Movements of the investments accounted for under equity accounting method during the period are as below:

	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	-	-
Net profit / (loss) from continuing operations	20,699	27,870
Other comprehensive income loss	(24,993)	-
Total comprehensive profit / (loss)	(4,294)	27,870
The Group's share in profit / (loss) from continuing operations	5,826	7,843
Dividend distribution from retained earnings	1,000	1,600
Dividend distributed to company's share	281	450

Camiş Elektrik Üretim A.Ş.	31 December 2017	31 December 2016
Current assets	70,418	63,695
Non - current assets	6,298	8,465
Total Assets	76,716	72,160
Current liabilities	11,819	7,354
Non - current liabilities	1,091	854
Total Liabilities	12,910	8,208
Net Assets (including goodwill)	63,806	63,952
Group share in net assets (including goodwill)	21,967	22,017

	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	54,118	49,972
Net profit / (loss) from continuing operations	7,921	8,774
Other comprehensive income loss	(67)	10
Total comprehensive profit / (loss)	7,854	8,784
The Group's share in profit / (loss) from continuing operations	2,727	3,021
Dividend distribution from retained earnings	8,000	5,000
Dividend distributed to company's share	2,754	1,721

Saint Gobain Glass Egypt S.A.E	31 December 2017	31 December 2016
Current assets	118,702	79,111
Non - current assets	243,857	225,808
Total Assets	362,559	304,919
Current liabilities	29,321	66,557
Non - current liabilities	12,219	6,249
Total Liabilities	41,540	72,806
Net Assets (including goodwill)	321,019	232,113
Group share in net assets (including goodwill)	96,306	69,634

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

16. Joint Ventures and Associates

Saint Gobain Glass Egypt S.A.E	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	277,092	208,558
Net profit / (loss) from continuing operations	63,184	31,857
Other comprehensive income loss	25,722	(207,132)
Total comprehensive profit / (loss)	88,906	(175,275)
The Group's share in profit / (loss) from continuing operations	18,955	9,557
Capital increases in the period	-	8,138
The Group's share in cash capital increase	-	2,567

HNG Float Glass Limited	31 December 2017	31 December 2016
Current assets	133,968	119,593
- Cash and cash equivalents	2,210	614
- Trade Receivables	12,502	10,435
Non - current assets	497,098	446,623
Total Assets	631,066	566,216
Current liabilities	45,438	81,540
- Short Term Financial Liabilities	13,213	41,488
Non - Current liabilities	69,833	72,772
- Long Term Financial Liabilities	48,961	54,576
Total liabilities	115,271	154,312
Net assets (including goodwill)	515,795	411,904
Group share in net assets (including goodwill)	257,897	205,952

	1 January- 31 December 2017	1 January- 31 December 2016
Revenue	303,280	221,194
Interest income	517	39
Interest expense	9,367	9,419
Amortisation expense	12,518	20,009
Tax	8,638	7,282
Profit / (loss) from continuing operations	44,058	29,796
Other comprehensive income/(expense)	59,833	62,512
Total comprehensive profit / (loss)	103,891	92,308
The Group's share in profit / (loss) from continuing operations	22,029	14,898

17. Investment Properties

None (31 December 2016: None).

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

18. Property, Plant And Equipments

Cost	Land		Buildings		Machinery and equipment		Vehicles		Furniture and fixtures		Other fixed assets		Construction in progress		Total
	Land improvements	Land	Buildings	Buildings	equipment	and	equipment	Vehicles	fixtures	assets	in progress	Construction	in progress		
1 January	420,530	112,214	1,101,539	3,287,402	48,669	158,056	57,479	162,083	5,347,972						
Classification	-	-	4,113	-	-	-	-	-	-	-	-	-	-	-	4,113
Currency translation differences	9,845	10,048	142,314	326,857	7,442	10,747	4,227	20,738	532,218						
Additions	-	-	1,257	12,457	938	804	976	213,451	229,883						
Disposals	-	(37)	(1,124)	(37,901)	(922)	(10,091)	(12,512)	-	(62,587)						
Transfers from construction in progress	341	1,486	54,918	161,240	1,059	20,137	12,167	(251,348)	-						
Balance at 31 December 2017	430,716	123,711	1,303,017	3,750,055	57,186	179,653	62,337	144,924	6,051,599						
Accumulated depreciation and impairment															
1 January	(9,144)	(47,980)	(40,332)	(1,793,705)	(31,722)	(113,454)	(29,317)	-	(2,065,654)						
Classification	-	-	(4,113)	-	-	-	-	-	(4,113)						
Currency translation differences	(1,986)	(2,008)	(7,150)	(136,143)	(4,852)	(7,484)	(1,772)	-	(161,395)						
Charge for the period ^(*)	-	(4,767)	(34,242)	(232,051)	(5,621)	(12,556)	(6,302)	-	(295,539)						
Disposals	-	20	809	37,456	828	9,555	3,808	-	52,476						
Balance at 31 December 2017	(11,130)	(54,735)	(85,028)	(2,124,443)	(41,367)	(123,939)	(33,583)	-	(2,474,225)						
Net Book Value as of 31 December 2017	419,586	68,976	1,217,989	1,625,612	15,819	55,714	28,754	144,924	3,577,374						
Net Book Value as of 31 December 2016	411,386	64,234	1,061,207	1,493,697	16,947	44,602	28,162	162,083	3,282,318						

^(*) Current period allocation of depreciation expense is disclosed in Note 28 and Note 30. There is no financial leasing during the period. No mortgage over lands and buildings due to bank borrowings exist (31 December 2016: None).

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

18. Property, Plant And Equipments

Cost	Land		Buildings		Machinery and equipment		Vehicles		Furniture and fixtures		Other fixed assets		Construction in progress		Total
	Land improvements	Land	Buildings	Buildings	equipment	and	equipment	Vehicles	fixtures	assets	in progress	Construction	in progress		
1 January	410,493	98,957	885,549	2,620,286	42,108	134,029	43,567	179,324	4,414,313						
Currency translation differences	5,988	11,408	160,723	271,215	5,571	8,099	4,660	16,905	484,569						
Subsidiary acquisition effect	10,051	-	41,710	182,683	63	3,299	732	-	238,538						
Additions	-	-	1,191	8,377	302	2,123	6,645	226,886	245,524						
Disposals	(6,002)	(8)	(701)	(19,227)	(934)	(2,957)	(5,143)	-	(34,972)						
Transfers from construction in progress	-	1,857	13,067	224,068	1,559	13,463	7,018	(261,032)	-						
Balance at 31 December 2016	420,530	112,214	1,101,539	3,287,402	48,669	158,056	57,479	162,083	5,347,972						
Accumulated depreciation and impairment															
1 January	(7,832)	(42,175)	(8,190)	(1,528,642)	(23,981)	(99,396)	(24,493)	-	(1,734,709)						
Currency translation differences	(1,312)	(1,542)	(4,183)	(91,332)	(3,191)	(5,213)	(1,497)	-	(108,270)						
Charge for the period ^(*)	-	(4,264)	(27,975)	(192,372)	(5,373)	(10,384)	(4,945)	-	(245,313)						
Disposals	-	1	16	18,641	823	1,539	1,618	-	22,638						
Balance at 31 December 2016	(9,144)	(47,980)	(40,332)	(1,793,705)	(31,722)	(113,454)	(29,317)	-	(2,065,654)						
Net Book Value as of 31 December 2016	411,386	64,234	1,061,207	1,493,697	16,947	44,602	28,162	162,083	3,282,318						
Net Book Value as of 31 December 2015	402,661	56,782	877,359	1,091,644	18,127	34,633	19,074	179,324	2,679,604						

^(*) Current period allocation of depreciation expense is disclosed in Note 28 and Note 30.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

19. Intangible Assets

Cost	Rights ⁽¹⁾	Others	Total
1 January	73,553	10,820	84,373
Currency translation differences	13,576	2,087	15,663
Additions	2,684	166	2,850
Disposals	(56)	(5)	(61)
Balance at 31 December 2017	89,757	13,068	102,825
Accumulated depreciation			
1 January	(59,013)	(6,652)	(65,665)
Currency translation differences	(11,801)	(1,443)	(13,244)
Change for the period	(9,954)	(1,797)	(11,751)
Disposals	56	5	61
Balance at 31 December 2017	(80,712)	(9,887)	(90,599)
Net book value as of 31 December 2017	9,045	3,181	12,226
Net book value as of 31 December 2016	14,540	4,168	18,708

Cost	Rights	Others	Total
1 January	60,876	8,011	68,887
Currency translation differences	9,471	1,297	10,768
Subsidiary acquisition effect	-	82	82
Additions	3,301	1,467	4,768
Disposals	(95)	(37)	(132)
Balance at 31 December 2016	73,553	10,820	84,373
Accumulated depreciation			
1 January	(44,268)	(4,626)	(48,894)
Currency translation differences	(7,127)	(804)	(7,931)
Change for the period ⁽¹⁾	(7,713)	(1,259)	(8,972)
Disposals	95	37	132
Balance at 31 December 2016	(59,013)	(6,652)	(65,665)
Net book value as of 31 December 2016	14,540	4,168	18,708
Net book value as of 31 December 2015	16,608	3,385	19,993

⁽¹⁾ Allocation of depreciation expense is disclosed in Note 28 and Note 30.

20. Goodwill

	1 January- 31 December 2017	1 January- 31 December 2016
1 January	26,349	22,591
Currency translation differences	5,054	3,758
	31,403	26,349
	31 December 2017	31 December 2016
Fritz Holding GmbH	6,570	5,398
Glasscorp S.A.	24,833	20,951
	31,403	26,349

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

21. Government Grants

An agreement for government incentive was signed between Glasscorp S.A and Ministry of Economy on behalf of the Republic of Romania under "Regulation of Investment Incentive and Implementation" of Romania and "Government Incentive Legislation" of European Union.

Exports and other foreign currency denominated operations, within the scope of the standards determined by the Ministry of Finance and Undersecretaries of Foreign Trade, are exempt from stamp tax and fees. Government grants are paid to support participating in international fairs in accordance with the Decision No: 2004/11 of the Money Credit and Coordination Committee issued at 16 December 2004.

22. Provisions, Contingent Assets and Liabilities

Short term provisions	31 December 2017	31 December 2016
Provision for litigation	6.651	10.287
Provision for outsourced services	2.883	4.455
Provision for personnel allowance	2.448	870
Turnover premium provisions	6.434	2.319
Penalty Provision	13.125	-
Other	3.043	1.379
	34.584	19.310

As of 31 December 2017, Group management took advice from legal consultants about the lawsuits filed against the Group, calculated its potential future cash outflow as TRY 6,651 thousand (2016: TRY 10,287 thousand) and set aside a provision for this amount. The provision amount was recognised under general management expenses.

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

The CPM's given by the Company	31 December 2017			
	TRY Equivalent	US Dollar	EUR	Other
A. CPM's given in the name of its own legal personality ⁽¹⁾	-	-	-	-
B. CPM's given on behalf of the fully consolidated companies	1,104,600	-	235,347	41,889
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-
i. Total amount of CPM's given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM's given on behalf of the Group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of	-	-	-	-
Total	1,104,600	-	235,347	41,889

⁽¹⁾ Percentage of CPM's given by the Company to the Company's equities is 26% as of 31 December 2017 (31 December 2016: 25%).

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

22. Provisions, Contingent Assets and Liabilities

The financial of the Group are met by the parent company, Şişecam Holding and these funds are proceed to subsidiaries with same conditions.

In this context, the CPM amounting to USD 250,000 thousand, which is included in the Table D- i "In Favor of the Parent Company" section, the funds obtained from Şişecam's nominal value of USD 500,000 thousand with a 7-year maturity, issued on 9 May 2013 abroad, consists of guarantees given individually by the Group for principal, interest and similar payments, as well as the amount of funds provided by transfer of up to USD 250,000 thousand to the Group.

As of 31 December 2017, there are no CPMs available in favor of third parties.

The CPM's given by the Company	TRY Equivalent	31 December 2016		
		US Dollar	EUR	Other
A. CPM's given in the name of its own legal personality	-	-	-	-
B. CPM's given on behalf of the fully consolidated companies	848,587	3,953	211,724	49,200
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-
i. Total amount of CPM's given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM's given on behalf of the Group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-
Total	848,587	3,953	211,724	49,200

23. Commitments

According to agreements made with Türkiye Petrolleri Anonim Ortaklığı, Polatlı O.S.B. and Mersin O.S.B., the Group has a commitment to purchase 373,943,764 sm³ natural gas purchase commitment between 1 January and 31 December 2017 (31 December 2016: 362,774,096 sm³).

24. Employee Benefits

Short Term	31 December 2017	31 December 2016
Unused vacation provisions	2,011	940

Long Term

Provision for employee termination benefits	31 December 2017	31 December 2016
Domestic	79,868	63,858
Foreign	3,105	2,954
	82,973	66,812

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

24. Employee Benefits

Long Term (Provision for employment termination benefits)

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Also, employees who are entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506, Some transition provisions related to the pre-retirement service term were excluded from the law since the related law was changed as of 23 May 2002, The monthly ceiling of employee termination benefit to be paid as of 31 December 2017 is TRY 4,732.48 (31 December 2016: TRY 4,297.21).

Liability of employment termination benefits is not subject to any funding as there isn't an obligation. Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2017 and 31 December 2016 the provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

Provisions at the balance sheet date were calculated by assuming an annual inflation rate of 6.40% (31 December 2016: 6.00%) and a discount rate of 11.39% (31 December 2016: 11.50%), the real discount rate is approximately 4.69% (31 December 2016: 5.19%). The anticipated rate of forfeitures that occurred on voluntary turnovers is considered.

The movement of the employment termination benefits is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
1 January	66,812	60,578
Service cost	9,782	10,937
Interest cost	7,361	2,822
Actuarial loss / (gain)	7,341	(1,444)
Subsidiary acquisition effect	-	125
Currency translation differences	597	414
Paid during the period	(8,920)	(6,620)
	82,973	66,812

25. Impairment of Assets

	31 December 2017	31 December 2016
Provision for doubtful receivables	48,679	37,143
Provision for impairment of inventory	11,811	5,963
	60,490	43,106

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

26. Other Assets and Liabilities

	31 December 2017	31 December 2016
Other current assets		
Other VAT	26,519	19,125
Other	3,813	10,290
	30,332	29,415
Other current liabilities		
Taxes and funds payables	14,130	10,298
Social security premiums payable	17,640	13,875
Social benefit payable	8,839	6,982
Expense accruals	33,926	28,755
Other	6,129	3,695
	80,664	63,605

27. Capital, Reserves and Other Equity Items

Equity components "Paid-in Share Capital", "Restricted Reserves" and "Share Premiums", are accounted as legal reserves in accordance with related Article of the Turkish Commercial Code and are presented with in the statutory financial statements. The differences, that are recognized through the valuation made in accordance with CMB Reporting Standards and cannot be subject to dividend distribution or capital increase as of reporting date (such as inflation adjustment differences) and relevant to the paid-in share capital, are associated with "Adjustments to Share Capital" which is under paid-in share capital and the differences resulting from the "Restricted Reserves" and "Share Premiums" are associated with "Retained Earnings."

a) Capital / Treasury Shares

The approved and paid-in capital of the Company consists of 113,000,000,000 (31 December 2016: 93,000,000,000) shares issued on bearer with a nominal value of Kr 1 (Kuruş one) each.

	31 December 2017	31 December 2016
Registered capital ceiling ⁽¹⁾	3.000.000	1.500.000
Approved and paid-in capital	1.130.000	930.000

⁽¹⁾ The amendment of Article 6 in Articles of Association related with capital which contains the increase of registered capital ceiling from TRY 1,500,000 thousand to TRY 3,000,000 thousand has been approved by the Capital Market Board with the letter dated 2 March 2017 and numbered 2781. Additionally, following to the approval obtained from Turkish Republic Custom and Trade Ministry, the increase of the ceiling has been accepted by the shareholders in the Ordinary General Assembly Meeting held on 29 March 2017 and published on the Trade Registry Gazette dated 10 April 2017 and numbered 9302. The registered capital ceiling permission given by the Capital Market Board is valid for the years of 2017-2021 (5 years).

Shareholder structure as of 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017		31 December 2016	
	Amount TRY	Share (%)	Amount TRY	Share (%)
Shareholders				
Türkiye Şişe ve Cam Fabrikaları A.Ş.	784,789	69.45	642,158	69.05
Publicly traded	345,211	30.55	284,112	30.55
Şişecam Group companies	-	-	3,730	0.40
Paid - in share capital	1,130,000	100.00	930,000	100.00
Adjustment to share capital	5,577	-	5,577	-
Total share capital	1,135,577		935,577	

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

27. Capital, Reserves and Other Equity Items

a) Capital / Treasury Shares (continued)

	31 December 2017		31 December 2016	
	Amount TRY	Share (%)	Amount TRY	Share (%)
Shareholders				
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	269,913	23.89	222,978	23.98
Atatürk's Shares (Cumhuriyet Halk Partisi)	144,418	12.78	118,857	12.78
Other (Publicly traded)	715,669	63.33	588,165	63.24
Total	1,130,000	100.00	930,000	100.00

b) Share Premium

It determines the difference between the nominal price and the sales price of the shares publicly traded. It is TRY 23 thousand as of 31 December 2017 (31 December 2016: TRY 23 thousand).

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

Revaluation funds that are unrelated with income statement is directly transferred to equity as follows:

	31 December 2017	31 December 2016
Items not to be reclassified to profit and loss		
Fixed assets revaluation fund	464,325	463,297
- Revaluation funds of land and buildings	464,325	463,297
-Actuarial gain / loss revaluation fund for employee termination provisions	(4,892)	800
	459,433	464,097

Provision for employee termination benefits actuarial gain / loss reserve fund

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

The movement of the gain/loss on revaluation and remeasurement is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
1 January	800	(504)
Additions	(7,115)	1,630
Deferred tax effect	1,423	(326)
	(4,892)	800

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (“TRY”) UNLESS OTHERWISE INDICATED.)

27. Capital, Reserves and Other Equity Items

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

Movements in revaluation funds presented in the statements of comprehensive income and statement of changes in equity.

Currency translation differences

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

TRY 39,685 thousand of the change in the currency translation difference relates to non-controlling interests (31 December 2016: TRY 28,460 thousand).

Items to be reclassified to profit or loss	31 December 2017	31 December 2016
Currency translation differences	464,047	253,097

e) Restricted Reserves

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

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

Publicly held corporations make their dividend distributions within the framework set forth in the standards and notifications published by Capital Markets Board.

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

Restricted reserves attributable to equity holders of the Parent	31 December 2017	31 December 2016
Legal reserves	159,699	137,116

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (“TRY”) UNLESS OTHERWISE INDICATED.)

27. Capital, Reserves and Other Equity Items

f) Retained Earnings

Prior periods’ income of the Group amounting to TRY 1,174,789 thousand is classified to retained earnings in the consolidated balance sheet as at 31 December 2017 (31 December 2016: TRY 956,665 thousand).

Profit Distribution

Dividends are distributed according to Communiqué Serial: II-19,1 on “Principles Regarding Distribution of Interim Dividends for quoted entities subject to Capital Market Board Law”, principles on corporate articles and dividend distribution policy which is declared by Companies. In addition to the CMB, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué II-14,1 that sufficient reserves exists in the unconsolidated statutory books.

The profit shares in quoted partnerships are distributed to all available shared as of distribution date, equally at the rates of shares without considering the issue and acquisition dates.

Reserves subject to distribution of dividend

The profit shares in quoted partnerships are distributed to all available shared as of distribution date, equally at the rates of shares without considering the issue and acquisition dates.

	31 December 2017	31 December 2016
Net profit for the year	538,254	344,527
I. Legal reserves	(26,913)	(17,226)
Distributable profit for the period	511,341	327,301
Extraordinary reserves	565,676	548,878
Retained earnings	327	158,293
	1,077,344	1,034,472

28. Revenue and Cost of Sales

Sales	1 January- 31 December 2017	1 January- 31 December 2016
Sales	4,653,060	3,235,729
Sales discount	(290,854)	(194,751)
Sales returns	(27,962)	(21,098)
Other sales discounts	(3,082)	(3,642)
	4,331,162	3,016,238

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

28. Revenue and Cost of Sales

	1 January- 31 December 2017	1 January- 31 December 2016
Cost of sales		
Direct materials	(1,818,078)	(1,304,001)
Direct labor	(277,545)	(194,055)
General production	(564,339)	(433,613)
Depreciation	(264,856)	(220,772)
Change in work - in - progress inventories	12,952	(729)
Change in finished goods inventories	28,318	47,514
Cost of goods sold	(2,883,548)	(2,105,656)
Cost of traded goods sold	(33,529)	(12,319)
Cost of services given	(13,807)	(10,725)
	(2,930,884)	(2,128,700)

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

	1 January- 31 December 2017	1 January- 31 December 2016
General administrative expenses	(286,649)	(276,834)
Marketing expenses	(504,217)	(354,473)
Research and development expenses	(25,527)	(32,777)
	(816,393)	(664,084)

30. Expense by Nature

	1 January- 31 December 2017	1 January- 31 December 2016
Indirect material costs	(23,703)	(14,863)
Labor and employee salary expense	(222,717)	(177,717)
Outsourced services	(353,255)	(291,235)
Miscellaneous expenses	(174,284)	(146,756)
Depreciation and amortization expenses	(42,434)	(33,513)
	(816,393)	(664,084)

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

31. Other Income and Expenses from Operating Activities

	1 January- 31 December 2017	1 January- 31 December 2016
Other operating income		
Finance income related to operating activities	98,659	85,508
Provisions no longer required	27,223	27,459
Insurance damage indemnity	10,629	3,865
Gain on sales of raw material	8,609	5,661
Franchise income	7,494	272
Investment incentive income	6,612	9,831
Commission income	5,449	255
Gain on sales of scrap	3,358	5,208
Rent income	2,268	1,717
Income from other operations	37,651	9,643
	207,952	149,419

Other operating expenses

	1 January- 31 December 2017	1 January- 31 December 2016
Financing expense related to operating activities	(55,450)	(37,861)
Provision expenses	(11,620)	(11,768)
Loss on sales of scrap	(4,339)	(6,847)
Commission expenses	(457)	(3,132)
Penalties paid	(441)	(1,379)
Expense and loss of prior period	(28)	(765)
Expense from other operations	(22,021)	(8,031)
	(94,356)	(69,783)

32. Income or Expenses from Investing Activities

	1 January- 31 December 2017	1 January- 31 December 2016
Income from investing activities		
Valuation difference of financial assets	79,664	67,847
Gain on sales of tangible assets	-	284,242
Gain on sale of marketable securities	13,849	6,880
Dividend income	-	24,445
	93,513	383,414

Expense from investing activities

	1 January- 31 December 2017	1 January- 31 December 2016
Loss on sale of tangible assets	(422)	(455)

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

33. Financial Income and Expenses

	1 January- 31 December 2017	1 January- 31 December 2016
Financial Income		
Foreign exchange income	242,357	252,275
- Cash and cash equivalents	202,129	230,715
- Borrowings	1,118	2,319
- Bonds issued	390	-
- Derivative instruments	-	25
- Other	38,720	19,216
Interest income	87,511	57,521
- Time deposits	69,704	41,701
- Other	17,807	15,820
	329,868	309,796

	1 January- 31 December 2017	1 January- 31 December 2016
Financial Expenses		
Foreign exchange expense	(293,087)	(335,488)
- Cash and cash equivalents	(126,694)	(93,767)
- Borrowings	(71,461)	(68,952)
- Bonds issued	(63,565)	(152,900)
- Other	(31,367)	(19,869)
Interest expense	(104,177)	(93,787)
- Borrowings	(39,639)	(39,803)
- Bonds	(40,076)	(33,307)
- Other	(24,462)	(20,677)
	(397,264)	(429,275)

	1 January- 31 December 2017	1 January- 31 December 2016
Financial Income/ Expense (Net)		
Foreign exchange income (expense)	(50,730)	(83,213)
- Cash and cash equivalents	75,435	136,948
- Borrowings	(70,343)	(66,633)
- Bonds issued	(63,175)	(152,900)
- Derivative instruments	-	25
- Other	7,353	(653)
Interest expense	(16,666)	(36,266)
- Time deposits and borrowings	30,065	1,898
- Bonds	(40,076)	(33,307)
- Other	(6,655)	(4,857)
	(67,396)	(119,479)

34. Assets Held for Sale and Discounted Operations

None (31 December 2016: None).

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

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

Deferred Tax Assets and Liabilities

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

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

	31 December 2017	31 December 2016
Deferred tax assets	52,098	50,217
Deferred tax liabilities (-)	(41,638)	(15,628)
Deferred tax assets (net)	10,460	34,589

	31 December 2017	31 December 2016
Temporary Differences		
Useful life and valuation differences on tangible and intangible assets	558,104	547,465
Carry forward tax losses	(236,824)	(228,856)
Employee termination benefits	(75,593)	(66,812)
Revaluation of inventories	(9,301)	(4,741)
Investment allowance utilized during the period	(313,005)	(484,856)
Discount on receivables and payables	(2,681)	33
Provision for legal exposures	(5,421)	(8,165)
Doubtful receivables	(23,469)	(18,139)
Other	61,215	53,565
	(46,975)	(210,506)

	31 December 2017	31 December 2016
Deferred Tax (Assets)/Liabilities		
Useful life and valuation differences on tangible and intangible assets	100,276	91,551
Carry forward tax losses	(14,190)	(13,783)
Employee termination benefits	(16,411)	(13,265)
Revaluation of inventories	(1,896)	(434)
Investment allowance utilized during the period	(68,861)	(96,971)
Discount on receivables and payables	(590)	7
Provisions for legal exposures	(1,193)	(1,633)
Doubtful receivables	(5,086)	(3,573)
Other	(2,509)	3,512
	(10,460)	(34,589)

The movement of the deferred tax (assets) / liabilities is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
1 January	(34,589)	13,329
Recognized in the statement of profit and loss	12,052	(36,226)
Recognized in the statement of other comprehensive income	(1,423)	(12,209)
Currency translation differences	13,500	517
	(10,460)	(34,589)

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

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

Corporate Tax

The Group is subject to Turkish corporate taxes. Tax legislation in Turkey does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes as reflected in the accompanying consolidated financial statements are calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting the revenues exempted from tax, non-taxable revenues and other discounts (if any previous year losses and preferred investment allowances) are deducted.

The tax rate in Turkey is 20% with the balance sheet date (31 December 2016: 20%).

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

Country	Tax Rate (%)
Bulgaria	10.0
Egypt	20.0
Romania	16.0
Russia ^(*)	3.0 - 20.0
Holland ^(**)	20.0 - 25.0
Germany	15.0
India	30.0
Slovakia	19
Hungary	10.0-19.0
Italy	27.9

^(*) Russia's Tatarstan region is used tax rate of 3,0%, in the other regions are used tax rate 20,0%.

^(**) In Holland, tax rate of 20% is used up to amounting EUR 200 thousand income, if exceed this amount, tax rate of 25% is used.

In Turkey, advance tax returns are filed on a quarterly basis. In 2017, 20% of temporary tax rate is applied during the taxation of corporate income (31 December 2016: 20%).

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017."Bazı Vergi Kanunları ile Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 - 25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1- 25 of the fourth month subsequent to the fiscal year end). The Tax Office can examine these statements and the accounting records that are based on them within 5 years and change the taxation of the institutions that the company should pay.

Losses can be carried forward for offset against future taxable income for up to 5 years (Russia unlimited, Romania 7 years, Germany 10 years). Losses cannot be carried back for offset against profits from prior periods.

With the term of not exceeding the companies subsidiary Trakya Glass Bulgaria EAD's investments more than 50% which operations take place in Bulgaria, the company can benefit from tax allowance. Company has benefited from the tax allowance in year 2017 and 2016.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

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

Corporate tax

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. This rate was changed to 15% for all Companies as of 23 July 2006, Undistributed dividends incorporated in share capital are not subject to income withholding tax. A tax charge of 19.8% applies to investment incentives that were utilized via investment incentive certificates that were obtained before 24 April 2003, After this date, 40% of investment expenses incurred without an incentive certificate can be deducted from taxable revenue. There is no tax charge for capital expenditures qualifying for government incentive.

Application of Discounted Corporation Tax

Within the framework of Article 32/A of the Corporate Tax Law No.5520, the Ministry of Economy receives discounted corporate tax support for the profits obtained from investments connected to the incentive certificate.

The amount of corporation tax to be paid each year until the amount of investment contribution calculated according to the investment contribution rate determined by the Council of Ministers is attained is applied by discounting the corporation tax discount rate determined by the Council of Ministers and utilizing this incentive. VAT and customs tax incentives are also utilized in accordance with the investment incentive documents obtained under the same decision scope.

	31 December 2017	31 December 2016
Current tax provision	116,779	63,026
Prepaid taxes and funds (-)	(75,792)	(51,944)
Tax provision in the statement of the financial position	40,987	11,082
	1 January- 31 December 2017	1 January- 31 December 2016
Provision for Corporate Tax for current period	(116,779)	(63,026)
Deferred tax income	(12,052)	36,226
Tax provision in the statement of income	(128,831)	(26,800)

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

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

Reconciliation of provision for tax	31 December 2017	31 December 2016
Profit before taxation and non-controlling interest	772,713	601,889
Effective tax rate	20,00%	20,00%
Calculated tax	(154,543)	(120,378)
The reconciliation of income tax provision and calculated		
- Non-deductible expenses	(10,905)	(3,617)
- Corporate tax allowance	17,914	42,488
- Carry forward tax losses	407	-
- Profit/(loss) from investments accounted for under equity method	9,907	7,064
- The effect of foreign companies subject to different tax rate	12,315	8,133
- Tax exemptions	-	42,095
- Increase on tax base	(1,819)	(4,783)
-Other	(2,107)	2,198
Tax provision in the statement of income	(128,831)	(26,800)

36. Earnings Per Share

Earnings per share	1 January- 31 December 2017	1 January- 31 December 2016
Average number of shares existing during the period (total value)	1,130,000	1,130,000
Net profit for the period attributable to equity holders of the parent	616,395	546,709
Earnings per share	0.5455	0.4838
Total comprehensive income attributable to equity holders of the parent	822,681	507,449
Earnings per share from total comprehensive income	0.7280	0.4491

37. Related Party Disclosures

Türkiye Şişe ve Cam Fabrikaları A.Ş. is the main shareholder of the Group and Türkiye İş Bankası A.Ş. is the ultimate controlling party. All transactions and balances between the Group and its consolidated subsidiaries are eliminated on consolidation and not disclosed in this note.

Transactions among the Group and other related parties are disclosed below.

Deposits held from related parties	31 December 2017	31 December 2016
T. İş Bankası A.Ş.		
- Time deposits	1,129,240	1,031,023
- Demand deposits	2,320	1,270
	1.131.560	1.032.293
İşbank AG		
- Demand deposits	16,766	18,264

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

37. Related Party Disclosures

The non-trade receivables and payables of the Group with its related parties consist of financial loans given to and received from Türkiye Şişe ve Cam Fabrikaları A.Ş. and its subsidiaries. These non-trade receivables and payables do not have maturities. Interest is accrued using a monthly current account interest rate determined by Türkiye Şişe ve Cam Fabrikaları A.Ş. based on money markets. The monthly interest rate used for 31 December 2017 was 1.28% (31 December 2016:0.98%)

Financial liabilities to related parties	31 December 2017	31 December 2016
Şişecam Holding through ^(*)	945,642	881,081
Financial investments to be held until maturity		
	1 January- 31 December 2017	1 January- 31 December 2016
Türkiye İş Bankası A.Ş.	167,554	117,558
Türkiye Sınai Kalkınma Bankası A.Ş.	85,311	54,334
	252,865	171,892

^(*) The parent company, T. Şişe ve Cam Fabrikaları A.Ş. issued on 9 May 2013 a 7 year term, fixed interest bonds amounting to US dollar 500,000 thousand with the maturity date May 2020. The interest rate for the bonds was determined as 4.25%. The capital payment of the bond would be made at maturity date. Funds amounting to US dollar 250,000 thousand provided after issuance of these bonds transferred to the Group under the same conditions and the Group guaranteed principal, interest and other payments of fund transferred from T. Şişe ve Cam Fabrikaları A.Ş. TRY 3,671 thousand portion of the period balance is short term and TRY 941,971 thousand portion is long term.

Coupon interest rates and nominal amounts of financial investments held to maturity are as follows:

Securities issuer	ISIN Code	Coupon Interest Rate(%)	1 January- 31 December 2017 Nominal Amount (thousand USD)	1 January- 31 December 2016 Nominal Amount (thousand USD)
Türkiye İş Bankası A.Ş.	XS1390320981	5.3750%	15,982	15,982
Türkiye İş Bankası A.Ş.	XS1079527211	5.0000%	15,374	10,950
Türkiye İş Bankası A.Ş.	XS1508390090	5.5000%	12,000	6,500
Türkiye İş Bankası A.Ş.	XS1117601796	5.3750%	410	-
Türkiye İş Bankası A.Ş.	XS1578203462	6.1250%	550	-
			44,316	33,432
Türkiye Sınai Kalkınma Bankası A.Ş.	XS1219733752	5.1250%	6,350	3,000
Türkiye Sınai Kalkınma Bankası A.Ş.	XS1412393172	4.8750%	16,287	12,514
			22,637	15,514

Other receivables from related parties	31 December 2017	31 December 2016
Türkiye Şişe ve Cam Fabrikaları A.Ş.	151,449	9,355
Paşabahçe Bulgaria EAD	13,145	11,036
Camiş Elektrik Üretim A.Ş.	4,855	282
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	1,313	1,041
Saint Gobain Glass Egypt S.A.E.	-	1,535
Other	3,217	1,339
	173,979	24,588

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

37. Related Party Disclosures

Trade payables to related parties	31 December 2017	31 December 2016
Şişecam Bulgaria EOOD	21,149	10,538
Camiş Madencilik A.Ş.	12,713	3,119
Soda Sanayii A.Ş.	10,835	53,965
Şişecam Dış Ticaret A.Ş.	6,247	42,909
Camiş Elektrik Üretim A.Ş.	2,427	2,326
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	2,222	1,688
Saint Gobain Glass Egypt S.A.E.	1,090	-
Çayırova Cam Sanayii A.Ş.	3	59
Şişecam Enerji A.Ş.	-	11,117
Other	2,251	836
	58,937	126,557

Other payables to related parties	31 December 2017	31 December 2016
Türkiye Şişe ve Cam Fabrikaları A.Ş.	171,424	127,719

Interest income from related parties	1 January-31 December 2017	1 January-31 December 2016
T. İş Bankası A.Ş.	61,667	35,269
Türkiye Şişe ve Cam Fabrikaları A.Ş.	10,371	11,605
Other	694	592
	72,732	47,466

Interest expense to related parties	1 January-31 December 2017	1 January-31 December 2016
Türkiye Şişe ve Cam Fabrikaları A.Ş.	17,027	11,590
Şişecam Dış Ticaret A.Ş.	1,942	-
Soda Sanayii A.Ş.	1,602	2,159
Camiş Madencilik A.Ş.	1,269	1,235
T. İş Bankası A.Ş.	76	3,141
Other	390	1,736
	22,306	19,861

Dividend income from related parties	1 January-31 December 2017	1 January-31 December 2016
Soda Sanayii A.Ş.	-	24,445

Other income from related parties	1 January-31 December 2017	1 January-31 December 2016
Paşabahçe Bulgaria EAD ⁽¹⁾	24,435	27,080
Türkiye Şişe ve Cam Fabrikaları A.Ş.	5,100	-
Paşabahçe Cam Sanayii ve Tic. A.Ş.	785	715
Camiş Madencilik A.Ş.	506	-
Anadolu Cam Yenişehir Sanayi A.Ş.	-	2,046
Other	3,792	3,308
	34,618	33,149

⁽¹⁾ It consists of sales of materials to Paşabahçe Bulgaria EAD.

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

37. Related Party Disclosures

Other expenses to related parties	1 January-31 December 2017	1 January-31 December 2016
Şişecam Bulgaria EOOD ⁽³⁾	101,194	49,680
Camiş Madencilik A.Ş. ⁽²⁾	93,965	74,778
Soda Sanayii A.Ş. ⁽¹⁾	90,099	169,711
Türkiye Şişe ve Cam Fabrikaları A.Ş.	69,573	-
Camiş Elektrik Üretim A.Ş.	24,242	23,978
Camiş Egypt Mining Ltd. Co.	7,668	6,550
Şişecam Enerji A.Ş.	-	71,734
Other	9,348	12,218
	396,089	408,649

⁽¹⁾ It consists of purchases of soda from Soda Sanayii.

⁽²⁾ It consists of purchases of sand from Camiş Madencilik.

⁽³⁾ It consists of purchase of soda from Sisecam Bulgaria EOOD.

Benefits provided to key management	1 January-31 December 2017	1 January-31 December 2016
Parent	4,627	4,924
Consolidated entities	17,184	13,361
	21,811	18,285

38. Financial Instruments and Financial Risk Management

a) Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings and other debts disclosed in Note 8 and 10, cash and cash equivalents disclosed in Note 6 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 27.

The Group controls its capital using the net debt / total capital ratio. This ratio is calculated as net debt divided by the total equity amount. Net debt, total debt net of cash and cash equivalents (as shown in the balance sheet of financial assets and liabilities, financial leases and trade payables) is calculated by subtracting.

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

38. Financial Instruments and Financial Risk Management

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

	31 December 2017	31 December 2016
Financial liabilities and trade payables	3,078,639	2,814,250
Less: Cash and cash equivalents	(1,393,526)	(1,191,571)
Net Debt	1,685,113	1,622,679
Total Equity	4,356,175	3,586,722
Net debt / total equity ratio	39%	45%

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

b) Financial Risk Factors

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

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

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

b.1) Credit Risk Management

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

TRAKYA CAM SANAYİİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

38. Financial Instruments and Financial Risk Management

b) Financial Risk Factors

b.1) Credit Risk Management

	Receivables				Derivative Financial Instruments
	Trade Receivable		Other Receivable		
	Related Party	Third Party	Third Party	Third Party	Cash and Cash Equivalents
Credit risk of financial instruments					
Maximum credit risk exposed as of 31 December 2017 ^(*) (A+B+C+D+E)					
- Hedged part of maximum risk with collateral	-	705,090 (335,429)	15,886	173,979	1,393,486
A. Net book value of financial assets that are neither past due nor impaired	-	622,241 (310,197)	15,886	173,979	1,393,486
- The part of which is under guarantee with collateral	-	-	-	-	-
B. Net book value of financial assets that are renegotiated, otherwise that will be considered as past due or impaired	-	-	-	-	-
- The part of which is under guarantee with collateral	-	82,849 (25,232)	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-
- The part of which is under guarantee with collateral	-	-	-	-	-
D. Net book value of impaired assets	-	48,679 (48,679)	-	-	-
-Past due (gross carrying amount)	-	-	-	-	-
-Impairment (-)	-	-	-	-	-
-The part of net value under guarantee with collateral	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-
-Impairment (-)	-	-	-	-	-
-The part of net value under guarantee with collateral	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-

^(*) Determination of the amount received as guarantees, credit enhancements are not taken into account

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

38. Financial Instruments and Financial Risk Management

b) Financial Risk Factors

b.1) Credit Risk Management

	Receivables				Cash and Cash Equivalents	Derivative Financial Instruments
	Trade Receivable		Other Receivable			
	Related Party	Third Party	Related Party	Third Party		
Credit risk of financial instruments						
Maximum credit risk exposed as of 31 December 2016 (*) (A+B+C+D+E)		703,265	24,588	11,100	1,191,497	
- Hedged part of maximum risk with collateral		(301,961)				
A. Net book value of financial assets that are neither past due nor impaired		610,731	24,588	11,100	1,191,497	
- The part of which is under guarantee with collateral		(266,708)				
B. Net book value of financial assets that are renegotiated, otherwise that will be considered as past due or impaired						
- The part of which is under guarantee with collateral						
C. Net book value of financial assets that are past due but not impaired						
- The part of which is under guarantee with collateral						
D. Net book value of impaired assets						
- Past due (Gross carrying amount)						
- Impairment (-)		37,143				
- The part of net value under guarantee with collateral		(37,143)				
- Not past due (gross carrying amount)						
- Impairment (-)						
- The part of net value under guarantee with collateral						
E. Off balance sheet items with credit risk						

(*) Determination of the amount received as guarantees, credit enhancements are not taken into account

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
 (AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

38. Financial Instruments and Financial Risk Management

b) Financial Risk Factors

b.1) Credit Risk Management

Guarantees received from the customers are as follows:

	31 December 2017	31 December 2016
Letters of guarantee	117,965	145,465
Security cheques and bonds	41,798	93,856
Direct Debiting System	116,981	56,224
Mortgages	6,531	6,417
Other	52,154	-
	335,429	301,962

Collaterals for the trade receivables that are past due but not impaired are as stated below:

	31 December 2017	31 December 2016
Overdue 1-30 days	33,488	48,371
Overdue 1-3 months	11,069	15,946
Overdue 3-12 months	27,993	10,040
1-5 years overdue	10,299	18,177
Total overdue receivables	82,849	92,534
The part secured with guarantee, etc. (-)	25,232	35,253

b.2) Liquidity Risk Management

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

Liquidity risk tables

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

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

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

38. Financial Instruments and Financial Risk Management

b) Financial Risk Factors

b.1) Credit Risk Management

The below table shows the Group's expected maturity for financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets. Interest to be paid in future on financial liabilities is included in the table below.

31 December 2017						
Non-derivative financial liabilities	Carrying value	Total cash outflow in accordance to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years(III)	More than 5 years(IV)
Bank borrowings	1,648,299	1,687,003	65,892	574,249	968,129	78,733
Due to related parties (Note 37)	945,642	1,043,166	-	40,076	1,003,090	-
Finance lease obligations	941	941	301	325	315	-
Trade payables	424,820	426,462	421,032	5430	-	-
Due to related parties	230,361	230,361	230,361	-	-	-
Other payables	49,372	49,372	48,042	-	1,330	-
Total Liabilities	3,299,435	3,437,305	765,628	620,080	1,972,864	78,733

31 December 2016						
Non-derivative financial liabilities	Carrying value	Total cash outflow in accordance to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years(III)	More than 5 years(IV)
Bank borrowings	1,485,516	1,517,028	41,624	334,874	1,043,591	96,939
Due to related parties (Note 37)	881,081	1,007,470	-	37,192	970,279	-
Finance lease obligations	2,025	2,025	-	1,272	753	-
Trade payables	319,071	332,856	329,845	3,011	-	-
Due to related parties	254,276	254,276	254,276	-	-	-
Other payables	90,590	90,590	90,163	-	427	-
Total Liabilities	3,032,559	3,204,245	715,908	376,349	2,015,050	96,939

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

38. Financial Instruments and Financial Risk Management

b) Financial Risk Factors

b.3) Market Risk Management

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

b.3.1) Foreign Currency Risk Management

Group's distribution of monetary and non-monetary assets and liabilities in foreign currencies at the reporting date are as follows:

Foreign Currency Position Statement for 31 December 2017					
	TRY equivalent	US Dollars	EUR	Other	
1. Trade receivables	79,625	7,606	3,594	34,707	
2a. Monetary financial assets (included cash and banks account)	805,429	140,889	58,420	10,177	
2b. Non-monetary financial assets	-	-	-	-	
3. Other	-	-	-	-	
4. Current Assets (1+2+3)	885,054	148,505	62,014	44,884	
5. Trade Receivables	-	-	-	-	
6a. Monetary financial assets	739,532	196,064	-	-	
6b. Non-monetary financial assets	103,819	-	11,241	53,060	
7. Other	-	-	-	-	
8. Non-Current Assets (5+6+7)	843,351	196,064	11,241	53,060	
9. Total Assets (4+8)	1,728,405	344,569	73,255	97,944	
10. Trade payables	86,282	1,991	17,005	1,986	
11. Financial liabilities	196,109	6,509	37,993	-	
12a. Other monetary liabilities	-	-	-	-	
12b. Other non-monetary liabilities	-	-	-	-	
13. Current Liabilities (10+11+12)	282,391	8,50	54,998	1,986	
14. Trade payables	-	-	-	-	
15. Financial liabilities	490,738	490,738	490,738	490,738	
16a. Other monetary liabilities	-	-	-	-	
16b. Other non-monetary liabilities	-	-	-	-	
17. Non-Current Liabilities (14+15+16)	1,307,726	272,902	61,647	-	
18. Total Liabilities (13+17)	1,590,117	281,402	116,645	1,986	
19. Net foreign currency asset / (liability) position (19a-19b)	-	-	-	-	
19a. Total amount of assets hedged	-	-	-	-	
19b. Total amount of liabilities hedged	-	-	-	-	
20. Net foreign currency position for monetary items (9-18+19)	138,288	63,167	(43,390)	95,958	
21. Monetary items net foreign asset/liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	34,469	63,167	(54,631)	42,898	
22. Fair value of derivative instruments used in	-	-	-	-	
23. Export	473,623	39,191	79,413	3,939	
24. Import	822,799	14,241	184,231	12,626	

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

38. Financial Instruments and Financial Risk Management

b) Financial Risk Factors

b.3) Market Risk Management

b.3.1) Foreign Currency Risk Management

Foreign Currency Position Statement for 31 December 2016				
	TRY equivalent	US Dollars	EUR	Other
1. Trade receivables	59,563	8,084	3,030	19,870
2a. Monetary financial assets (included cash and banks account)	660,132	140,441	41,769	10,932
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current Assets (1+2+3)	719,695	148,525	44,799	30,802
5. Trade Receivables	-	-	-	-
6a. Monetary financial assets	490,738	139,446	-	-
6b. Non-monetary financial assets	18,509	-	4,520	1,741
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	509,247	139,446	4,520	1,741
9. Total Assets (4+8)	1,228,942	287,971	49,319	32,543
10. Trade payables	57,128	768	14,494	655
11. Financial liabilities	222,860	6,379	54,021	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current Liabilities (10+11+12)	279,988	7,147	68,515	655
14. Trade payables	-	-	-	-
15. Financial liabilities	1,311,274	278,166	89,585	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-Current Liabilities (14+15+16)	1,311,274	278,166	89,585	-
18. Total Liabilities (13+17)	1,591,262	285,313	158,100	655
19. Net foreign currency asset / (liability) position (19a-19b)	-	-	-	-
19a. Total amount of assets hedged	-	-	-	-
19b. Total amount of liabilities hedged	-	-	-	-
20. Net foreign currency position for monetary items (9-18+19)	(362,320)	2,658	(108,781)	31,888
21. Monetary items net foreign asset/liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	(380,829)	2,658	(113,301)	30,147
22. Fair value of derivative instruments used in	-	-	-	-
23. Export	298,513	62,065	28,963	14,530
24. Import	493,723	18,116	129,871	5,597

The Group is mainly exposed to EUR and US dollar risks.

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

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

38. Financial Instruments and Financial Risk Management

b) Financial Risk Factors

b.3) Market Risk Management

b.3.1) Foreign Currency Risk Management

Exchange Rate Risk Sensitivity

	31 December 2017			
	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
Appreciation of USD against TRY by 10%				
1 - US Dollars net asset / liability	23,826	(23,826)	-	-
2 - USD risk hedged amount (-)	-	-	-	-
3 - USD net effect (1 + 2)	23,826	(23,826)		
Appreciation of EURO against TRY by 10%				
4 - Euro net asset / liability	(24,669)	24,669	195,866	(195,866)
5 - Euro risk hedged amount (-)	-	-	-	-
6 - Euro net effect (4+5)	(24,669)	24,669	195,866	(195,866)
Appreciation of other currencies against TRY by 10%				
7 - Other currencies net asset / liability	4,290	(4,290)	146,463	(146,463)
8 - Other currencies risk hedged amount (-)	-	-	-	-
9 - Other currencies net effect (7+8)	4,290	(4,290)	146,463	(146,463)
Total (3+6+9)	3,447	(3,447)	342,329	(342,329)
	31 December 2016			
	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
Appreciation of USD against TRY by 10%				
1 - US Dollars net asset / liability	936	(936)	-	-
2 - USD risk hedged amount (-)	-	-	-	-
3 - USD net effect (1 + 2)	936	(936)		
Appreciation of EURO against TRY by 10%				
4 - Euro net asset / liability	(42,034)	42,034	152,924	(152,924)
5 - Euro risk hedged amount (-)	-	-	-	-
6 - Euro net effect (4+5)	(42,034)	42,034	152,924	(152,924)
Appreciation of other currencies against TRY by 10%				
7 - Other currencies net asset / liability	3,015	(3,015)	99,985	(99,985)
8 - Other currencies risk hedged amount (-)	-	-	-	-
9 - Other currencies net effect (7+8)	3,015	(3,015)	99,985	(99,985)
Total (3+6+9)	(38,083)	38,082	252,909	(252,909)

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

38. Financial Instruments and Financial Risk Management

b) Financial Risk Factors

b.3) Market Risk Management

b.3.2) Interest rate risk management

The Group's exposure to interest rate risk is related to its financial liabilities. The Group's financial liabilities mostly consist of floating interest rate borrowings. Based on the current balance sheet composition and analysis calculated by the Group, if the TRY interest rates were increased / decreased by 1% and foreign currency interest rates were increased / decreased by 0.25% with the assumption of keeping all other variables constant, the effect on net profit / loss for the period before taxation and non-controlling interest would decrease / increase by TRY 4,121 thousand as of 31 December 2017 (31 December 2016: TRY 3,714 thousand).

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

31 December 2017				
	Floating interest	Fixed interest	Non interest bearing	Total
Financial assets	-	2,882,589	145,424	3,028,013
Cash and cash equivalents	-	1,248,102	145,424	1,393,526
Financial investments	-	739,532	-	739,532
Trade receivables	-	705,090	-	705,090
Due from related parties	-	173,979	-	173,979
Other receivables	-	15,886	-	15,886
Financial liabilities	1,648,299	1,353,612	297,524	3,299,435
Bank borrowings	1,648,299	648,118	297,524	2,593,941
Financial leasing liabilities	-	941	-	941
Trade payables	-	424,820	-	424,820
Due from related parties	-	230,361	-	230,361
Other payables	-	49,372	-	49,372
31 December 2016				
	Floating interest	Fixed interest	Non interest bearing	Total
Financial assets	-	2,347,828	73,434	2,421,262
Cash and cash equivalents	-	1,118,137	73,434	1,191,571
Financial investments	-	490,738	-	490,738
Trade receivables	-	703,265	-	703,265
Due from related parties	-	24,588	-	24,588
Other receivables	-	11,100	-	11,100
Financial liabilities	1,485,516	1,547,043	-	3,032,559
Bank borrowings	1,485,516	881,081	-	2,366,597
Financial leasing liabilities	-	2,025	-	2,025
Trade payables	-	319,071	-	319,071
Due from related parties	-	254,276	-	254,276
Other payables	-	90,590	-	90,590

TRAKYA CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017
(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

38. Financial Instruments and Financial Risk Management

b) Financial Risk Factors

b.3.3) Other price risks

The Group is exposed to market price risk due to its equity share investments. Equity share investments are held for strategic purposes rather than trading purposes. The Group does not trade equity share investments.

Equity price sensitivity

Sensitivity analyses presented below are determined based on the equity share price risks as of the reporting date. If the equity shares prices were increased / decreased by 10% with all other variables held constant as of the reporting date: Net profit/loss would not be affected as of 31 December 2017 to the extent that equity share investments classified as available for sale assets are not disposed of or impaired.

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

Categories of Financial Instruments

	Financial assets and liabilities are valued using effective interest method	Loans and receivables	Available for sale financial assets	At fair value through profit or loss financial assets and liabilities	Carrying value	Note
31 December 2017						
Financial assets	2,133,058	879,069	-	-	3,012,127	
Cash and cash equivalents	1,393,526	-	-	-	1,393,526	6
Trade receivables	-	705,090	-	-	705,090	10
Due from related parties	-	173,979	-	-	173,979	37
Derivative financial assets	-	-	-	-	-	12
Financial investments	739,532	-	-	-	739,532	7
Financial liabilities	3,250,063	-	-	-	3,250,063	
Financial liabilities	2,594,882	-	-	-	2,594,882	8
Trade payables	424,820	-	-	-	424,820	10
Due to related parties	230,361	-	-	-	230,361	37
Derivative financial liabilities	-	-	-	-	-	12

TRAKYA CAM SANAYİİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

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

Categories of Financial Instruments

31 December 2016	Financial assets and liabilities are valued using effective interest method	Loans and receivables	Available for sale financial assets	At fair value through profit or loss financial assets and liabilities	Carrying value	Note
Financial assets	1.682.309	727.853	-	-	2.410.162	
Cash and cash equivalents	1,191,571	-	-	-	1,191,571	6
Trade receivables	-	703,265	-	-	703,265	10
Due from related parties	-	24,588	-	-	24,588	37
Financial investments	490,738	-	-	-	490,738	7
Financial liabilities	2,941,969	-	-	-	2,941,969	
Financial liabilities	2,368,622	-	-	-	2,368,622	8
Trade payables	319,071	-	-	-	319,071	10
Due to related parties	254,276	-	-	-	254,276	37
Derivative financial liabilities	-	-	-	-	-	12

40. Events After Reporting Period

In order to meet the need for an increase in production capacity in line with the forecast of domestic supply-demand balance of the Company, a subsidiary of Trakya Polatlı Cam Sanayii A.Ş. It was decided to carry out "TR 8 Polatlı Düzcem Hat Yatırımı" which is projected as total investment amount of USD 122,800 thousand and total investment amount of USD 126,600 thousand including investment requirement in / Polatlı Factory.

It has been decided to include in the procurement process for the purchase of the Sangalli Manfredonia plant in Monte Sant'Angelo which is Italian-based Sangalli group, and a proposal has been submitted.

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

The Group's consolidated financial statements as of 31 December 2017 prepared in accordance with the Capital Markets Board's Communiqué Serial: II-14,1 are reviewed by also considering the opinion of the Audit Committee and it has been concluded that the accompanying financial statements present fairly the consolidated financial position of the Company in accordance with the regulations issued by the Capital Markets Board and accounting policies applied by the Company. The accompanying financial statements are authorized by Accounting Manager Nihal Topçuoğlu and Budget and Financial Controlling Manager Bünyamin Arslan approved for the public announcement by the Board of Directors on 26 February 2018.

Consolidated financial statements will be finalized as a result of the approval of the General Assembly. The General Assembly has the power to change financial statements after the publication of financial statements.

TRAKYA CAM SANAYİİ A.Ş.

PROFIT DISTRIBUTION OF 2017

Dear shareholders,

The company has generated with net profit amount of 616,394,558 TRY in 2017.

Net profit amounting to TRY 616,394,558 that is disclosed in consolidated balance sheet as at 31 December 2017 which has been prepared in accordance with Capital Markets Board Communiqué Series II - 14.1 regarding the "Procedures of Financial Reporting in Capital Markets", has been distinguished in accordance with profit distribution regulations of the Capital Markets Board and the article of 25 of articles of association and the principles of the "Policy of Dividend Distribution" which is published by our company as follows;

TL	
1. Net Profit of the period	616,394,558
2. First Legal Reserve	-26,579,880
3. Distributable net profit for the period	589,814,678
4. Donations in the year	307,344
5. Distributable net profit for the period that added donations of the first proportion of dividend	590,122,022
6. First proportion of dividend to shareholders	
- Cash	170,000,000
- Bonus Share	120,000,000
Total Dividend	290,000,000
7. Second Legal Reserve	11,350,000
8. Extraordinary Legal Reserve	288,464,678

Distributing of TRY 170 million gross dividend as cash which is corresponding rate 15,04425% of the capital, distributing of 120 million as bonus share which is corresponding rate 10,61947% of the capital;

Determining of the cash dividend payment date as 31 May 2018 and dividend distribution as bonus share would be done after the legal process finalised.

Submit for your approval and opinions,

Best regards,



PROF. DR. AHMET KIRMAN
Chairman of the Board

TRAKYA CAM SANAYİİ A.Ş.

CORPORATE GOVERNANCE COMPLIANCE REPORT

SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Within the framework of the corporate governance principles stated in the Capital Markets Board's ("CMB") Communiqué Series II 17.1 regarding the Corporate Governance Communiqué which entered into force upon publication in Official Gazette No. 28871 dated 3 January 2014, this declaration reflects the following responsibilities of Trakya Cam Sanayii Anonim Şirketi regarding determination of the duties, authorities, and responsibilities of the board of directors, subordinate committees, and managers; regarding shareholders, public disclosure, and transparency; and regarding regulation of relations with stakeholders.

Trakya Cam Sanayii A.Ş., Şişecam Group's company doing business in flat glass field, ranks 5th in the world and 1st in Europe in its sector, in terms of production capacity. Trakya Cam Sanayii A.Ş. (Şişecam Flat Glass) conducts activities in four main business lines: architectural glass (flat glass, patterned glass, mirror, laminated glass and coated glass), automotive glass and encapsulated glass, energy glass and home appliances glass.

With the facility commissioned in 1981, Trakya Cam Sanayii A.Ş. is the first company in Eastern Europe, Balkans, Middle East and North Africa manufacturing with modern float technology, and has pioneered many practices in its industry since then and has led in the development of the flat glass industry both in Turkey and in the region.

Making significant quality and capacity increase in flat glass in the 80s while entering the global markets through exportation, Şişecam Flat Glass started to carry out activities outside the country in the second half of the 2000s. Launching the Trakya Glass Bulgaria EAD plant in 2006 in Bulgaria, Şişecam Flat Glass launched; the Egypt flat glass plant in 2009, Bulgaria automotive glass plant in 2010, Bulgaria laminated and coated glass plants in 2013, and Russia flat glass plant in 2014.

In 2013, Şişecam Flat Glass has become a shareholder in HNG Float Glass Limited (HNG) in India that continued its growth by the acquisition of Richard Fritz Holding GmbH and made two new facility investments in automotive glasses in Russia and Romania. In 2016, the company acquired assets of Italian based flat glass producer Sangalli Vetro Porto Nogaro S.P.A. and started production in Italy with a flat line with 220 thousand tonnes/year capacity and laminated line.

Focusing on continuous development in line with the customer needs and expectations, Şişecam Flat glass speeded up the structuring activities for the automotive and encapsulated glass that has reached 34% of the total consolidated sales, and created an operational and organizational synergy in 2016 by integrating its activities in Turkey under the structure of the new established Şişecam Otomotiv A.Ş. while integrating its international activities under the structure of Trakya Investment B.V..

Manufacturing with 12 float lines in total, Şişecam Flat Glass, with its plants, partnerships and expanding range of products across 10 different countries, provides input to construction, automotive, solar energy, and home appliance industries. The Company carries out activities within the framework of its vision of "becoming a global flat glass company that offers innovative solutions and that grows rapidly with its strong brands".

As a global company in its business segment Şişecam Flat Glass has established management based on principles of equality, transparency, accountability, and responsibility. Its specialization and position among Europe's and the world's most prominent manufacturers, along with its compatible activities, are the clearest proof of the insight of its management.

Modern principles of management and industry, a high level of industrialization, and focus on the market and R&D are the key drivers of Şişecam Flat Glass' success and are the basic foundations of the Trakya Cam of the future. Today, the company is a powerful supplier that has production plants in 10 different countries, partners and expanding product line in construction, automotive, energy and home appliances sectors. Also, the company has satisfied the all client needs with premium products and developed technology. Trakya Cam aims to reinforce its vision of being a global flat glass firm with strong brands, presented innovated solution and rapid growing by adopting corporate governance principles. Our company takes the utmost care to comply with capital markets legislation and Capital Markets Board (CMB) regulations in corporate governance implementations and the principles, which were included in the appendix of the Corporate Governance Communiqué in the year that ended 31 December 2017, principles which are not yet completely harmonized, have not caused any conflicts of interest among the stakeholders.

The explanations regarding corporate governance principles in the appendix to the Communiqué on Principles regarding the principles that are non-compulsory for the Company are stated in the related sections of the report for the year ended 31 December 2017. The specific activities related with Corporate Governance Principles, which were executed in the reporting period, are stated below:

The Company has announced publicly the dividend payment dates and capital increase history of last five years in Turkish and English on the web site.

- 1) Within the scope of "Executive Liability Insurance", an insurance policy has been arranged with Anadolu Anonim Türk Sigorta Şirketi for losses that may be caused on the Company by the members of the board of directors in our Company and our Company's subsidiaries, joint ventures and affiliates.
- 2) In order to provide more accurate and effective information to company shareholders and stakeholders, the content of the official website has been expanded and investor presentations, the investor calendar, frequently asked questions, and related captions have been provided on the official website and updated regularly.
- 3) All related party transactions for 2017 were submitted to the board of directors. There were not any significant or unusual related party transactions, which were not approved by the independent board member and required to be submitted to the general assembly for approval in 2017.

Within the context of these implementations the Corporate Governance Principles Compliance Report for 2017 has been prepared in accordance with Decision No: 2/35 published in weekly newsletter No: 2014/2 on 27 January 2014 by the CMB, and has been introduced in sections as follows.

SECTION II - STAKEHOLDERS

2.1. Investor Relations Department

In order to comply with the rules regarding the responsibilities arising from Capital Markets Board regulations set by legislation, and in order to operate efficiently and effectively, a centralized structure has been implemented.

All requirements and responsibilities of the Company, in accordance with the Turkish Commercial Code and Capital Markets Board legislation, the aim to be fulfilled in the framework of legislation and to be continued operations effectively adopted a centralized understanding and established suitable structure for this situation. In this context, mission related with all requirements and responsibilities of Capital Markets Board legislation has been conducted under instructions and coordination of Investor Relations Unit of Community Financial Affairs.

In this context, in accordance with CMB II- 17.1 No. Corporate Governance Communiqué of Article 11, Company Investor Relations Department Manager and supervisor, were appointed as responsible parties, and this mandate was disclosed to the public through the PDP (Public Disclosure Platform) on 30 June 2014.

The investor relations department plays an active role in protection of shareholding rights and in facilitating the use of those rights, particularly the right to a debriefing and the right to analyse. The main activities conducted within this scope are summarized as follows:

- a. Ensuring that the records relating to the written correspondence with investors and other information are kept in a correct, safe, and updated manner.
- b. Responding Company shareholders' written information requests related to the Company
- c. Ensuring that the general assembly meeting is held in accordance with the applicable legislation, articles of association, and other regulations of the Company.
- d. Preparing documents that may be used by the shareholders in the general assembly meetings.
- e. Supervising the fulfilment of the obligations related with all corporate governance and public disclosure matters arising from Capital Market Regulation.

The investor relations department submits a report to the board of directors at least once a year on the activities it has conducted, including the assessments of investors and brokerage companies throughout the year.

Meetings and conference calls were held with domestic and foreign brokerage and asset management companies. One-on-one interviews were held with analysts. Investors can request information by contacting the investor relations department directly by sending an e-mail or filling out the information request form open to public on the Company's website. Records of written and oral information requests related to the requests are held by the Department of Investor Relations.

TRAKYA CAM SANAYİİ A.Ş.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Information and disclosures were updated regularly on the Company website, with the aim of informing the public and shareholders.

In addition to the responsible party from the investor relations department, under management Finance Director of the Company, Accounting Manager Nihal Topçuoğlu, Budget and Financial Controller Manager Bünyamin Arslan and Budget and Financial Controller Specialists Güler Gürses Öztürk and Gülşah Günçan charged with tasks relating to investor relations if it is deemed necessary.

2.2. Shareholders' Exercise of their Rights to Obtain Information

There is no discrimination among shareholders on making use of their right to obtain and evaluate information. Every shareholder has the right to obtain and evaluate information. Articles of Association does not contain any provision on restriction of receiving information rights.

In 2017, written and verbal information requests from investors and shareholders were responded to in accordance with capital markets legislation, CMB regulations, and resolutions, and related information and documents, except for confidential information or trade secrets were, conveyed to investors and shareholders as required by the equality principles.

Within the framework of the laws and regulations in effect, the Company's corporate web site is effectively utilized to ensure that the information rights of shareholders are increased and may be used efficiently. Within this scope, the Company's corporate web site, www.sisecamduzcam.com.tr, contains the information for shareholders that is suggested by the corporate governance principles and the regulatory authorities, in both Turkish and English.

Furthermore, for the purpose of supporting the right of shareholders to obtain information, press bulletin given to the press by the Company, presentation about quarterly operating results are disclosed to the shareholders through the corporate website under the "Investor Relations" section.

Company's articles of association has not yet stipulated the request for an appointment of special auditor as an

individual right. There was no request for appointment of special auditor in the period.

2.3. General Assembly Meetings

The announcement of a general assembly meeting is made through the Public Disclosure Platform (PDP), the Electronic General Assembly System (EGAS), the corporate website of the Company, and the Turkish Trade Registry Gazette at least three weeks before the meeting in order to reach the maximum number of shareholders. In addition, before the general assembly meeting, "information documents" regarding agenda items are prepared and announced to the public. All announcements and notifications required by the Turkish Commercial Code (TCC), capital markets legislation, CMB regulations and decisions, and articles of association are made.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting and did not contain any ambiguity about the exact location of the meeting, agenda items of the meeting, the body issuing the invitation to the meeting, or the exact location where the annual report, financial statements, and other meeting documents could be examined. In this context, the annual report, financial reports, other documents forming the basis for agenda items, and the profit distribution proposal from the date of the announcement, were posted on the Company website and at Company headquarters to facilitate easy access by shareholders.

Along with the announcements to be made in accordance with legislation and the announcement of the general assembly meeting, on the Company's corporate website, www.sisecamduzcam.com.tr, the following items are provided to shareholders in the "Information Documents" section under "General Assembly Announcement and Documents" under "Corporate Identity and Management" section, located in the "Investor Relations" section.

- The total number of shares and voting rights reflecting the company's shareholding structure as of the date of disclosure, privileged share groups within company capital, voting rights, and the nature of privileges,
- Information on changes in management and activities of the company and its subsidiaries in the previous fiscal year, or changes planned for the upcoming fiscal period which may significantly affect company operations,

- Grounds for dismissal and replacement of board members, candidates' backgrounds, posts held in the last decade, the nature and significance of their relationships with the company and related parties, their independence status, and information on similar issues.

Agenda items were put under a separate heading and expressed clearly in a manner which would not result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the general shareholders' meeting was related to the agenda items.

Subjects which the shareholders send to the investor relations department of the Company in writing are considered by the board of directors. There were no such requests within this period.

The utmost care is shown to hold general assembly meetings without causing inequality among the shareholders and to organize the meetings so as to make sure shareholders can participate at the lowest possible cost. Within this context, the time of the general assembly meeting is determined by considering traffic, transportation, and similar environmental factors. Electronic general assembly is also considered as an option which may increase the possibility for shareholders to participate in these meetings.

At the general assembly meeting agenda items were expressed in an unbiased and detailed manner and presented clearly and concisely to provide shareholders with the opportunity to express their opinions under equal conditions and raise any questions. The chairman made sure that each question was answered directly, providing the answers did not constitute trade secrets. If the question was not related to the agenda or was so comprehensive that it could not be answered immediately, the question was answered by the investor relations department as soon as possible in writing. No shareholders submitted written questions to the investor relations department on the basis of not having received an answer at the general assembly meeting in 2017.

If controlling shareholders, directors, executives with managerial responsibility and their spouses and blood and affinity relatives up to second degree, enter into a material transaction with the company or subsidiaries that may cause conflict of interest and/or performs a business within the scope of the company's or subsidiaries' field of activity on account of themselves or others, or enters as a general partner into another company engaged in same kind of trade; then such transactions are placed as a separate agenda item and detailed information is given at the general assembly, and entered on the general assembly minutes.

Transactions within the scope of Articles 395 and 396 of Turkish Code of Commerce of board members are disclosed at the general assembly.

The members of the board of directors associated with issues of a special nature on the agenda, other relevant persons, authorized persons who were responsible for preparing the financial statements, and auditors were present to provide necessary information and answer questions at the general shareholders' meeting.

If there is a significant change in the management and operation of the company, the public is informed in accordance with legislation.

The Company's articles of association were amended in compliance with corporate governance principles with respect to significant transactions and related party transactions defined in the corporate governance principles of the CMB and providing guarantees, pledges, and securities to third parties.

In this context, during the period;

At our company's Board of Directors' meeting dated July 31st, 2017; it was resolved that our Company and Türkiye Şişe ve Cam Fabrikaları Sanayii A.Ş. be joint and successive guarantor, for our subsidiary, Trakya Glass Bulgaria EAD domiciled in Bulgaria to borrow 30 Million Euros loan from Bank of Tokyo. Loans were used in line with the decision.

These transactions were agreed upon with the unanimous consent of the board of directors.

At the Company's Ordinary General Assembly, stakeholders are informed on the donations made in the period, and approval is obtained for the donation limit applicable in the new period. At the Ordinary General Assembly Meeting held on March 29th, 2017, the donation limit for the year 2017 is set as 1,975,000 Turkish Liras, and in this context, 307,344 Turkish Liras of donations and benevolent contributions were made in 2017.

Stakeholders and media are allowed to attend the general shareholders' meetings. Şişecam's general assembly meeting is held under the supervision of a representative from the Ministry, who is assigned by the Ministry of Customs and Trade. The general assembly meeting minutes, which are posted on the corporate website of the Company, are available for review by the shareholders in the Company's head office and on the corporate website of the Company.

The general assembly is informed by way of a separate agenda topic regarding related party transactions, pledges, securities, and mortgages provided on behalf of third parties in the current period.

In the period;

The ordinary general assembly meeting for 2016 was held 29 March 2017 with a quorum of 83.56%

TRAKYA CAM SANAYİİ A.Ş.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Announcements and publications for the general assembly meetings mention the followings;

- The agenda, place, date, and time of the general assembly, and the principles for arranging letters of attorney and letter of attorney forms for the shareholders who will be represented by their attorneys;
- Whether the general assembly meetings will be held in a physical or electronic environment, and the information that assigning attorneys, making suggestions, expressing opinions, and voting during any general assembly meetings in the electronic environment will be done using the Electronic General Assembly System (EGAS) provided by the Central Registry Office (CRO), and that shareholders who would like to participate the general assembly in person or through their attorneys in the electronic environment shall make their preferences known in accordance with the principles of EGAS;
- Information regarding the requirement that shareholders who would like to participate in the general assembly must present their identities or letters of attorney in person or through their attorneys if they want to use their rights related to their shares registered in the "Shareholders List" in the Central Registry Office system; and,
- That the annual report, including financial statements, independent audit reports, the profit distribution proposal of the board of directors, and the previous and revised versions of the amendment text, if there will be any amendments to the articles of association, will be available for examination by the shareholders on the corporate website of the Company.

2.4. Voting Rights and Minority Rights

There are no privileges stated in the articles of association regarding the use of voting rights. In accordance with the articles of association, each share has one voting right. If cross ownerships cause dominant relationships, the companies involved in the cross ownerships may not use their voting rights unless there are indispensable conditions, such as the need for a quorum.

Trakya Cam Sanayii A.Ş. does not have treasury shares.

All shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

There are no restrictions or obligations stated in the articles of association concerning the representation of a minority within management nor is there any provision that defines a minority as possessing shares accounting for less than 1/20 of the total shares of the company.

2.5. Dividend Right

The Company has a certain and consistent "Dividend Distribution Policy" determined by considering the Turkish Commercial Code, the Capital Markets Board Law, tax laws and other legislation the company is subject to and the provision of the articles of association. This policy has been submitted to the approval of shareholders at the general meeting and disclosed in the annual report and in corporate website of the Company.

Trakya Cam's dividend distribution policy contains the minimum information necessary for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and that of the company.

Profit Distribution Policy;

The dividend distribution policy of our company has been determined considering the Turkish Commercial Code, the Capital Markets Board Law, tax laws, other legislation the company is subject to, and the provisions of the articles of association.

Accordingly;

- The Company has determined that a minimum of 50% of its distributable net profit for each period, calculated at year end within the framework of the legislation on capital markets and other relevant legislation, is distributed in cash and/or in the form of bonus shares; the shareholders' ordinary general assembly may resolve on a distribution which differs from the targeted percentage, taking into consideration matters such as economic conditions, investment plans, and cash position.
- The board of directors' profit distribution proposals, which also contain the details stipulated in the arrangements pertaining to the Capital Markets Board and in the corporate governance principles, are, within the relevant statutory periods of time, disclosed to the public through the Public Disclosure Platform, the Company's website, and activity reports.
- Cash dividends, which shall be distributed depending on the resolutions taken at the general assembly, are paid on the dates decided upon at the general

assembly; the transactions, which are relevant to the dividends that shall be distributed in the form of bonus shares, are completed within the statutory periods of time stipulated in the arrangements pertaining to the Capital Markets Board.

- Within the framework of the profit distribution policy the dividends are equally distributed among all the shares existing at the date of distribution, regardless of issuance and acquisition dates.
- If the board of directors proposes the general assembly not distribute the profits, the grounds for this proposal and information on how the undistributed profits shall be utilized are announced to the shareholders at general assembly meetings.
- Under the profit distribution policy a balanced policy is followed which establishes a balance between the interests of the shareholders and the interests of the Company.
- There are no privileged shares in terms of acquisition of shares from the profit.
- The articles of association do not allow for payment of dividends to members of the board of directors or to employees using the founder's redeemed shares;
- In accordance with the articles of association, the board of directors can distribute profit advances, provided this is authorized by the general assembly and complies with the Capital Markets Law and regulations of the Capital Markets Board regarding this subject; the profit advance distribution authority, which is granted by the general assembly to the board of directors, is limited to the related year.

In 2017, a total of 306 Million Turkish Liras of dividend was distributed from profit of 2016, being 106 Million Turkish Liras in cash, and 200 Million Turkish Liras as bonus shares.

2.6. Transfer of Shares

Neither the articles of association of the company nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares which are publicly traded.

SECTION III. PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Its Content

The corporate website, www.sisecamduzcam.com.tr, is actively used as suggested by the corporate governance principles of the CMB in order to be in continuous contact with its shareholders and to maintain the company's relationships with its shareholders more effectively. The information on this website is constantly updated by the investor relations department. The company's corporate website has the same content with explanations within the framework of the provisions of the related regulations and there is not any conflicting or missing information on the site.

On the company's corporate website www.sisecamduzcam.com.tr, which is available in

Turkish and English, mandatory information is disclosed pursuant to the legislation. The following is included on the corporate website: segment information, information about products, annual and interim reports, financial statements, corporate governance compliance reports, the articles of association, trade register information, information about the latest shareholder and management structures, publicly disclosed material information, periodical financial statements, annual reports, prospectuses and circulars and other public disclosure documents, agendas from the general assembly meetings and lists of the participants and minutes for the general assembly meeting, a form for proxy voting at the general assembly meeting, the donation policy, the remuneration policy, the dividend distribution policy, the ethical rules of the company, frequently asked questions and the responses. Information on these topics can be accessed on the website for at least the last five years.

Company's shareholding structure is updated at quarter-ends, showing names of real person shareholders a share higher than 5%, by eliminating indirect and mutual shareholdings, their share amount and rates, and disclosed on the Corporate Website.

Türkiye Şişe ve Cam Fabrikaları A.Ş. holds 69.45% of the issued shares of the company, amounting to TRY 1,130,000,000 as of 31 December 2017. Türkiye Şişe ve Cam Fabrikaları A.Ş. is the controlling shareholder and as of the date of this report there are no individual shareholders who hold more than 5% of the company's shares within its capital structure.

3.2. Annual Report

The annual report is prepared in order to provide complete and accurate information regarding the activities of the company to the public. The annual report for 2017 has been prepared based on the third clause of Article 516 of the Turkish Trade Act and Article 518 of the same act, in accordance with the minimum content specified in Article 8 of the "Communique of Principles Regarding Financial Reporting in Capital Market" of the Capital Market Board and the provisions of the "Regulations Regarding the Determination of Minimum Contents of Annual Activity Reports of the Companies" by the Ministry of Customs and Trade and the annual report has been independently audited.

The annual report contains the following information;

- The period covered by the report, the title of the company, trade registry number, contact information,
- The names of the chairman and the members of the board as well as committees and upper management,
- The sectors in which the company and its subsidiaries operate and information on its positions in these sectors,
- Information about the company's functional units, general explanations related to their activities and performance and yearly developments,
- Progress on investments, the eligibility and status of government incentives,

TRAKYA CAM SANAYİİ A.Ş.

CORPORATE GOVERNANCE COMPLIANCE REPORT

- f. The changes to the articles of association in the current period,
- g. The Corporate Governance Principles Compliance Report,
- h. Information on related party transactions,
- i. Other relevant and beneficial information that is not included in the financial statements,
- j. The company's organizational, capital and ownership structure and any changes made in the related accounting period,
- k. Information on all benefits provided to staff and the number of personnel,
- l. Information about the fact that no board members were involved in any transactions with the company on their own behalf or on someone else's behalf within the framework of permission granted by the general shareholders' meeting along with their activities within the scope of restraint of trade,
- m. The dividend distribution policy,
- n. Basic ratios that explain the company's financial position, profitability and solvency, and,
- o. The company's financing resources and risk management policies,

In addition to the matters specified in the legislation, information on the following matters is included in the annual reports;

- a) The external duties of board members and executives and the declaration of independence of the relevant board members,
- b) The members of the committees within the board and their working principles,
- c) The number of board meetings held during the year,
- d) Any changes to legislation which could significantly affect the company's operations,
- e) Any major court cases against the company and their possible consequences, and,
- f) The benefits provided to employees, vocational training for employees, and other company activities that give rise to social results.

SECTION IV - STAKEHOLDERS

4.1. Informing the Stakeholders

The company recognizes the rights of stakeholders which were established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation or protected by contracts, the company protects the interest of stakeholders under good faith principles and within the

capabilities of the company. Effective and expeditious compensation is provided in case of a violation of rights.

The website of the company is actively used to provide adequate information on policies and procedures that protect stakeholders' rights.

The corporate governance structure of the company ensures that its stakeholders, including its employees and representatives, report their concerns about any illegal or unethical transactions to the management.

The company's employees can convey any transaction that contradicts legislation and is not ethically sound to both audit committee and the internal audit unit. An ethics hotline has been set up for stakeholders to raise any transactions deemed to contradict the law or the company's ethical values to the audit committee, which is composed of independent board members. Complaints can also be sent via email, to etik@siseecam.com. A documented compensation policy has been established and disclosed to public for Şişecam.

Şişecam Flat Glass has created the framework for a compensation policy, though not a very detailed one, and has disclosed it to the public on the corporate web site.

In order to increase communication with the employees, two in-house periodicals, the "Şişecam Group Periodical" and the "Technical Bulletin" are published. In addition, subjects that are followed by the public are broadcasted on the "Corporate TV". On the portal, which is available for in-house employees, instruction manuals and announcements regarding policies, procedures, instructions and systems that are in effect are submitted for the information of the employees.

4.2. Stakeholders' Participation in Management

The Company keeps all lines of communication open and eliminates all possible encumbrances in respect to the participation of company employees in management. Practices such as "Ethical Contact Line and Electronic Mail Address", message to the general manager" and "idea factory" are used to this end.

The company maintains constant communication with its employees, pays attention to their needs and creates various platforms and mechanisms by which employees can convey their opinions and comments. Internal meetings are held, which company employees attended when necessary.

These meetings play a significant role in the decision-making process of senior management. Expectations and demands from all of the stakeholders involved with the company are addressed based on the code of ethics and are resolved through mutual communication.

Even though these models and their applications are not incorporated in the articles of association, they are included in the "Şişecam Constitution".

4.3. Human Resources Policy

Şişecam Flat Glass grounds on equality of opportunity and aims to practice a Human Resources Policy that; (i) aims globally sustainable success; (ii) propagates innovative corporate culture that enables joint learning; (iii) puts the best Human Resources practices into action, and; (iv) adds value to all its stakeholders. The Company also strives to reinforce pass on to next generations, its cultural heritage and the diversity in its global human capital and stakeholders.

The Company has an issued Human Resources policy text. All internal procedures issued regarding the Human Resources practices are available on the corporate communication portal for its employees information.

It is ensured that recruitment and career planning are conducted on the basis of equality and transparency. These activities are carried out in line with the relevant provisions of the "The Policy of Human Resources Systems."

The main aim of the recruitment system is to win the most appropriate talents. Within this scope, all recruitment methods and means are effectively used while all activities are supported with the employer's brand activities.

The Performance Management System works hand in hand with the vision, mission and strategies of Şişecam Group. The foundation of the Performance Management System is to create value for the employee and to ensure that the value created by the employee serves the development and sustainability targets of the company.

A Talent Management System was launched in order to; (i) support Sustainability; (ii) increase the values to be created by employees; (iii) retain talents by enabling the employees to uncover their potentials, and; (iv) fostering the future leaders. Employees' expectations and the organization's needs are reviewed annually, and talent pools, career maps, and back-up plans are created accordingly. Furthermore, competency analysis is made, and development plans are presented within the scope of the Assessment and Development Centre Practices with participation of salaried and hourly employees.

Within this scope the aim is to; (i) incorporate the required human capital into the structure of Şişecam Flat Glass; (ii) maintain high employee loyalty, and; (iii) create a positive, equal and competitive working environment. Employee loyalty and satisfaction is monitored via

objective and independent surveys. In line with these surveys, methods to improve the positive working climate are continuously developed, and a healthy and safe working environment maintaining the corporate values, is provided.

Şişecam aims at hiring the needed human resources, and keeping current employees' commitment high, and establishing a positive, equal and competitive working environment. In 2016, there was no complaint from employees, especially on discrimination. Relations between employees and the Group are coordinated by Human Resources Presidency.

The compensation management system of the Group takes into account variables such as the wages in the market, the existing compensation structure and payment power, individual performance and job levels. Competitive salary and benefit strategies, which are created in accordance with the market conditions, that constantly rewards high performance, constitute the basis of systems. Salary and benefits management are based on knowledge, skill and experience required for the job, without discrimination as to gender, religion, language or race, etc.

All employees are offered;

- An up-to-date competitive salary package that rewards success,
- A flexible and sustainable benefits package based on the employee's needs and expectations,
- A social structure that provides a work-life balance,
- A productive and fostering working environment which leads to open communication, and,
- Well-established and innovative development and career opportunities aiming towards global leadership.

Employees' projects that create difference and have positive impacts on business processes and results, are rewarded while employees' ideas that create value-add and that are in line with the Group's strategies and targets, are evaluated through the "Employee Suggestion System". Within the scope of the Appreciation & Reward practices, employees are remembered on their special days, and appreciated for their achievements and their exemplary acts in Şişecam Flat Glass.

Şişecam Academy, established in 2015 to contribute in Group's corporate goals, improve human resources' competency and employee loyalty, works with the concept of a business partner with headquarters units and groups; and has enriched and expanded the training and development opportunities for business families and positions in 2017.

In addition to the existing schools such as Leadership School, Glass School, Sales School, the 2.0 Program was launched in 2017 with a mixed learning model which is enriched by different practices of the Marketing School, Supply Chain School, Financial Affairs School, Foreign Trade Certificate Program and Leadership School, carried out in collaboration with Turkey's reputable universities.

TRAKYA CAM SANAYİİ A.Ş. CORPORATE GOVERNANCE COMPLIANCE REPORT

Thus, the orientation training was restructured to facilitate our employees' adaptation to their jobs and our corporation.

To support the development of stakeholders in our ecosystem, dealers have been trained in cooperation with Boğaziçi University.

Training hours per person in 2017 were 60.1 hours for monthly-paid employees, and 24.3 hours for hourly-paid employees.

Within the Group while a total of 3 collective agreements have been executed in Turkey, 1 for 3 factories and 2 for the other factory. 5 collective agreements are signed for Trakya Glass Bulgaria EAD and Şişecam Automotive Bulgaria EAD in Bulgaria, Glass Corp S.A in Romania, Richard Fritz Kft. in Hungary and Şişecam Flat Glass Italy in Italy. Effective terms of these collective agreements vary between 1 to 3 years.

Coordination meetings are held with Kristal-İş Union organized at the Group's workplaces, on application of collective agreement, and industrial relationships and increasing efficiency. Likewise, unions organized at our workplaces abroad are also being coordinated.

Adopting Occupational Health and Safety (OHS) culture is continued with projects that target the change of behaviour, at the factories. Traditional painting contest about the continuity of OHS culture are organized with participation of the families of blue collar personnel each year.

Job accidents monitoring system collects data to perform root cause analyses of all accidents at the factories. Annual "Şişecam Accidents Report" is prepared with the data collected in the system. The OHSAS 18001 system is also available after each job accident with the plan to execute corrective activities to ensure proper rectification covering also the financial dimension of all failures which may cause a risk of workplace accidents determined by internal, external inspections and managerial reasons in a systematic manner.

The OHSAS specialists of our plants started to perform cross OHSAS audits in 2017 at our plants in different manufacturing groups. The aim is to enable sustainable improvement and propagate the best practices.

The efficiency of the corrective and preventive actions started to increase as a result of the activities carried out by the OHSAS representatives who are selected from the volunteering blue collar employees of our plants. It is observed that fast actions are taken particularly by using effective communication channels.

With the OHSAS Leadership trainings that were launched in 2017 to continue in the upcoming period, our Company makes sure that OHSAS culture is increased fastidiously in our employees of all levels.

4.4. Codes of Conduct and Social Responsibility

Group's code of ethics were regulated and put into effect in order to provide a framework of honesty, transparency, confidentiality and objectivity and to be in compliance with the law in accordance with the board resolution no. 49 on 28 July 2010. This resolution covers guideline regulations that direct the relations of all Group employees with the customers, suppliers, shareholders and other stakeholders. These decisions were updated in accordance with the current requirements with the board resolution no. 33 on 28 March 2013. Group's ethical rules are publicly disclosed on the corporate web site. Internal Audit Department audits for the execution of codes of conduct and ensure the realization of code of conduct at Holding level.

Trakya Cam awards an Education Incentive Scholarship to its employees and their children who are student. Within this scope, TRY 984,009 in scholarships were awarded in 2017.

SECTION V. BOARD OF DIRECTORS

5.1. Board of Directors' Organization and Establishment

Strategic decisions of the board of directors aim to manage the company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the company. The board Company represents and governed the Company within these principles.

The board of directors has defined the company's strategic goals and identified the needs in human and financial resources, and controls management's performance. The board also oversees that company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

The Board of Directors has been determined in order to allow the board members to work productively and constructively, to make quick and rational decisions and with the purpose of setting up committees and allowing those to organize their operations effectively.

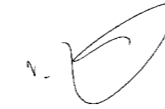
There are executive and non-executive members of Board of Directors. A non-executive member of the Board of Directors is the one who is not involved in ordinary operations and daily workflows of the Company and is not responsible for any other administrative role apart from the membership in Board of Directors. Most of the members of Board of Directors consist of non-executive members. Group General Manager Prof. Dr. Ahmet Kirman is an Executive Member of the Board of Directors. Chairman of the Board and is not the same person with the Group Head. In accordance with the criteria set by the Capital Market Board's Corporate Governance Principals, there exist two independent members in the Board of Directors.

INDEPENDENCE STATEMENT

Trakya Cam Sanayii A.Ş. To the Board of Directors

Trakya Cam Sanayii A.Ş. I herewith declare that I still bear the "Independent member of Board of Directors" conditions, which are determined by Communiques, Principle Decisions and similar regulations of Capital Market Law and Capital Market Board and by the Articles of Association of your Company; that I will inform the Board of Directors and Capital Market Board simultaneously through Public Disclosure Platform immediately, in case there are any situations that rule out aforementioned independence together with its reasons, and that I will comply with the provisions prescribed in article 4.3.8 of Corporate Governance Principles by acting in line with the decision of your Administrative Board.

Regards, (Signature)



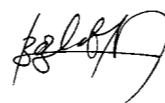
PROF. DR. ATILLA MURAT DEMİRCİOĞLU
26 February 2018

INDEPENDENCE STATEMENT

Trakya Cam Sanayii A.Ş. To the Board of Directors

Trakya Cam Sanayii A.Ş. I here with declare that I still bear the "Independent member of Board of Directors" conditions, which are determined by Communiques, Principle Decisions and similar regulations of Capital Market Law and Capital Market Board and by the Articles of Association of your Company; that I will inform the Board of Directors and Capital Market Board simultaneously through Public Disclosure Platform immediately, in case there are any situations that rule out aforementioned independence together with its reasons, and that I will comply with the provisions prescribed in article 4.3.8 of Corporate Governance Principles by acting in line with the decision of your Administrative Board.

Regards, (Signature)



HALİT BOZKURT ARAN
26 February 2018

Independent members have been determined in accordance with procedures anticipated in the corporate governance principles and proposed to Board of Directors.

The independent and non-independent members of the board, who have been determined within this scope, have been elected for one year in the General Assembly Meeting related to year 2017, held on 29 March 2017. Since the one-year duty terms of the members of Board of Directors cease to exist in the ordinary general assembly meeting to be held on 20 March 2018, the board members will be elected in the aforementioned ordinary general assembly meeting. The curriculum vitae of the member of Board of Directors have been announced in the related section of our annual report and the Company's corporate website and no issue arose that may threaten the independence of independent members. Accordingly, the statements of independence of members are presented as follows.

TRAKYA CAM SANAYİİ A.Ş.

CORPORATE GOVERNANCE COMPLIANCE REPORT

After the general assembly meetings where directors are elected, resolution shall be made on allocation of tasks, and the Chairman and Vice Chairman of the Board are elected. Company's current Board of Directors contains 2 executive and 4 non-executive members named below.

Approval is obtained from the general assembly under articles 395 and 396 of Turkish Code of Commerce, for the Chairman and Members of the Board of Directors to perform the Company's business personally or on behalf of others and to become partner of companies performing such businesses.

Directors can freely convey and express their opinions without any influence. Zeynep Hansu Uçar is the

female member of the Company's Board of Directors in accordance with Corporate Governance Principles, and no target rate or target time is specified for the female members of the Board of Directors, being no less than 25%, and no policy has been established to achieve such targets. Company's policy on this matter is assessed periodically and according to necessities.

The Company has subsidiaries and affiliates. Considering that having the Company Directors take part in management of such companies would benefit the Group, they are not restricted from assuming such tasks outside the Company; and the Directors' tasks outside the Company are stated below.

Name, Surname	Title	Current tasks outside Şişecam Düzcam
Prof. Dr. Ahmet Kirman	Chairman	Vice Chairman - General Manager of Türkiye Şişe ve Cam Fabrikaları A.Ş., Chairman of the Boards of Anadolu Cam San. A.S. Paşabahçe Cam San. ve Tic. A.Ş., Trakya Cam San. A.Ş., Soda Sanayi A.Ş., Paşabahçe Mağazaları A.Ş. Trakya Investmenr B.V, Fritz Holding GmbH, Anadolu Cam Investment B.V.OOO, Ruscam Glass, OOO Ruscam Glass Packaging Holding, OOO Ruscam Management Company, Balsand B.V., Trakya Autoglass Holding B.V., Şişecam Chem Investment B.V., SC Glass Trading B.V., Paşabahçe Investment B.V., Şişecam Çevre Sistemleri A.Ş., OOO Posuda, AC Glass Holding B.V., Şişecam Flat Glass Holding B.V., Nude Glass Investment B.V., İstanbul Investment B.V., Nude Design Investment B.V.
Dr. Reha Akçakaya	Vice Chairman – Float Glass Group Head	Chairman of the Boards of Şişecam Otomotiv A.Ş., Trakya Glass Bulgaria EAD, Şişecam Automotive Bulgaria EAD, Glasscorp SA, TRSG Glass Holding BV. and Automotive Glass Alliance Rus AO, Vice Chairman of the Board of HNG Float Glass Ltd, Member of the Boards of Saint Gobain Glass Egypt SAE, Şişecam Flat Glass Italy Srl, Şişecam Flat Glass Holding BV, Fritz Holding GMBH, RF SPOLS.R.O, Trakya Investment B.V.Chairman of the Board of Glass For Europe, Chairman of the Boards of Kalder – Turkish Quality Association, DEIK, Member of the Board of ICG International Cam Commission TC6 Mechanical Specifications
Prof. Dr. Atilla Murat Demircioğlu	Independent Member	Independent Director of Türkiye Şişe ve Cam Fabrikaları A.Ş., Chairman of Alexander von Humboldt Association Scholars, Yıldız Technical University Member of the Board
Halil Bozkurt Aran	Independent Member	Independent Director of Türkiye Şişe ve Cam Fabrikaları A.Ş., TEPAV Trade Studies Centre director, The Bretton Woods Committee Member
Zeynep Hansu Uçar	Member	Member of Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş., Anadolu Cam San. A.S. Paşabahçe Cam San.ve Tic. A.Ş., Türkiye Şişe ve Cam Fabrikaları A.Ş., Chairman of the Board of Directors at Camiş Yatırım Holding A.Ş
Anıl Karaca	Member	Vice Chairman of Trakya Yenisehir Cam Sanayii A.Ş. and Trakya Polatlı Cam Sanayii A.Ş., Board Members of Şişecam Otomotiv A.Ş., Trakya Glass Bulgaria EAD, Şişecam Automotive Bulgaria EAD, TRSG Glass Holding BV, Automotive Glass Alliance Rus AO, Trakya Investment BV, Glass Corp S.A.

5.2. Fundamentals of Activities of Board of Directors

The Board of Directors elects a chairman and vice-president subsequent to each general assembly meeting. The Board of Directors makes a new election for the chairman and/or vice-president when they cease to have their roles for any reason. The vice President leads the Board of Directors when the Chairman does not participate. If the vice President does not participate neither, any member of the board who is elected by the board itself temporarily leads the meeting of Board of Directors. The date and agenda of the meeting of Board of Directors are determined by the Chairman. The vice President is responsible for these duties when the Chairman does not participate in the meeting. The Board of Directors organizes the meetings as necessary with respect to the transactions of the Company. However, a meeting has to be organized at least once a month.

The number of decisions made by the Board of Directors during the period is 51 and 98% of the decisions is made at the consensus of the available members. There has not been any opponent vote. The meeting and decision quorums of Turkish Commercial Code, Capital Markets Board and related legislations are considered in making Board of Directors' meeting.

Thereby providing an equal flow of information, the information and documents related to agenda items of meeting of Board of Directors are presented for the review of members of the Board of Directors before a sufficient plenty of time. The members of the Board of Directors can make suggestion for changes in the agenda to Chairman, before the meeting. The opinion of any member who does not participate in the meeting and expresses his opinion to Board of Directors in written is presented to the other members. Each member of the board has a voting right in the Board of Directors.

Each agenda item is discussed clearly and in all aspects in the meetings of the Board of Directors. Participation rate of directors at the Board Meetings in 2017 is 98%. Independent Board of Directors has not voted on the election of themselves. The Chairman makes his best effort to ensure the effective participation of non-executive members in the meetings of Board of Directors. The reasonable and detailed reasons of opponent votes related to opposed agenda items by the members of the Board of Directors. The reasons for the opposite opinions are declared publicly in detailed. However, there is no such publicly announcement in the year 2017 since no such opinion was declared.

The meetings of Board of Directors are generally held at head office of the Company and the significant minutes of Board of Directors are announced to public via PDP and the minutes announced to public are also published in the Company's corporate website.

Authorities and responsibilities of the Board of Directors are clearly explained in the Articles of Association. Authorities are exercised in compliance with the internal

legislation registered in 22 December 2014, published in 26 December 2014 and prepared by the Board of Director's decision no 43 in accordance with the article 367 and 371 of Turkish Commercial Code in 9 December 2014. The Board of Directors plays a leading role in ensuring effective communication between the Company and the shareholders, in settlement of disputes and in reaching a solution and with this purpose, the Board of Directors is in a close collaboration with the Department of Investor Relationships.

Losses that may be incurred by the company as a result of faults of the executives and the Members of the Board of Directors during their term of office, are insured by our Company with an employers' liability insurance signed with Anadolu Sigorta A.Ş..

5.3. The Number, Structure and Independence of the Committees Constituted in the Board of Directors

For effective duty and responsibility performance of the Board of Directors, the "Supervisory Committee", "Corporate Governance Committee" and "Early Risk Identification System and Committee" have been constituted in accordance with the Corporate Governance Principles. The assigned positions, working principles and members of these committees were determined in the Administrative Board Meeting and disclosed to the public.

Audit Committee members are selected from the independent members of the board. The chairman of the Corporate Governance and Early Risk Identification System and Committee are independent Board members. The Corporate Governance Committee, the Early Risk Identification System and Committee and the Audit Committee consist of five, three and two members, respectively.

The Chairman of the Board of Directors and Vice President do not participate in the committee. There exists no executive member in the committees except for the manager and member of the "Department of Investor Relations" participating in the Corporate Governance Committee, in accordance with corporate governance principles. Members of the Board of Directors, who is independent, does not have any responsibility in two committees.

The committees are provided with necessary support and resources in order to accomplish their tasks by the Board of Directors. The committees can invite any manager to their meetings and ask for his ideas when necessary.

The frequency of meeting of the committees is sufficient and is documented in written and recorded. The reports including information concerning their activities and minutes of meetings are presented to the Board of Directors.

Being responsible for the company's accounting system, the independent audit and issue of financial information to public and the observation of internal control and

TRAKYA CAM SANAYİİ A.Ş.

CORPORATE GOVERNANCE COMPLIANCE REPORT

process and effectiveness of internal audit system, the Audit Committee is also responsible for determining the methods and principles of the review and resolution of complaints related to the company's accounting and internal control and its independent audit and assessment of feedbacks of the company's employees related to the accounting and independent audit issues within the framework of a confidentiality. It declares its findings related to its tasks and responsibilities and related assessments and suggestions to Board of Directors in written. It also declares its assessments related to the consistency of annual and interim financial statements to be issued publicly with the Company's accounting policies in terms of fair presentation and accuracy by the use of consultation from the Company's responsible managers and independent auditors.

The members of the Audit Committee possess the qualifications defined in the Corporate Governance Principles. The details related to the activities of the Audit Committee and the minutes of meetings have been disclosed in the annual report. Audit Committee has held 4 meetings in year 2017. The determination of independent auditors is performed in a way that the Audit Committee suggests an audit firm to the Board of Directors, considering the circumstances related to the competence and independence of independent audit firms.

The Corporate Governance Committee determines whether the corporate governance principles are applied properly within the company and if not, detects the conflicts of interests due to non-compliance with these principles and provides the Board of Directors with improving suggestions related to corporate governance applications. Additionally, it traces the activities of "Investor Relations Department. Corporate Governance Committee has held 4 meetings in 2017.

Nomination Committee and Remuneration Committee have not been established and the duties of these committees have been included in the activities of Corporate Governance Committee. The candidacy proposals for independent memberships of the Board of Directors are evaluated by considering the fact whether they possess the requirements of independence of related legislation and these evaluations are reported.

The setting-up of a transparent system for the determination, evaluation and training of appropriate candidates for the memberships of Board of Directors and definition of related policies and strategies and

performance of regular evaluations for the effectiveness and structure of Board of Directors and providing Board of Directors with the suggestions concerning the necessary changes are determined as the duties of the committee.

The wages policy including the principles of determination of wages of managers involved in the administrative responsibilities and the members of Board of Directors was defined and announced to public in the corporate website.

Early Risk Identification System and Committee performs activities related to early identification of the risks concerning the company's going concern and taking necessary precautions related to detected risks with the purpose of risk management and preparing reports by reviewing the risk management systems of Group companies. Early Risk Identification Committee has held 8 meetings in 2017.

Board of Directors has been duly notified on the meetings of Audit Committee, Early Risk Identification Committee and Corporate Management Committee.

Due to the fact that all members of Audit Committee and chairmen of other committees and two members of Board of Directors are required to be independent, in accordance with Corporate Governance Principles, it has required a member of Board of Directors to be involved in more than one committee.

Audit Committee:

Chairman Prof. Dr. Atilla Murat Demircioğlu (independent), Halil Bozkurt Aran (independent)

Corporate Management Committee:

Chairman Prof. Dr. Atilla Murat Demircioğlu (independent), Zeynep Hansu Uçar, Anıl Karaca and Kemal Tansu Akalın.

Early Risk Identification Committee:

Chairman Prof. Atilla Murat Demircioğlu (independent), Halit Bozkurt Aran (independent), Zeynep Hansu Uçar

5.4. Internal Control and Risk Management System

Carrying out activities in an intensive national and international competition environment, Şişecam Group puts effective management and internal audit processes

into practice in order to provide sufficient risk assurance to its stakeholders.

Financial crises, intensifying intergovernmental conflicts, security problems triggered by geopolitical factors, technological developments which are also called the industry revolution 4.0, dramatic results of climate change and social problems have made the world a place that is different from the past, involving political, economic and environmental risks.

Due to the fact that significant portion of the risks are uninsurable and that global risks have begun to have new and unusual impacts on the lives of the people, the companies and the states, the risk perception has been altered all across the world and the importance of risk management as a discipline has been increased significantly. In this context, the efficiency of risk management and internal audit processes were continuously reviewed in 2016 as in the past years, and these two functions, which form important elements of corporate governance, were closely managed. The Group continues its audit activities at a risk-based perspective and evaluates the available and potential risks proactively, under this structure.

At Şişecam Group, risk management and internal audit activities are structured within the parent company. Activities are reported in coordination with Group Heads managing the Group's primary business segments under the control of parent company. The results of regular and planned meetings held with "Early Risk Identification Committee", "Audit Committee" and "Corporate Governance Committee" in coordination with Group Heads are reported to the Board of Directors in accordance with the legislation. During the works performed for having a corporate structure, ensuring assurance to shareholders, protecting tangible and intangible assets, resources and environments of the Group, minimizing losses from uncertainty and having the maximum benefit from potential opportunities, relationship between the internal audit and risk management is maintained at a high level and aimed to support the decision process and increase the management efficiency.

Risk Management at Şişecam Group:

The activities of the risk management function, which was organised within the parent company, are carried out in accordance with legal requirements. As in previous years, we coordinated with Şişecam Group's presidencies, which manage the group's main business fields, to manage the risks which were determined, prioritised, and included in an action plan in line with risk appetite. Reporting which enables the process to be followed up properly is performed in line with regulations.

Thus; in order to manage the risks (i) identified, prioritized, within the scope of corporate risk management approach, and (ii) covered by the action plans in line with the risk appetite; Group-

wide communication and coordination activities are emphasized, technological means are used, and reports that provide a healthy follow-up of the process are also maintained in accordance with the legislation.

Internal Control at Şişecam Group:

The aim of the internal audit functions in our Group is to provide a healthy development for the Group Companies, to create unity in practice, to ensure that the operations are in line with both internal and external regulations and to ensure that correctional measures are taken timely. In accordance with the aforementioned purpose, for both domestic and abroad establishments of the Group; audit procedures are carried out.

Audit work is done according to the periodical audit programs, which are approved by the Board of Directors. When creating audit programs; risk management studies are utilized, in other words "risk-based audit" exercises are applied.

5.5. Strategic Objectives of the Company

The process of definition of strategic goals of the Company and the evaluation and review of these strategic goals are initiated with the clarification of vision of the Board of Director based on "the set of Vision/Mission and Values by the Board of Directors".

The Company uses the term of Vision refers to an overall expression of the target and the desired positions that the company intends to arrive at.

The Board of Directors has defined to point of intended in 2020 as follows "To become a global flat glass company which presented innovative solutions and expanded quickly with strong brands".

In the following stage, a series of Project has been defined intended for understanding under which conditions operate for performing needs of visions. Analysis of group levels, the clarifications of priorities and strategic themes have prevented a framework that guide to lower level projects with top management goal validation and approval.

On the next step, strategic analysis recognizes fields of activities level that supported Group Strategic Plan. Strategic analysis, a series of Project has been defined intended for understanding under which conditions operate for performing needs of visions.

Analysis is for in house is called by "Internal Analysis", analysis is for a huge area like market, competitors, sectors given and taken inputs, different locations, suppliers and consumers, etc. is called by "External Analysis". Combination of these factors execute the set of "Opportunities/Treats/Strengths/Weaknesses" for all activity areas.

On the next step after the analysis, creating and updating of "Strategic Maps" is recognized. Strategic Map determines focusing in which topics of Finance, Customer, Process and Intangible Assets of Group and idealising in which different (strategic) items. Strategic Map is diversified based on business space. In this way, mapping that activities lead in the future is created. To put into practise maps is recognized via Balanced Scorecard. Every strategy that is defined on the Map is a Performance Indicator; success level of this indicator has been related to needed projects for this activity and organizational structure.

Finalized strategic plan in the fields of activity level is detailed on the two major functions (Marketing/Sales and Production) for become applicable. Common services such as Human Resources, Research and Development, Finance, Information Technology is related to process.

Creating Strategic Plan is tested with financial projections. The last finalized plan with all factors is shared with enforcement units in the "Plan Meeting". Plan which is maturing and supported with projects has supported the Budget Document in the first execution year.

In the end of process, the plan is submitted to the Board of Directors. After the Board of Directors made required corrections, the plan is applied under the leadership of Group President.

Corporate Performance Programme is used for measuring implementation success of plan and monitoring of plan. Programme is evaluated with major monitoring meeting four times in the year. Besides, execution units monitor monthly with Operating Report (Budget), quarterly with Group Meeting, short term and long term position of plan via Decision Support Units, Management Information System, etc. Independently. If it is needed, strategic priority change in the plan period. All monitoring results is submitted to the Board of Directors review.

The vision in the system of restructured Strategic Planning is a long term text. Internal and External Analysis are repeated every year. Strategic Map is the text that is renewed by updates every year. Balanced Scorecard application is a systematic that is operated annually.

The Vision is usually renewed every five years, the mission is usually renewed every ten years.

Individual Performance Management System is related to Strategic Plan for degrading from corporate level to personnel level of performance.

In this framework, the Company as of financial;

- Organic and inorganic growth,
- Total effective cost management,
- To create profitable portfolio structure by focusing value added goods,

As part of customer value;

- To be solution partner by focusing satisfactions of customers and business partners,

- Rapid transition to high value-added products,
- Fast conversion to high value added goods,
- To increase brand awareness,

As part of process;

- To be in the structure based on market and customer,
- To increase of productivity with quick, simple and flexible process,
- To ensure quality and continuity production,
- To be an innovative company with R&D, P&D and design,
- To recognize all of them with environmentalist idea and sustainably,

As of organizational development and substructure;

- To be a company that prefer the betters, increasing the personnel motivation, adaptable for globalization and come together perfect personnel,
- To manage information ably top level,
- To create corporate culture that learner, adopter the best applications and not ignored traditions at the same time, are the core elements of plan.

5.6. Remuneration

As indicated in the Articles of Association; rights, benefits and wages that are procured to the Members of the Board of Directors are established by the General Assembly. The monthly wages of the Members of the Board of Directors are determined and declared to the public in Ordinary General Assembly Meeting of year 2016 which was held at 29 March, 2017. Wage policy principles for the high level executives of the Company are stated in written form in the Ordinary General Assembly Meeting for Shareholders which was held at April 2, 2013 and are declared to the Shareholders of the company and announced by the website of the Company.

There are no payments done to top level executives, which are directly linked to revenue, profitability or any other essential indicators which could be considered technically as bonus. In addition to the cash payments such as wages, bonuses and welfare benefits; a once a year payment is made to senior level executives of the company; which is calculated by the Board of Directors by taking the operational volume, essence of the operation of the company and degree of vulnerability of the company, size of the structure which is managed, the sector in which the company operates and also the inflation rate, overall wage level and the profitability of the Company into consideration. Also a company vehicle is provided for the high level executives of the company.

In this context, total payments made to directors and senior executives within the scope of remuneration policy are disclosed to public in notes to the financial statements, and there was no conflict of interest as the benefits were not presented on personal basis.

The Company does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

TRAKYA CAM SANAYİİ A.Ş. SHAREHOLDER'S ORDINARY GENERAL ASSEMBLY AGENDA FOR 2017

1. Election of Presidency Council and Granting Authority to Sign General Assembly Minute to Presidency Council,
2. Reading Summary of Board of Directors' Activity Report and Independent Auditor's Report about activities of our company in 2017,
3. Presenting, discussing and approving 2017 Financial Statements,
4. Release of Board Members
5. Election of Board Members,
6. Determination of Fees of Board Members,
7. Authorizing Board Members in accordance with 395th and 396th Articles of TCC,
8. Resolving about Profit Distribution Form and Date for the year of 2017,
9. Resolving about Election of Independent Audit Firm in accordance with Turkish Commercial Code and Capital Market Board Regulations,
10. Giving Information about Donations made during the year, to Shareholders and Determination of Limit of Donations to be made in 2018,
11. Giving information about Guarantees, Pledges and Mortgages Provided in favour of Third persons to the Shareholders.

CAPITAL INCREASE, AMENDMENTS ON THE ARTICLES OF ASSOCIATION, PROFIT DISTRIBUTIONS AND OTHER ISSUES IN THE PERIOD

Consent was given with the Capital Markets Board letter n.2781 (date: March 2, 2017) to increase the upper limit of the registered capital - specified in the 6th Article of the Articles of Association of the Company - from TL 1,500,000 thousand to TL 3,000,000 thousand. Furthermore; the decision was approved by shareholders' majority vote at the General Assembly Meeting held on the 29th of March 2017 upon the permission received from the Ministry of Customs and Trade General Directorate of Domestic Trade, and was published on the Turkish Trade Registry Gazette n.9302 (date: April 10, 2017). Thus, the consent given by the Capital Markets Board for the upper limit of the registered capital became valid for the 5 (five) year period between 2017 and 2021.

In line with the Shareholders' General Assembly resolution dated 29 March 2017, 106,000,000 Turkish Liras dividends corresponding to 11.39785% of the issued capital has been distributed to the shareholders in cash on 30 May 2017, and 21,50538 Turkish Liras of gross dividends corresponding to 21.50538% of the issued capital has been distributed to the shareholders pro rata their shares on 24 July 2017.

Within the period, the issued capital of the Company equivalent to TL 930,000,000 within the registered capital of TL 3,000,000,000 was increased to TL 1,130,000,000. In line with the decision taken at the Shareholders General Assembly Meeting held on the 29th of March 2017; TL 197,211,198.16 portion of the TL 200,000,000 increase was covered from the amount - accrued as a result of the divestment transactions made in 2016 - decided to be kept in a special fund account within the scope of the Corporate Tax Law Article n.5/1-e whilst the TL 2,788,801.84 portion was covered from the profit for the 2016 period. Thus, the necessary legal procedure regarding the capital increase transactions was completed and registered on the 20th July 2017.

OTHER ISSUES

Conclusion section of "Commitment Report" prepared in accordance with article 199 of Turkish Code of Commerce:

All transactions of our Company in 2017 with our controlling company and the subsidiaries of our controlling company have complied with the provisions of the legislation on concealed profit distribution through transfer pricing, and there was no situation requiring loss balancing in 2017 due to the abovementioned transactions.

Legal Basis of the Annual Report:

Our Company's Annual Report for the account year 2017 has been prepared in accordance with the provisions of 3rd para, article 516 of Turkish Code of Commerce, the "Regulation on the Minimum Content of Companies' Annual Reports" published by the Ministry of Customs and Trade based on article 518, and the Capital Markets Board's "Communiqué on Financial Reporting Principles in Capital Markets".

Basis of Preparation of the Annual Report:

Annual report reflects the flow of business and activities of the Company in the relevant account period, and its financial status in every aspect, accurately, completely, fairly and honestly, considering the Company's rights and benefits. Annual report does not contain any misleading, exaggerated or untrue statement that might cause any misreading.

Endeavour has been spent to prepare the annual report in detail to make available to the shareholders, all the information about Company's activities, fully and accurately.

Approval of the Annual Report:

Our Company's annual report for the account year 2017 has been signed and approved by Company's Directors on 06 February 2018.

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH



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To the Board of Directors of Trakya Cam Sanayii A.Ş.

1) Opinion

We have audited the annual report of Trakya Cam Sanayii A.Ş. (the "Company") and its Subsidiaries ("Group") for the period of 1 January - 31 December 2017.

In our opinion, the consolidated financial information included in the Board of Directors' Annual Report, and the Board of Directors' evaluations about the Group's situation, reflect the facts and are consistent, in all important aspects, with the information we obtained during the independent audit and with the complete set of consolidated financial statements that were audited.

2) Basis of Opinion

Our independent audit was carried out in conformity with the independent audit standards issued by the Capital Markets Board as well as the Independent Audit Standards which are part of the Turkish Audit Standards published by the Public Oversight, Accounting and Audit Standards Authority. Our responsibilities within the scope of these standards, are explained in detail in our report's section "Independent Auditor's Responsibilities Regarding the Independent Audit of the Annual Report". We do declare that we are independent from the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the Public Oversight, Accounting and Audit Standards Authority, and in conformity with the ethical provisions stipulated in the legislation about the independent audit. We have fulfilled the other responsibilities regarding the ethical issues within the scope of the Code of Ethics and legislation. We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor Opinion Regarding the Complete Set of Financial Statements

In our auditor report dated February 26, 2018, we presented a positive opinion regarding the complete set of consolidated financial statements of the Group for the accounting period between 1st of January 2017 and 31st of December 2017.

4) Board of Directors' Responsibility Regarding the Annual Report

As per the Articles 514 and 516 of the Turkish Code of Commerce n.6102, and the Capital Markets Board's "Communiqué n.II-14.1 On Financial Reporting Principles in Capital Markets" (Communiqué); Group management is responsible for the following issues regarding the Annual Report:

- Preparing the Annual Report within the first three months following the balance sheet day, and submitting it to the General Assembly.
- Preparing the Annual Report in a manner that will correctly, precisely, directly, honestly, truthfully reflect the Group's activities in that year and the Group's financial situation in every aspect. In this report, the financial situation is assessed according to the consolidated financial statements. Furthermore, the report clearly points out the Group's progress and the potential risks the Group may encounter. The Board of Directors' assessment about these issues is also included in the report.
- The Annual Report also covers the following issues:
 - Material matters that took place in the Group after the end of the activity year,
 - Research and development activities of the Group,
 - Financial benefits paid to the executives and the Members of the Board of Directors such as remuneration, premium, bonus, as well as any allowances, and travel, accommodation and representation expenses, in kind and in cash benefits, insurances and similar sureties.

When preparing the Annual Report, the Board of Directors takes the secondary legislation regulations made by the Ministry of Customs and Trade, into consideration.

5) Independent Auditor's Responsibility Regarding Annual Report's Independent Audit

Our aim is to present our opinion and issue a report about whether the financial information included in the Board of Directors' Annual Report - as per the provisions of the Turkish Code of Commerce and the Communiqué - and the Board of Directors' evaluations, based on the information given in the audited financial statements, reflect the facts and whether they are consistent, in all important aspects, with the information we obtained during the independent audit and with the consolidated financial statements that were audited.

Our independent audit was carried out in conformity with the Independent Audit Standards and the independent audit standards published by the Capital Markets Board. These standards stipulate that the independent audit must be carried out within the scope of a plan in order to obtain reasonable assurance about whether there is compliance with ethical provisions, and whether the consolidated financial information included in the Annual Report and the Board of Directors' evaluations reflect the facts and whether they are consistent with the consolidated financial statements and with the information obtained during the audit

Tolga Kirelli is the responsible auditor who has carried out & concluded this independent audit.

Güney Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of firm of Ernst & Young Global Limited



TOLGA KIRELLİ, SMMM
Partner

26 February 2018
Istanbul, Turkey

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Legal Disclaimer

The Auditor's Report, the Consolidated Financial Statements and the Independent Audit Report included in this Annual Report ("Report"), regarding the activities and accounts for the year 2017, were prepared in conformity with the legal legislation to be submitted to the Ordinary General Assembly of Shareholders to be held on the 20th of March 2018 at the address; İcmeler Mahallesi, D-100 Karayolu Caddesi, No: 44/A 34937 Tuzla/İstanbul.

This Report is prepared for informing the shareholders and does not serve as a basis for any investment decision. The forward-looking and forecasted figures in the Report reflect the Company management's views on the future of the Company; and the actual results may differ depending on the variables and assumptions that constitute the forecasted figures. Accordingly, Trakya Cam Sanayii A.Ş. or the Members of the Board of Directors of the Company, or the Company's consultants and employees are not responsible for any loss or damage incurred directly or indirectly by any person; (i) as a result of any information given or communication made within the scope of this Report, or; (ii) based on any information contained / not-contained in this Report.

As of the date of preparing this report, all information contained in this Report is believed to be accurate, however Trakya Cam Sanayii A.Ş. assumes no responsibility for any typographical and printing errors that may occur.

