TRAKYA CAM SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY-30 JUNE 2018 (ORIGINALLY ISSUED IN TURKISH)

Report on Review of Interim Consolidated Financial Information

To the Board of Directors of Trakya Cam Sanayi ve Ticaret A.Ş.:

Introduction

We have reviewed the accompanying consolidated statement of financial position of Trakya Cam Sanayi ve Ticaret A.Ş. (the Company) and its subsidiaries (the Group) as of June 30, 2018 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Group management is responsible for the preparation and fair presentation of this interim consolidated financial information in accordance with Turkish Accounting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim consolidated financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review of the interim consolidated financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2018, and of its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with Turkish Accounting Standards.

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

Tolga Kırelli, SMMM
Partner

26 July 2018
İstanbul, Turkey

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Trakya Cam Sanayii A.Ş.

Consolidated Statement of Financial Position
at 1 January 2018 and 30 June 2018
(Amounts expressed in thousand Turkish Lira (“TRY”) unless otherwise indicated.)

ASSETS	Notes	30 June 2018	31 December 2017
Current Assets			
Cash and cash equivalents	6	1,076,265	1,393,526
Financial assets	7	72,620	37,022
Trade receivables	10	828,366	705,090
Other receivables	11,37	161,692	189,580
- Due from related parties	37	139,352	173,979
- Other receivables	11	22,340	15,601
Inventories	13	931,654	681,841
Prepaid expenses	14	101,013	68,402
Other current assets	26	44,868	30,332
Total Current Assets		**3,216,478**	**3,105,793**
Non - Current Assets			
Financial assets	7	840,835	702,510
Trade receivables	10,37	594	-
Other receivables	11	6,884	285
Investments in associates and joint ventures	16	246,552	480,763
Tangible assets	18	4,347,607	3,577,374
Intangible assets	19,20	316,679	43,629
- Goodwill	20	148,566	31,403
- Other intangible assets	19	168,113	12,226
Prepaid expenses	14	12,502	58,873
Deferred tax assets	35	82,037	52,098
Other non-current assets	26	704	-
Total Non - Current Assets		**5,854,394**	**4,915,532**
TOTAL ASSETS		**9,070,872**	**8,021,325**

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

Consolidated Statement of Financial Position
at 1 January 2018 and 30 June 2018
(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

LIABILITIES	**Notes**	**30 June 2018**	**31 December 2017**
Current Liabilities			
Short term borrowings	8	593,134	314,481
Short term portion of long term borrowings and interests	8	458,897	321,032
Trade payables	10,37	448,694	483,757
- Due to related parties	37	67,037	58,937
- Other trade payables	10	381,657	424,820
Other Payables	11,37	150,788	219,466
- Due to related parties	37	82,221	171,424
- Other payables	11	68,567	48,042
Deferred income	14	34,792	29,238
Current income tax liabilities	35	42,416	40,987
Short term provisions	22,24	30,699	36,595
-Short term provisions for employment benefits	24	2,746	2,011
- Other short term provisions	22	27,953	34,584
Other current liabilities	26	163,282	80,664
Total Current Liabilities		**1,922,702**	**1,526,220**
Non-Current Liabilities			
Long term financial liabilities	8	1,984,479	1,959,369
Other payables	11	1,176	1,330
Deferred income	14	63,373	53,620
Long-term provisions	24	91,039	82,973
Deferred tax liabilities	35	58,013	41,638
Total Non-Current Liabilities		**2,198,080**	**2,138,930**
Total Liabilities		**4,120,782**	**3,665,150**
EQUITY			
Shareholder's Equity	**27**	**4,542,984**	**4,009,965**
Paid-in share capital		1,250,000	1,130,000
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		478,029	459,433
- Gain/(loss) on revaluation and remeasurement		478,029	459,433
- Increases/decrease in revaluation of tangible assets		482,897	464,325
- Funds for actuarial gain/(loss) on employee termination benefits		(4,868)	(4,892)
Other comprehensive income / expense to be reclassified to profit or loss		607,653	464,047
Restricted reserves		197,629	159,699
Retained earnings		1,499,687	1,174,791
Net profit for the year		504,386	616,395
Non - controlling interest	**27**	**407,106**	**346,210**
TOTAL EQUITY		**4,950,090**	**4,356,175**
TOTAL LIABILITIES AND EQUITY		**9,070,872**	**8,021,325**

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

Consolidated Statements of Profit and Loss for the Periods between 1 January - 30 June 2018 and 2017

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2018	1 April - 30 June 2017
Revenue	28	2,546,638	2,031,894	1,324,444	1,075,941
Cost of sales (-)	28	(1,703,366)	(1,368,041)	(876,858)	(723,908)
Gross Profit/(Loss)		**843,272**	**663,853**	**447,586**	**352,033**
General administrative expenses	29	(163,179)	(164,365)	(89,721)	(88,888)
Selling and marketing expenses	29	(278,000)	(203,764)	(143,819)	(101,694)
Research and development expenses	29	(9,380)	(14,969)	(4,460)	(6,736)
Other operating income	31	143,991	99,363	100,595	40,542
Other operating expenses	31	(72,581)	(49,720)	(54,687)	(15,625)
Operating profit/(loss)		**464,123**	**330,398**	**255,494**	**179,632**
Income from investing activities	32	231,787	29,531	186,057	530
Expenses from investing activities	32	(383)	(11,691)	(277)	(11,689)
Income/(expense) from investments accounted for under equity accounting	16	10,120	15,645	514	8,190
Operating profit/(loss) before financial income and expense		**705,647**	**363,883**	**441,788**	**176,663**
Financial income	33	284,614	135,969	176,989	41,909
Financial expenses	33	(389,370)	(161,216)	(261,585)	(27,856)
Profit/(loss) before tax from continued operations		**600,891**	**338,636**	**357,192**	**190,716**
Tax expense/(income) from continuing operations	**35**	**(78,347)**	**(65,517)**	**(50,123)**	**(37,404)**
- Taxes on income	35	(90,804)	(41,069)	(45,959)	(14,740)
- Deferred tax income	35	12,457	(24,448)	(4,164)	(22,664)
Profit/(loss) for the period		**522,544**	**273,119**	**307,069**	**153,312**
Attributable to:					
- Non controlling interest	27	18,158	10,925	9,456	5,937
- Equity holders of the parent	**27**	**504,386**	**262,194**	**297,613**	**147,375**
Earnings per share	**36**	**0.4035**	**0.2098**	**0.2381**	**0.1179**

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

Consolidated Statements of Comprehensive Income for the Periods between 1 January - 30 June 2018 and 2017

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April -30 June 2017
Profit/(loss) for the period	**27**	**522,544**	**273,119**	**307,069**	**153,312**
Other comprehensive income:					
Items not to be reclassified to profit or loss	**27**	**20,021**	**5,460**	**11,837**	**(3,197)**
Gains /(loss) on revaluation of tangible fixed assets		19,997	5,451	11,824	(3,200)
Other items not to be reclassified to profit or loss on other comprehensive		30	11	16	3
Items not to be reclassified to profit or loss for income tax on other comprehensive		(6)	(2)	(3)	-
Items to be reclassified to profit or loss	**27**	**225,773**	**73,443**	**114,136**	**(48,884)**
Currency translation differences		225,773	73,443	114,136	(48,884)
Other comprehensive income/ (loss)		**245,794**	**78,903**	**125,973**	**(52,081)**
Total comprehensive income/(loss)		**768,338**	**352,022**	**433,042**	**101,231**
Attributable to:					
- Non-controlling interest		59,325	24,414	32,383	9,587
-Equity holders of parent		**709,013**	**327,608**	**400,659**	**91,644**
Earnings per share		**0.5672**	**0.2621**	**0.3205**	**0.0733**

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

Trakya Cam Sanayii A.Ş.

Consolidated Statement of Changes in Equity for the periods between 1 January - 30 June 2018 and 2017

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Paid in Capital	Adjustment to Capital	Share Premium (Discount)	Other Comprehensive Income/Expense not to be reclassified to profit or loss	Other Comprehensive Income/Expense 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
1 January 2017	**930,000**	**5,577**	**23**	**464,097**	**253,096**	**137,116**	**956,665**	**546,709**	**3,293,283**	**293,438**	**3,586,721**
Transfers	-	-	-	-	-	22,583	524,126	(546,709)	-	-	-
Total comprehensive income/(loss)	-	-	-	5,460	59,954	-	-	262,194	327,608	24,414	352,022
Dividends	-	-	-	-	-	-	(106,000)	-	(106,000)	(14,400)	(120,400)
30 June 2017	**930,000**	**5,577**	**23**	**469,557**	**313,050**	**159,699**	**1,374,791**	**262,194**	**3,514,891**	**303,452**	**3,818,343**
1 January 2018	**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**
Impact of accounting policy change(Note 2.3)	-	-	-	-	-	-	(5,994)	-	(5,994)	-	(5,994)
Transfers	-	-	-	-	-	37,930	578,465	(616,395)	-	-	-
Total comprehensive income/(loss)	-	-	-	20,021	184,606	-	-	504,386	709,013	59,325	768,338
Capital increase	120,000	-	-	-	-	-	(120,000)	-	-	-	-
Dividends	-	-	-	-	-	-	(170,000)	-	(170,000)	-	(170,000)
Business acquisition impact	-	-	-	(1,425)	(41,000)	-	42,425	-	-	1,571	1,571
30 June 2018	**1,250,000**	**5,577**	**23**	**478,029**	**607,653**	**197,629**	**1,499,687**	**504,386**	**4,542,984**	**407,106**	**4,950,090**

Note 27 sets out disclosures for the changes in the equity.

Consolidated Cash Flows Statements for the periods between 1 January – 30 June 2018 and 2017
(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January-30 June 2018	1 January-30 June 2017
A, CASH FLOWS FROM OPERATING ACTIVITIES		**230,447**	**179,107**
Net profit for the period	**27**	522,544	273,119
Adjustments to reconcile net profit to net cash provided by operating activities		**114,110**	**256,712**
Depreciation and amortization	18,19	163,903	153,444
Adjustments for impairments / reversals	10,11,13	13,097	12,772
Changes in provisions	22,24	509	34,556
Interest income and expenses	8,31,33	3,947	12,474
Unrealized exchange loss / (gain)	31,33	96,435	13,288
Fair value (gain)/loss	7	(176,095)	(12,962)
Income from associates(net)	16	(10,120)	(15,645)
Current income tax accrual	35	78,347	65,517
Gains from sales of tangible assets	31,32	(55,309)	(4,878)
Other adjustments related to profit/loss reconciliation	7,26	(604)	(1,854)
Changes in net working capital		**(274,468)**	**(256,350)**
(Increases) / decreases in trade receivables	10,37	(122,733)	63,348
(Increases) / decreases in other receivables	11,37	27,929	(179,786)
(Increases) / decreases in inventories	13	(183,716)	(89,436)
(Increases) / decreases in trade payables	10,37	(40,365)	(71,142)
(Decreases) / increases in other payables	11,14,26,37	(83,072)	(33,318)
Other (increases) / decreases in net working capital	14,26	127,489	53,984
Cash flows from operating activities		**362,186**	**273,481**
Interest paid	8,31,33,37	(43,959)	(58,987)
Interest received	31,33,37	6,762	9,788
Employment termination benefits paid	24	(5,167)	(4,227)
Current income tax paid	35	(89,375)	(40,948)

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

Consolidated Cash Flows Statements for the periods between 1 January – 30 June 2018 and 2017

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January-30 June 2018	1 January-30 June 2017
B, CASH FLOWS FROM INVESTING ACTIVITIES		**(492,647)**	**(57,634)**
Cash outflow from of purchase for obtaining control of subsidiaries	3	(465,252)	-
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	-	(129,141)
Proceeds from sale of tangible and intangible assets	18,19,32	8,154	5,582
Cash outflows due to purchases of tangible and intangible assets	18,19	(158,165)	(72,167)
Cash inflows from sale of investment property	17,32		
Advances given	14	(31,518)	(158,687)
Proceeds from Advances given	14	87,718	127,611
Dividends received from associates	16,32	1,884	3,036
Interest received	6,7,33	64,834	46,996
Other cash inflows / outflows	3,10,11,26	(302)	852
C, CASH FLOWS FROM FINANCING ACTIVITIES		**(221,915)**	**(194,630)**
Proceeds from financial borrowings	8	453,503	111,515
Repayments of financial borrowings	8	(504,938)	(185,409)
Financial leases paid	8	(480)	(336)
Dividends paid	27	(170,000)	(120,400)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		**(484,115)**	**(73,157)**
D, EFFECTS OF UNREALIZED EXCHANGE LOSS / (GAIN) ON CASH AND CASH EQUIVALENTS		**169,657**	**25,889**
Effect of change in the exchange rates on cash and cash equivalents	33	161,254	5,918
Effect of currency translation difference	27	8,403	19,971
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(314,458)**	**(47,268)**
E, CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**6**	**1,390,357**	**1,152,390**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E)	**6**	**1,075,899**	**1,105,122**

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

(Amounts are 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 20 subsidiaries, 3 associates.
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 and Manfredonia), 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 30 June 2018 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:

Adress:İçmeler 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 June 2018	31 December 2017	31 June 2017
Personnel charged by monthly pay	1,708	1,718	1,674
Personnel charged by hour	5,200	4,987	4,733
Total	**6,908**	**6,705**	**6,407**

1. Group's Organisation and Nature of Operations (continued)

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
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
HNG Float Glass Limited	Production and Sale of Flat Glass, Mirror	India
Sisecam Flat Glass South Italy S.R.L	Production and Sale of Flat, Coated, Laminated and Satime Glass	Italy
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

(Amounts are expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

1. Group's Organisation and Nature of Operations (continued)

Companies Included in the Consolidation (continued)

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

	30 June 2018		31 December 2017	
Company Title	**Direct and Indirect ownership ratio %**	**Effective ownership ratio %**	**Direct and Indirect ownership ratio %**	**Effective ownership ratio %**
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.	-	-	100.00	100.00
Sisecam Flat Glass Holding B.V.	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	90.00	90.00
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
HNG Float Glass Limited	99.80	99.80	50.00	50.00
Sisecam Flat Glass South Italy S.R.L	100.00	100.00	-	-

	30 June 2018		31 December 2017	
Company Title	**Direct and Indirect ownership ratio %**	**Effective ownership ratio %**	**Direct and Indirect ownership ratio %**	**Effective ownership ratio %**
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

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 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 consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion in TRY. These 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 prepared 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.

(Amounts are expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.1 Basis of Presentation (continued)

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:

	30 June 2018		31 December 2017		30 June 2017	
Foreign Currency	**Period End**	**Period Average**	**Period End**	**Period Average**	**Period End**	**Period Average**
Euro	5.30920	4.94158	4.51550	4.11588	4.00300	3.93142
Bulgarian Lev	2.71455	2.52659	2.30874	2.10442	1.89684	2.01010
Russian Rubbles	0.07229	0.06832	0.06507	0.06210	0.05907	0.06234
Romanian Leu	1.13290	1.05563	0.96374	0.89552	0.87407	0.86176
Egyptian Pounds	0.25586	0.23118	0.21333	0.20491	0.19451	0.20344
Indian Rupee	0.06651	0.06222	0.05900	0.05597	0.05417	0.05530

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 2018 and 31 December 2017,

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.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.1 Basis of Presentation (continued)

Subsidiaries (continued)

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.

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

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.

Financial assets at fair value through other comprehensive income

The financial investments adopted for in accordance with IFRS 9, "Financial Instruments" effective from 1 January 2018. The Group has a preference for a first time investment in an equity investment that is not held for trading purposes and that the subsequent amendment to fair value would not be reversible for presentation in other comprehensive income.. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings.

Investments, in which the Group has controlling interests equal to or above 20%, or over which are either immaterial or where a significant influence is not exercised by the Group, that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are measured by its costs. carried at cost less any provision for impairment.

Available-for-sale investments, in which the Group has an interest that is below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured, are carried at their fair values in the consolidated financials statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (continued)

2.2 Statement of Compliance to TAS

The Group prepared the accompanying consolidated financial statements as of 30 June 2018 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 30 June 2018 are consistent with those used in the preparation of financial statements for the year ended 31 December 2017.

<u>Impacts on consolidated financial statements</u>

The Group applied TFRS 9 – Financial Instruments and TFRS 15 – Revenue from Contracts with Customers effective from 1 January 2018 and financial statements effects of the these standards are explained below; applied actual accounting policy is explained on Note 2,6. In the application of TFRS 9 Financial Instruments Standard, the group have benefited from an exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of TFRS 9 are recognized in retained earnings as of 1 January 2018. The group has applied TFRS 15 Revenue from Contracts with Customers by using "cumulative effect method" on the transition date of 1 January 2018. The cumulative effect adjustment for the first time as this adoption is recognized in retained earnings as of 1 January 2018 and no restatement has been required in the comparative information of the financial statements.

The impacts on the statement of financial position of 30 June 2018 and the profit or loss table for the six month interim period for the same date of the adoption of TFRS 9 and TFRS 15 are as follows;

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Significant Changes in the Accounting Policies(Continued)

(i) Consolidated Statement of Financial Position

ASSETS	Notes	30 June 2018	TFRS 9 Impacts	TFRS 15 Impacts	30 June 2018 (Excluding Impacts)
Current Assets					
Cash and cash equivalents	6	1,076,265	-	-	1,076,265
Financial investments	7	72,620	-	-	72,620
Trade receivables	10	828,366	5,169	2,456	820,741
- *Trade receivables due from related parties*	37	-	-	-	-
- *Trade receivables due from nonrelated parties*	10	828,366	5,169	2,456	820,741
Other receivables	11,37	161,692	-	-	161,692
- *Other receivables due from related parties*	37	139,352	-	-	139,352
- *Other receivables due from nonrelated parties*	11	22,340	-	-	22,340
Inventories	13	931,654	-	(2,232)	933,886
Prepaid Expenses	14	101,013	-	-	101,013
Other current assets	26	44,868	-	-	44,868
Total Current Assets		**3,216,478**	**5,169**	**224**	**3,211,085**
Non-current Assets					
Financial investments	7	840,835	(9,345)	-	850,180
Trade Receivables	10,37	594	-	-	594
Other receivables	11	6,884	-	-	6,884
Investments associates and joint ventures	16	246,552	-	-	246,552
Tangible assets	18	4,347,607	-	-	4,347,607
Intangible assets and goodwill	19,20	316,679	-	-	316,679
- *Goodwill*	20	148,556	-	-	148,556
- *Other intangible assets*	19	168,113	-	-	168,113
Prepaid expenses	14	12,502	-	-	12,502
Deferred tax assets	35	82,037	919	(49)	82,037
Other Non-Current Assets	26	704	-	-	704
Total Non-current Assets		**5,854,394**	**(8,426)**	**(49)**	**5,862,869**
TOTAL ASSETS		**9,070,872**	**(3,257)**	**175**	**9,073,954**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Significant Changes in the Accounting Policies(Continued)

LIABILITIES	**Notes**	**30 June 2018**	**TFRS 9 Impacts**	**TFRS 15 Impacts**	**30 June 2018 Excluding Impacts**
Current Liabilities					
Current borrowings	8	593,134	-	-	593,134
Current portion of non-current borrowings	8	458,897	-	-	458,897
Trade payables	10,37	448,694	-	-	448,694
- *Trade payables to related parties*	37	67,037	-	-	67,037
- *Trade payables to nonrelated parties*	10	381,657	-	-	381,657
Other Payables	11,37	150,788	-	-	150,788
- *Other payables to related parties*	37	82,221	-	-	82,221
- *Other payables nonrelated parties*	11	68,567	-	-	68,567
Deferred Income	14	34,792	-	-	34,792
Current income tax liabilities	35	42,416	-	-	42,416
Current Provisions	22,24	30,699	-	-	30,699
- Employee Benefit Obligations	24	2,746	-	-	2,746
- Other Current provisions	22	27,953	-	-	27,953
Other current liabilities	26	163,282	-	-	163,282
Total Current Liabilities		**1,922,702**	**-**	**-**	**1,922,702**
Non-current Liabilities					
Long-term financial liabilities	8	1,984,479	-	-	1,984,479
Other borrowings	11	1,176	-	-	1,176
Deferred Income	14	63,373	-	-	63,373
Non-current provisions	24	91,039	-	-	91,039
Deferred tax liabilities	35	58,013	-	-	58,013
Total Non-Current Liabilities		**2,198,080**	**-**	**-**	**2,198,080**
Total Liabilities		**4,120,782**	**-**	**-**	**4,120,782**
EQUITY					
Equity Attributable to Owners of Parent	**27**	**4,542,984**	**(3,257)**	**175**	**4,546,066**
Paid-in share capital		1,250,000	-	-	1,250,000
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		478,029	-	-	478,029
- Gain/(loss) on revaluation and remeasurement		478,029	-	-	478,029
- Increases/decrease in revaluation of tangible assets		482,897	-	-	482,897
- Funds for actuarial gain/(loss) on employee termination benefits		(4,868)	-	-	(4,868)
Other comprehensive income / expense to be reclassified to profit or loss		607,653	-	-	607,653
Restricted reserves		197,629	-	-	197,629
Retained earnings		1,499,687	(6,293)	299	1,505,681
Net profit for the year		504,386	3,036	(124)	501,474
Non-Controlling Interests	**27**	**407,106**			**407,106**
Total Equity		**4,950,090**	**(3,257)**	**175**	**4,953,172**
TOTAL LIABILITIES AND EQUITY		**9,070,872**	**(3,257)**	**175**	**9,073,954**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2,3 Significant Changes in the Accounting Policies(Continued)

(ii) Consolidated Statement of Profit or Loss

	Notes	30 June 2018	TFRS 9 Impacts	TFRS 15 Impacts	30 June 2018 Excluding Impacts
Revenue	28	2,546,638	-	2,073	2,544,565
Cost of sales	28	(1,703,366)	-	(2,232)	(1,701,134)
Gross profit from trading activity		**843,272**	**-**	**(159)**	**843,431**
General administrative expenses	29	(163,179)	-	-	(163,179)
Selling and marketing expenses	29	(278,000)	-	-	(278,000)
Research and development expenses	29	(9,380)	-	-	(9,380)
Other operating income	31	143,991	9,012	-	134,979
Other operating expenses	31	(72,581)	(5,120)	-	(67,461)
Profit (Loss) from operating activities		**464,123**	**3,892**	**(159)**	**460,390**
Income from investing activities	32	231,787	-	-	231,787
Expenses from investing activities	32	(383)	-	-	(383)
Income/(expense) from investments accounted for under equity accounting	16	10,120	-	-	10,120
Profit (Loss) before financing income (expense)		**705,647**	**3,892**	**(159)**	**701,914**
Finance income	33	284,614	-	-	284,614
Finance cost	33	(389,370)	-	-	(389,370)
Profit/(loss) before tax from continued operations		**600,891**	**3,892**	**(159)**	**597,158**
Tax expense/(income) from continuing operations	**35**	**(78,347)**	**(856)**	**35**	**(77,526)**
- Taxes on income	35	(90,804)	-	-	(90,804)
- Deferred tax income	35	12,457	(856)	35	13,278
Profit/(loss) for the period		**522,544**	**3,036**	**(124)**	**519,632**
Attributable to:					
- Non controlling interest	27	18,158	-	-	18,158
- Equity holders of the parent	**27**	**504,386**	**3,036**	**(124)**	**501,474**
Earnings per share	**36**	**0.4035**	**0.0024**	**(0.0001)**	**0.4012**

(iii) TFRS 9 Financial Instruments Standard

Classification and Measurement

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase. TFRS 9 removes loans and receivables and available-for-sale financial asset categories included in the current TAS 39 standard.

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2,3 Significant Changes in the Accounting Policies(Continued)

(iii) TFRS 9 Financial Instruments- Effects(Continued)

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

	Classification under TAS 39	Classification under TFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial asset	Held-to-maturity	Amortised cost
Financial asset	Avaiable for sale	Fair value through other comprehensive income
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Trade receivables	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Financial liabilities		
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Other payables	Amortised cost	Amortised cost

Impairment

The Group has made amendments to the TFRS 9 methodology for allocating impairment of financial assets in accordance with the newly anticipated credit loss model. The effect of the change on the Group's retained earnings for the years ended January 1, 2018 is as follows

	1 June 2018
Retained earning – 1 June 2018	**1,174,791**
Increase in allowance for doubtful trade receivables	(3,843)
Impairment of financial assets	(4,225)
Other	1,775
Deferred tax effect	
Total impacts of prior year amendments in accordance with TFRS 9	**(6,293)**
Retained earnings – 1 June 2018 (IncludingTFRS 9 impacts, Excluding TFRS 15 impacts)	**1,168,498**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 Significant Changes in the Accounting Policies(Continued)

The Group allocates impairment provision for the following financial assets according to the expected credit loss model:

- Trade receivables
- Cash and cash equivalents
- Financial investments

The Group uses the simplified approach in TFRS 9 to calculate the expected credit losses of such financial assets. This method requires the recognition of expected life-time losses for all trade receivables.

(iv) TFRS 15 Revenue from Contracts with Customers Standard

The effects of the application of the TFRS 15 Revenue from Contracts with Customers on the Group's retained earnings for the years ended January 1, 2018 are as follows:

	01 June 2018
Retained earnings – 1 June 2018 (TFRS 9 impacts included TFRS 15 impacts excluded)	**1,168,498**
The impact of revenue recorded as per TFRS 15	383
The impact of deferred tax	(84)
Total impacts of prior year amendments in accordance with TFRS 15	**299**
Retained earnings – 1 June 2018 (TFRS 9 and TFRS 15 impacts included)	**1,168,797**

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 30 June 2018 are consistent with those used in the preparation of financial statements for the year ended 31 December 2017.

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

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS")

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 June 2018 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2018. The effects of these standards and interpretations on the the Group's financial position and performance have been disclosed in the related paragraphs.

a. Standards issued as of 30 June 2018, 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 interim 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.

2. Basis of Presentation of Consolidated Financial Statements (continued)

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 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. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

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

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. Overall, the Group expects no significant impact on its financial position or performance of the Group.

b. The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) as of 30 June 2018, but not issued by Public Oversight Authority (POA)

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

2. Basis of Presentation of Consolidated Financial Statements (continued)

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for 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 Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

On February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

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

2. Basis of Presentation of Consolidated Financial Statements (continued)

b) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) as of 30 June 2018, but not issued by Public Oversight Authority (POA) (Continued)

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 standard on financial position or performance of the Group.

2.6 Summary of Significant Accounting Policies

Revenue Recognation

Group recognises revenue based on the following five principles in accordance with the TFRS 15 - "Revenue from Contracts with Customers" standard effective from 1 January 2018:

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

Group evaluates each contracted obligation separately and respective obligations, which are committed to deliver the goods or perform services, are determined as separate performance obligations. Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

The goods or services are transferred when the control of the goods or services is delivered to the customers.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.6 Summary of Significant Accounting Policies

Revenue Recognition

Group recognises revenue based on the following five principles in accordance with the TFRS 15 - "Revenue from Contracts with Customers" standard effective from 1 January 2018:

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- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
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The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

a) presence of Group's collection right of the consideration for the goods or services,
b) customer's ownership of the legal title on goods or services,
c) physical transfer of the goods or services,
d) customer's ownership of significant risks and rewards related to the goods or services,
e) customer's acceptance of goods or services.

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, 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 recognised on an accrual basis as other operating income.

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.

Interest and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

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. Dividends as a factor of distribution of profits will be reported in the Consolidated Financial Statements after the Board of Directors' approval.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

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).

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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).

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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.

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.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

Leases

<u>The Group as the lease</u>

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.

<u>The Group as the lessor</u>

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).

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

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

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Recognition and Measurement

"Financial assets measured at amortized cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables" and "financial investments". Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income. "Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings. Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (Continued)

Derecognition

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Impairment

Impairment of the financial and contractual assets measured by using "Expected credit loss model" (ECL). The impairment model applies for amortized financial and contractual assets.

Provision for loss measured as below;

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing

Trade receivable

Trade receivables that are created by way of providing basic flat glass, patterned glass, mirror, automotive glass, tempered glass, laminated glass, coated glass, processed glass and glassware 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.

Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

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 and Note 13).

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).

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

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.

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.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

In a staged business combination, the Group's equity share previously held in the acquiree is remeasured at the date of acquisition (the date the Group takes control) and adjusted if there is any gain / loss in profit or loss recognized. The amount attributable to the acquirer that is accounted for in other comprehensive income before the date of acquisition is transferred to profit or loss on the assumption that such shares are derecognised.

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.

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.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

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).

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.

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.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

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.

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.

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.

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.

2. Basis of Presentation of Consolidated Financial Statements (continued)

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 38,890 thousand (31 December 2017: TRY 14,190 thousand) results from temporary differences as of 30 June 2018 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 March 2018, 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 132,832 thousand (31 December 2017: TRY 68,861 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.

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

3. Business Combinations

The Group has acquired additional 48,80% of HNG Float Glass Limited located in India from Hindusthan National Glass and Industries Ltd., Spotlight Vanijya Limited, Brabourne Commerce Pvt Ltd and other shareholders at amount of 85,405 thousand USD at 13 June 2018 and started to consolidate financail results fully from the acquisition date whereas previously holding 50% of shares by accounting equity pick-up method till the date of acquisition The acquistion is realized by step acquistion method and the closest date which is 30 June 2018 is based for the measurement of asset and liabilites which are presented below. The Group has assessed that transactions realized in 17 days between 13 June 2018 and 30 June 2018 are not significant for impacts to the financail statements. The Group has measured previosly accounted 50% shares of HNG Float Glass Limited at fair value in accordance with TFRS 3.

As of June 30, 2018, fair values of identifiable assets and assumed identifiable liabilities acquired within the scope of business combinations are not identified and these items are reported over their temporary amounts(on provisional basis) on consolidated financial statements. The additions and corrections of fair values of the acquired identifiable assets, liabilities and contingent liabilities are limited to 12 months from the date of acquisition.

	Unaudited 30 June 2018
Assets	
Current Assets	
Cash and cash equivalents	3,093
Financial investments	28,183
Trade receivables	12,488
Other receivables	41
Inventory	53,781
- *Raw material*	*8,971*
- *Work-in-progress*	*1,628*
- *Finished goods*	*35,734*
- *Merchandise*	*1,755*
- *Other inventories*	*6,504*
- *Provision of net realizable value (-)*	*(811)*
Prepaid expenses	934
Deferred tax asset	56
Other current assets	3,660
Total current assets	**102,236**
Non-current Assets	
Trade receivables	601
− *Trade receivables*	*4,452*
− *Allowance for doubtful receivables*	*(3,851)*
Tangible assets	357,664
Intangible assets	158,490
Prepaid expenses	2
Deferred tax assets	723
Other non-current assets	712
Total non-current assets	**524,628**
Total Assets	**626,864**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

3. Business Combinations (Continued)

	Unaudited 30 June 2018
Liabilities	
Current Liabilities	
Trade payables	12,289
Employee benefits	1,474
Other payables	12,240
- *Other payables from related parties*	*5,864*
- *Other payables*	*6,376*
Deferred income	2,263
Short-term provisions	4,602
Other current liabilities	3,392
Total current liabilities	**36,260**
Non-Current Liabilities	
Long-term provisions	1,690
Total non-current liabilities	**1,690**
Total Liabilities	**37,950**
Equity	**588,914**
Paid-in share capital	207,135
Expense not to be reclassified to profit or loss other comprehensive income / expense	2,855
- *Increases/decrease in revaluation of tangible assets*	*2,855*
Other comprehensive income / expense to be reclassified to profit or loss	164,331
- *Currency translation reserve*	*164,331*
Retained earnings	206,690
Net profit for the year	7,903
Total equity	**588,914**
Total liability	**626,864**
Number of employees	**308**
Total cash paid (US $ 85,405 thousand)	388,514
Cash and cash equivalents	(3,093)
Net cash outflow as of 11 June 2018	**385,421**

With this acqusition the effective ownership rate has increased from 50% to 99.80%.

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

3. Business Combinations (Continued)

HNG Float Glass Limited's income statement for the period January 1 - June 30, 2018 is as follows:

	Unaudited 1 January-30 June 2018
Revenue	162,051
Cost of sales(-)	(120,332)
Gross Profit/(Loss)	**41,719**
General administrative expenses	(4,079)
Selling and marketing expenses	(25,389)
Other operating income	217
Operating profit/(loss)	**12,468**
Income from investing activities	2,474
Operating profit/(loss) before financial income and expense	**14,942**
Financial income	632
Financial expenses	(3,855)
Profit/(loss) before tax from continued operations	**11,719**
Tax expense/(income) from continuing operations	**(3,816)**
- *Taxes on income(loss)*	*(7,657)*
- *Deferred tax income(loss)*	*3,841*
Profit/(loss) for the period	**7,903**
Depreciation expense	18,485
EBITDA(*)	**30,953**

*EBITDA; It is not defined by TMS. The Group has defined EBITDA as interest, depreciation and income before tax.

i) Transfer price	388,514
ii) The amount of non-controlling interests	1,571
− *minority interest of net identifiable assets*	*1,186*
− *Fair value difference of minority share of net identifiable assets*	*385*
iii) Fair value at the date of acquisition of the shares before acquisition	310,478
− *Value of identifiable assets before acquisition*	*294,457*
− *Goodwill before acquisition*	*2,323*
− *Fair value change before acquisition (*)*	*13,698*
a, (=i+ii+iii)	**700,563**
b, Net identifiable assets	**588,914**
Goodwill (a-b)	**111,649**

(*) The percentage to be associated with the profit or loss period will be accounted for in profit or loss when the valuation studies have been calculated over the temporary amounts.

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

3. Business Combinations (Continued)

According to TFRS-3 "Business Combinations" standard, the Group established a new company named "Sisecam Flat Glass South Italy SRL" in Italy on 12 March 2018. The company has a subsidiary in Italy called Fallimento Sangalli Vetro Manfredonia SpA, Fallimento Sangalli Vetro Satinato Srl and to purchase the assets of Fallimento Sangalli Vetro Magnetronico Srl for EUR 15,715 thousand. Net assets were purchased at EUR 14,886 thousand in advance due to the payments to the Control Group of the 741 thousand employees on 18 June 2018 and the losses of EUR 88 thousand.

The related acqusition is based on an asset purchase agreement; in accordance with TFRS-3 "Business Combinations", the entity is considered as a business combination because all the assets and activities have the possibility of being managed as an enterprise. With this purchase, the Group aims to contribute to the growth, flat production and sales target in European markets and to achieve a high market share in Italy.

This calculation on temporary amounts shall be completed within twelve months following the date of purchase and, if necessary, corrections shall be made from the date of purchase.

Assets	**Fair value of identifiable assets**
Inventory	13,573
Tangible assets	70,229
Total assets	**83,802**
Liabilities	
Employee benefits	3,971
Total liabilities	**3,971**
Net Assets	**79,831**
Total cash paid (EUR 14,886 thousand) (*)	**79,831**
Goodwill	**-**

(*) The transferred amount is translated into Turkish Lira using the exchange rates at the date of the Group's control over the net assets acquired.

(31 December 2017:None).

4. Interest in Other Entities

None (31 December 2017:None).

(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 - 30 June 2018	**Basic glass**	**Autoglass**	**Total**	**Consolidation adjustments**	**Consolidated**
Revenue	1,736,210	1,080,887	2,817,097	(270,459)	2,546,638
Cost of sales	(1,089,414)	(887,656)	(1,977,070)	273,704	(1,703,366)
Gross profit	**646,796**	**193,231**	**840,027**	**3,245**	**843,272**
Operating expenses	(333,440)	(142,077)	(475,517)	24,958	(450,559)
Other operating incomes	156,108	62,017	218,125	(74,134)	143,991
Other operating expenses	(83,888)	(31,374)	(115,262)	42,681	(72,581)
Operating profit	**385,576**	**81,797**	**467,373**	**(3,250)**	**464,123**
Purchases of tangible and intangible fixed asset	135,110	23,055	158,165	-	158,165
Depreciation and amortization on fixed assets	(112,701)	(51,202)	(163,903)	-	(163,903)

1 January - 30 June 2017	**Basic glass**	**Autoglass**	**Total**	**Consolidation adjustments**	**Consolidated**
Revenue	1,475,065	786,800	2,261,865	(229,971)	2,031,894
Cost of sales	(933,551)	(665,819)	(1,599,370)	231,329	(1,368,041)
Gross profit	**541,514**	**120,981**	**662,495**	**1,358**	**663,853**
Operating expenses	(274,715)	(112,569)	(387,284)	4,186	(383,098)
Other operating incomes	75,339	36,722	112,061	(12,698)	99,363
Other operating expenses	(48,132)	(4,151)	(52,283)	2,563	(49,720)
Operating profit	**294,006**	**40,983**	**334,989**	**(4,591)**	**330,398**
Purchases of tangible and intangible fixed asset	33,668	38,499	72,167	-	72,167
Depreciation and amortization on fixed assets	(110,726)	(42,718)	(153,444)	-	(153,444)

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

5. Segment Reporting(continued)

Geographical segments

1 January - 30 June 2018	Turkey	Europe	Other	Total	Consolidation adjustments	Consolidated
Revenue	1,403,980	1,236,533	176,585	2,817,098	(270,460)	2,546,638
Cost of sales	(868,169)	(983,516)	(125,385)	(1,977,070)	273,704	(1,703,366)
Gross profit	**535,811**	**253,017**	**51,200**	**840,028**	**3,244**	**843,272**
Operating expenses	(234,394)	(211,323)	(29,800)	(475,517)	24,958	(450,559)
Other operating incomes	154,423	62,312	1,391	218,126	(74,135)	143,991
Other operating expenses	(93,776)	(18,811)	(2,675)	(115,262)	42,681	(72,581)
Operating profit	**362,064**	**85,195**	**20,116**	**467,375**	**(3,252)**	**464,123**
Purchases of tangible and intangible fixed asset	77,092	78,919	2,154	158,165	-	158,165
Depreciation and amortization on fixed assets	(54,640)	(85,131)	(24,132)	(163,903)	-	(163,903)

1 January - 30 June 2017	Turkey	Europe	Other	Total	Consolidation adjustments	Consolidated
Revenue	1,213,498	901,192	147,175	2,261,865	(229,971)	2,031,894
Cost of sales	(773,259)	(718,518)	(107,593)	(1,599,370)	231,329	(1,368,041)
Gross profit	**440,239**	**182,674**	**39,582**	**662,495**	**1,358**	**663,853**
Operating expenses	(218,994)	(150,548)	(17,742)	(387,284)	4,186	(383,098)
Other operating incomes	76,236	34,929	896	112,061	(12,698)	99,363
Other operating expenses	(46,061)	(4,800)	(1,422)	(52,283)	2,563	(49,720)
Operating profit	**251,420**	**62,255**	**21,314**	**334,989**	**(4,591)**	**330,398**
Purchases of tangible and intangible fixed asset	30,564	40,741	862	72,167	-	72,167
Depreciation and amortization on fixed assets	(63,577)	(67,469)	(22,398)	(153,444)	-	(153,444)

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

6. Cash and Cash Equivalents

	30 June 2018	**31 December 2017**
Cash	174	36
Cash in banks	1,075,986	1,393,486
- Demand deposits	171,891	145,384
- Time deposits that have maturity less than 3 months	904,095	1,248,102
Other	105	4
	1,076,265	**1,393,526**

Time deposits

Currency	**Interest Rate (%)**	**Maturity**	**30 June 2018**	**31 December 2017**
EUR	1.30-1.50	July 2018	536,477	252,300
US Dollar	2.91-3.50	July 2018	114,934	510,540
Turkish Lira	12.38-14.75	July 2018	88,452	368,205
Other	1.00-7.00	July 2018	164,232	117,057
			904,095	**1,248,102**

Cash and cash equivalents as of 30 June 2018 and 31 December 2017 presented in the consolidated statements of cash flows are as follows:

	30 June 2018	**31 December 2017**	**31 June 2017**
Cash and cash equivalents	1,076,265	1,393,526	1,106,353
Less: Interest accrual	(366)	(3,169)	(1,231)
	1,075,899	**1,390,357**	**1,105,122**

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

7. Financial Assets

a) Short-term financial investments

Financial investments measured at amortized cost	**30 June 2018**	**31 December 2017**
Held to maturity financial investments (*)	72,620	37,022

(*)The long-term, semi-monthly fixed-rate USD denominated short-term portions of securities in the currency and public sector funds..

b) Long-term financial investments

Financial investments measured at amortized cost	**30 June 2018**	**31 December 2017**
Private sector bonds	850,181	702,510
Provision (-)	(9,346)	-
	840,835	702,510

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

7. Financial Assets (continued)

Financial investments measured at amortized cost

Company that has issuance of securities	30 June 2018	31 December 2017
Türkiye Halk Bankası A.Ş.	130,320	107,856
Türkiye İş Bankası A.Ş.	197,764	167,554
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	23,612	19,501
Arçelik A.Ş.	65,391	54,427
Türkiye Sınai Kalkınma Bankası A.Ş.	104,709	85,311
Turkcell İletişim Hizmetleri A.Ş.	74,728	62,589
Türkiye Garanti Bankası A.Ş.	65,277	54,572
Türkiye Vakıflar Bankası A.O.	100,864	84,684
Yapı ve Kredi Bankası A.Ş.	82,418	68,823
T.C. Ziraat Bankası A.Ş.	34,387	28,898
Türkiye İhracat Kredi Bankası A.Ş.	4,390	3,618
Finansbank A.Ş.	2,034	1,699
Public Sector Securities	27,561	-
	913,455	**739,532**

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

Financial investments measured at amortized cost denominated in US dollar, have carried in active market and their market value regarding market prices is as follow;

Company that has issuance of securities	30 June 2018	31 December 2017
Türkiye Halk Bankası A.Ş.	116,983	105,727
Türkiye İş Bankası A.Ş.	187,490	169,937
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	23,571	20,419
Arçelik A.Ş.	63,065	55,882
Türkiye Sınai Kalkınma Bankası A.Ş.	98,336	85,843
Turkcell İletişim Hizmetleri A.Ş.	71,367	65,680
Türkiye Garanti Bankası A.Ş.	62,252	55,794
Türkiye Vakıflar Bankası A.O.	94,999	85,634
Yapı ve Kredi Bankası A.Ş.	77,080	69,687
T.C. Ziraat Bankası A.Ş.	32,741	28,899
Türkiye İhracat Kredi Bankası A.Ş.	4,194	3,863
Finansbank A.Ş.	1,935	1,679
	834,013	**749,044**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

Financial Investments (continued)

Financial investments measured at amortized cost (continued)

Maturity of financial investments measured at amortized cost are as follows:

Collection period	30 June 2018	31 December 2017
Less than 3 months	6,349	5,251
Between 3-12 months	56,925	31,771
Between 1-5 years	776,357	598,945
Exceed 5 years	73,824	103,565
	913,455	**739,532**

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

	1 January-30 June 2018	1 January-30 June 2017
January 1	739,532	490,738
TFRS 9 opening effect	(4,225)	-
TFRS 9 period charge	(5,120)	-
Additions	-	129,141
Disposals	-	(7,384)
Collection - principal	-	(110,900)
Collection - interest	(20,692)	(13,002)
Valuation difference	176,095	12,962
Impact of consolidation method change (Note 3)	27,865	-
	913,455	**501,555**

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	06.10.2021
Türkiye Sınai Kalkınma Bankası A.Ş.	XS1219733752	5.125	22.04.2020
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	XS0848940523	3.375	01.11.2022
Arçelik A.Ş.	XS0910932788	5.000	03.04.2023
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	05.02.2020
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 Sınai Kalkınma 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	03.05.2022
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 2017: 5.42%).

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

7. Financial Investments (continued)

Financial investments measured at amortized cost (continued)

The amount of TRY 885,894 thousand securities amounting to TRY 913,455 thousand are maintained in the İş Portföy Yönetimi A.Ş. accounts and are valued by the effective interest rate method (31 December 2017: TRY 739,532 thousand).

8. Financial Liabilities

Current financial liabilities	30 June 2018	31 December 2017
Short term borrowings	593,134	314,481

Short term portion of long term borrowings	30 June 2018	31 December 2017
Short term portion of long term borrowings and interests	453,803	316,735
Due to related parties (Note 37)	4,651	3,671
Liabilities for financial leasing	443	626
Total short term portion of long term borrowings	**458,897**	**321,032**
Total short term borrowings	**1,052,031**	**635,513**

Non - current financial liabilities	30 June 2018	31 December 2017
Long term portion of long term borrowings	844,803	1.017.083
Due to related parties (Note 37)	1,139,528	941.971
Liabilities for financial leasing	148	315
Total long -term financial liabilities	**1,984,479**	**1,959,369**
Total financial liabilities	**3,036,510**	**2,594,882**

Reprising periods for loans	30 June 2018	31 December 2017
3 months and shorter	291,174	297,743
Between 3-12 months	870,588	1,350,556
Between 1-5 years	729,978	-
	1,891,740	**1,648,299**

The debt amounting TRY 1,144,179 thousand that The Group borrowed from T.Şişe ve Cam Fabrikaları A.Ş. will be paid with equal instalments every six months (31 December 2017: TRY 945,642 thousand). In 2018, financial leasing liabilities amounting TRY 581 thousand will be paid with equal instalments every month. (31 December 2017: TRY 941 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.

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

8. Financial Liabilities (continued)

Financial liabilities as of 1 January-30 June 2018 are summarized as below:

Bank Borrowings	**Capital**	**Interest**	**Commission**	**Total**
1 January	1,643,913	5,313	(927)	1,648,299
Currency translation differences	215,054	1,076	(116)	216,014
Foreign exchange (gain)/loss	71,832	-	-	71,832
Additions - accruals for the period	453,503	20,174	-	473,677
Payments - reversals for the period	(504,938)	(13,360)	216	(518,082)
30 June 2018	**1,879,364**	**13,203**	**(827)**	**1,891,740**

Bonds issued	**Capital**	**Interest**	**Discounts on Bonds**	**Commission**	**Total**
1 January	942,975	4,400	(1,239)	(494)	945,642
Currency translation differences	197,201	-	-	-	197,201
Additions - accruals for the period	-	23,594	-	-	23,594
Payments - reversals for the period	-	(22,609)	249	102	(22,258)
30 June 2018	**1,140,176**	**5,385**	**(990)**	**(392)**	**1,144,179**

Financial Leases	**Capital+Interest**	**Total**
1 January	941	941
Currency translation differences	130	130
Additions - accruals for the period	(480)	(480)
30 June 2018	**591**	**591**

Financial liabilities movements for the period between 1 January and 30 June 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	78,564	380	(115)	78,829
Foreign exchange (gain)/loss	23,637	-	-	23,637
Additions - accruals for the period	111,515	20,384	-	131,899
Payments - reversals for the period	(185,409)	(24,362)	352	(209,419)
30 June 2017	**1,507,829**	**4,360**	**(1,727)**	**1,510,462**

Bonds issued	**Capital**	**Interest**	**Discounts on Bonds**	**Commission**	**Total**
1 January	879,800	3,705	(1,726)	(698)	881,081
Currency translation differences	(3,025)	-	-	-	(3,025)
Additions - accruals for the period	-	18,939	-	-	18,939
Payments - reversals for the period	-	(18,910)	239	102	(18,569)
30 June 2017	**876,775**	**3,734**	**(1,487)**	**(596)**	**878,426**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

8. Financial Liabilities (continued)

Financial Leases	Capital+Interest	Total
1 January	2,025	2,025
Currency translation differences	(188)	(118)
Payments - reversals for the period	(336)	(406)
30 June 2017	**1,501**	**1,501**

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

30 June 2018

Currency	Interest rate (%) (*)	Short - term	Long - term
US dollar	Libor + 2.15 – 4.50	28,668	1,233,922
EUR	Euribor + 1.25 - 3.60	1,007,523	727,289
RUB	10.32	15,840	23,268
		1,052,031	**1,984,479**

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**

(*) The weighted average interest rate for EUR is Euribor + 2.45 %, for US dollar is Libor + 2.22 %.(31 December 2017: 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	30 June 2018	31 December 2017
Up to 1 year	1,052,031	635,513
Between 1-2 years	1,376,452	410,396
Between 2-3 years	214,859	1,242,021
Between 3-4 years	286,764	135,447
Between 4-5 years	87,039	94,372
Exceed 5 years	19,365	77,133
	3,036,510	**2,594,882**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

9. Other Financial Liabilities

None (31 December 2017: None).

10,Trade Receivables and Payables

Trade receivables

Short-term trade receivables	30 June 2018	31 December 2017
Trade receivables	877,107	753,320
Notes receivables	9,182	5,458
Rediscount on notes receivables (-)	(5,043)	(5,009)
Allowance for doubtful receivables (-)	(52,880)	(48,679)
	828,366	**705,090**

A portion of domestic sales of flat glass is made on cash and remaining portion of receivable has average 90 days maturity (31 December 2017: 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, 2.5% interest is charged per month up to 15 days , 3% interest charged after 16th days.(31 December 2017: 2%). Average sales term for auto glass and glassware products is 45 days (31 December 2017: 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 64,597 thousand portion of trade receivable is related to the sales that the company's related party Şişecam Dış Ticaret A.Ş. (31 December 2017: TRY 59,974 thousand).

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

	1 January-30 June 2018	1 January-30 June 2017
1 January	(48,679)	(37,143)
Impact of change in accounting policy(Note 2.5)	(3,843)	-
Charge for the period	(3,199)	(7,563)
Currency translation difference	(4,364)	(1,398)
Collections	7,205	4,005
	(52,880)	**(42,099)**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

10. Trade Receivables and Payables (continued)

As of 30 June 2018 TRY 68,049 thousand (31 December 2017: TRY 82,849 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	30 June 2018	31 December 2017
Trade payables	383,610	426,462
Due to related parties (Note 37)	67,037	58,937
Rediscount on notes payables (-)	(1,953)	(1,642)
	448,694	**483,757**

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	30 June 2018	31 December 2017
Due from related parties (Note 37)	139,352	173,979
Due from personnel	1,537	760
Deposits and guarantees given	956	1,939
Other receivables	19,847	12,902
	161,692	**189,580**

Other non-current receivables	30 June 2018	31 December 2017
Deposits and guarantees given	6,884	285

Other current payables	30 June 2018	31 December 2017
Due to related parties (Note 37)	82,221	171,424
Due to personnel	31,469	18,303
Deposits and guarantees received	20,233	14,246
Other payables	16,865	15,493
	150,788	**219,466**

Other non - current payables	30 June 2018	31 December 2017
Deposits and guarantees received	1,176	1,330

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

12. Derivative Instruments

None (31 December 2017: None).

13. Inventories

	30 June 2018	31 December 2017
Finished goods	421,234	307,922
Raw materials	285,147	213,865
Trade goods	66,156	32,316
Work in process	62,027	47,037
Operating supplies	28,382	35,190
Other inventories	78,725	57,322
Provision for impairment of inventory (-)	(10,017)	(11,811)
	931,654	**681,841**

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

	1 January-30 June 2018	1 January-31 December 2017
1 January	(11,811)	(5,963)
Impact of acquisition (Note 3)	(811)	-
Currency translation difference	(370)	(215)
Current year additions	(887)	(5,208)
Provisions realized during the year	3,862	3,022
	(10,017)	**(8,364)**

14. Prepaid Expenses and Deffered Income

Prepaid expenses in current assets	30 June 2018	31 December 2017
Order advances given for inventories	67,440	54,537
Prepaid expenses	33,573	13,865
	101,013	**68,402**

Prepaid expenses in non-current assets	30 June 2018	31 December 2017
Advance given	7,179	53,187
Prepaid expenses	5,323	5,686
	12,502	**58,873**

Short term deferred income	30 June 2018	31 December 2017
Order advances received	25,264	16,182
Deferred income	9,528	13,056
	34,792	**29,238**

Long term deferred income	30 June 2018	31 December 2017
Deferred income (*)	63,373	53,620

(*) The amount TRY 61,267 thousand consists of the government incentive provided by the Romania government to Glasscorp SA.

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

15. Construction Contracts

None (31 December 2017: 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	**30 June 2018**	**31 December 2017**
HNG Float Glass Limited	-	257,897

Associates	**30 June 2018**	**31 December 2017**
Camiş Elektrik Üretim A,Ş,	22,373	21,967
Saint Gobain Glass Egypt S,A,E	117,591	96,306
Çayırova Cam Sanayii A,Ş,	106,588	104,593
	246,552	**222,866**

(*) The Group has acquired 49,80% of HNG Float Glass Limited at 13 June 2018 and started to consolidate fully whereas previously held 50% shares are consolidated by equity pick up method from 11 June 2013

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

	1 January-30 June 2018	**1 January-30 June 2017**
1 January	480,763	403,686
Acquisition	(298,370)	-
Income and losses from associates and joint ventures (net)	10,120	15,645
Dividend income from associates	(1,884)	(3,036)
Currency translation differences	55,923	9,218
	246,552	**425,513**

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

<u>Çayırova Cam Sanayii A,Ş,</u>	**30 June 2018**	**31 December 2017**
Current assets	21,314	14,476
Non - current assets	357,660	357,418
Total assets	**378,974**	**371,894**
Current liabilities	260	268
Non - current liabilities	-	-
Total Liabilities	**260**	**268**
Net Assets (including goodwill)	**378,714**	**371,626**
Group share ratio		
- Direct and indirect partnership (%)	28,14	28,14
- Effective partnership (%)	28,14	28,14
Group share in net assets (including goodwill)	**106,588**	**104,593**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

16. Joint Ventures and Associates (continued)

	1 January-30 June 2018	1 January-30 June 2017
Revenue	-	-
Net profit / (loss) from continuing operations	**8,888**	**3,510**
Other comprehensive income loss	**-**	**-**
Total comprehensive profit / (loss)	**8,888**	**3,510**
The Group's share in profit / (loss) from continuing operations	**2,502**	**988**
Dividend distribution from retained earnings	**1,800**	**1,000**
Dividend distributed to company's share	**507**	**281**

Camiş Elektrik Üretim A,Ş,	30 June 2018	30 December 2017
Current assets	67,934	70,418
Non - current assets	5,272	6,298
Total Assets	**73,206**	**76,716**
Current liabilities	6,913	11,819
Non - current liabilities	1,306	1,091
Total Liabilities	**8,219**	**12,910**
Net Assets (including goodwill)	**64,987**	**63,806**
Group share ratio		
- Direct and indirect partnership (%)	34,43	34,43
- Effective partnership (%)	34,43	34,43
Group share in net assets (including goodwill)	**22,373**	**21,967**

	1 January-30 June 2018	1 January-30 June 2017
Revenue	28,625	27,199
Net profit / (loss) from continuing operations	**5,181**	**5,243**
Other comprehensive income loss	**-**	**-**
Total comprehensive profit / (loss)	**5,181**	**5,243**
The Group's share in profit / (loss) from continuing operations	**1,784**	**1,805**
Dividend distribution from retained earnings	**4,000**	**8,000**
Dividend distributed to company's share	**1,377**	**2,754**

Saint Gobain Glass Egypt S,A,E	30 June 2018	31 December 2017
Current assets	177,806	118,702
Non - current assets	288,365	243,857
Total Assets	**466,171**	**362,559**
Current liabilities	59,780	29,321
Non - current liabilities	14,423	12,219
Total Liabilities	**74,203**	**41,540**
Net Assets (including goodwill)	**391,968**	**321,019**

16. Joint Ventures and Associates (continued)

Group share percentage		
- Direct and indirect partnership (%)	30.00	30.00
- Effective partnership (%)	30.00	30.00
	117,591	**96,306**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

Group share in net assets (including goodwill)

	1 January-30 June 2018	1 January-30 June 2017
Revenue	114,034	123,306
Net profit / (loss) from continuing operations	**6,277**	**23,792**
Other comprehensive income loss	64,672	(434)
Total comprehensive profit / (loss)	**70,949**	**23,358**
The Group's share in profit / (loss) from continuing operations	**1,883**	**7,139**

HNG Float Glass Limited	**30 June 2018**	**31 December 2017**
Current assets	-	133,968
Non - current assets	-	497,098
Total Assets	**-**	**631,066**
Current liabilities	-	45,438
Non - Current liabilities	-	69,833
Total liabilities	**-**	**115,271**
Net assets (including goodwill)	**-**	**515,795**
Group share percentage		
- Direct and indirect partnership (%)	-	50.00
- Effective partnership (%)	-	50.00
Group share in net assets (including goodwill)	**294,456**	**257,897**

	1 January-13 June 2018	1 January-30 June 2017
Revenue	162,988	138,971
Interest income	34	360
Interest expense	3,935	5,102
Tax	(4,987)	3,570
Profit / (loss) from continuing operations	**7,903**	**11,429**
Other comprehensive income/(expense)	65,216	18,695
Total comprehensive profit / (loss)	**73,119**	**30,124**
The Group's share in profit / (loss) from continuing operations	**3,951**	**5,714**

As of 13 June 2018, the Group has purchased 49,80% of its shares from outside the Group with a cash price of USD 85,405 thousand. Starting from this date, the financial statement items are not clarified in the related accounts and the profit or loss amounts are; Net profit loss for the period 1 January – 13 June 2018 is net off under "Share of profits (losses) on investments accounted for under the equity method" and the period after 13 June 2018; are reflected in the related accounts without being net-off in the statement of profit or loss.

17. Investment Properties

None (31 December 2017: None).

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

18. Property, Plant And Equipments

Cost	**Land**	**Land improvements**	**Buildings**	**Machinery and equipment**	**Vehicles**	**Furniture and fixtures**	**Other fixed assets**	**Construction in progress**	**Total**
1 January	430,716	123,711	1,303,017	3,750,055	57,186	179,653	62,337	144,924	6,051,599
Currency translation differences	8,269	9,748	141,268	332,993	7,395	10,696	4,494	17,701	532,564
Impact of consolidation method change (Note 3)	140,516	-	123,022	369,157	1,878	1,742	3,157	49	639,521
Additions	-	-	220	1,407	-	1,077	891	153,827	157,422
Disposals	-	-	(2,628)	(8,286)	(1,075)	(778)	(586)	-	(13,353)
Impact of affiliate purchase	-	-	18,272	51,957	-	-	-	-	70,229
Transfers from construction in progress	-	7	1,276	23,431	633	5,765	2,680	(33,792)	-
Balance at 30 June 2018	**579,501**	**133,466**	**1,584,447**	**4,520,714**	**66,017**	**198,155**	**72,973**	**282,709**	**7,437,982**
Accumulated depreciation and impairment									
1 January	(11,130)	(54,735)	(85,028)	(2,124,443)	(41,367)	(123,939)	(33,583)	-	(2,474,225)
Currency translation differences	(1,936)	(2,216)	(9,895)	(150,152)	(5,142)	(7,657)	(2,097)	-	(179,095)
Impact of consolidation method change (Note 3)	(1,796)	-	(15,008)	(259,924)	(1,210)	(1,207)	(2,711)	-	(281,856)
Change for the period(*)	-	(2,538)	(19,965)	(125,546)	(2,753)	(7,153)	(3,304)	-	(161,259)
Disposals	-	-	-	4,458	983	569	50	-	6,060
Balance at 30 June 2018	**(14,862)**	**(59,489)**	**(129,896)**	**(2,655,607)**	**(49,489)**	**(139,387)**	**(41,645)**	**-**	**(3,090,375)**
Net Book Value as of 30 June 2018	**564,639**	**73,977**	**1,454,551**	**1,865,107**	**16,528**	**58,768**	**31,328**	**282,709**	**4,347,607**
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**

(*) 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 2017: None).

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

18. Property, Plant And Equipments (continued)

Cost	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
1 January	420,530	112,214	1,101,538	3,287,405	48,670	158,056	57,479	162,083	5,347,975
Currency translation differences	3,602	3,247	44,583	109,721	2,628	3,769	1,341	10,900	179,791
Additions	-	-	44	1,494	-	83	305	69,077	71,003
Disposals	-	(20)	-	(3,303)	(118)	(1,502)	(863)	-	(5,806)
Transfers from construction in progress	252	610	448	19,966	113	5,466	1,214	(28,069)	-
Balance at 30 June 2017	**424,384**	**116,051**	**1,146,613**	**3,415,283**	**51,293**	**165,872**	**59,476**	**213,991**	**5,592,963**
Accumulated depreciation and impairment									
1 January	(9,145)	(47,981)	(40,332)	(1,793,705)	(31,723)	(113,454)	(29,316)	-	(2,065,656)
Currency translation differences	(722)	(620)	(1,320)	(44,326)	(1,679)	(2,627)	(504)	-	(51,798)
Charge for the period (*)	-	(2,376)	(15,214)	(118,252)	(3,049)	(6,042)	(2,946)	-	(147,879)
Impairment	-	-	-	-	-	-	-	-	-
Disposals	-	3	-	3,218	23	1,456	402	-	5,102
Balance at 30 June 2017	**(9,867)**	**(50,974)**	**(56,866)**	**(1,953,065)**	**(36,428)**	**(120,667)**	**(32,364)**	**-**	**(2,260,231)**
Net Book Value as of 30 June 2017	**414,517**	**65,077**	**1,089,747**	**1,462,218**	**14,865**	**45,205**	**27,112**	**213,991**	**3,332,732**
Net Book Value as of 31 December 2016	**411,385**	**64,233**	**1,061,206**	**1,493,700**	**16,947**	**44,602**	**28,163**	**162,083**	**3,282,319**

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

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

19. Intangible Assets

Cost	Rights	Others	Total
1 January	89,757	13,068	102,825
Currency translation differences	11,669	2,060	13,729
Impact of consolidation method change (Note 3)	158,188	1,399	159,587
Additions	681	62	743
Disposals	(251)	-	(251)
Balance at 30 June 2018	**260,044**	**16,589**	**276,633**
Accumulated depreciation			
1 January	(80,712)	(9,887)	(90,599)
Currency translation differences	(12,548)	(1,631)	(14,179)
Impact of consolidation method change (Note 3)	-	(1,098)	(1,098)
Change for the period	(1,632)	(1,012)	(2,644)
Balance at 30 June2018	**(94,892)**	**(13,628)**	**(108,520)**
Net book value as of 30 June 2018	**165,152**	**2,961**	**168,113**
Net book value as of 31 December 2017	**9,045**	**3,181**	**12,226**

Cost	Rights	Others	Total
1 January	73,553	10,820	84,373
Currency translation differences	4,865	754	5,619
Additions	1,128	35	1,163
Balance at 30 June 2017	**79,546**	**11,609**	**91,155**
Accumulated depreciation			
1 January	(59,012)	(6,652)	(65,664)
Currency translation differences	(4,035)	(484)	(4,519)
Change for the period (*)	(4,668)	(896)	(5,564)
Balance at 30 June 2017	**(67,715)**	**(8,032)**	**(75,747)**
Net book value as of 30 June 2017	**11,831**	**3,577**	**15,408**
Net book value as of 31 December 2016	**14,541**	**4,168**	**18,709**

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

20. Goodwill

	1 January-30 June 2018	**1 January-30 June 2017**
1 January	31,403	26,350
Impact of consolidation method change (Note 3)	111,649	-
Currency translation differences	5,514	1,997
	148,566	**28,347**

	30 June 2018	**31 December 2017**
Fritz Holding GmbH	7,725	6,570
Glasscorp S.A.	29,192	24,833
HNG Float Glass Limited	111,649	-
	148,566	**31,403**

(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	**30 June 2018**	**31 December 2017**
Provision for litigation	9,019	6,651
Provision for outsourced services	2,675	2,883
Provision for personnel allowance	5,185	2,448
Turnover premium provisions	2,892	6,434
Donation Provision	4,419	-
Penalty Provision	-	13,125
Other	3,763	3,043
	27,953	**34,584**

As of 30 June 2018, Group management took advice from legal consultants about the lawsuits filed against the Group, calculated its potential future cash outflow as TRY 9,019 thousand (31 December 2017: TRY 6,651 thousand) and set aside a provision for this amount. The provision amount was recognised under general administrative expenses.

Collaterals, pledges and mortgages "CPM" given by the Company as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018			
The CPM's given by the Company	**TRY Equivalent**	**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	1,182,690	-	215,458	38,781
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	**1,182,690**	**-**	**215,458**	**38,781**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

22. Provisions, Contingent Assets and Liabilities (continued)

Certain percentage of the Group's funding requirements 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.

	31 December 2017			
The CPM's given by the Company	**TRY Equivalent**	**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	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 C	-	-	-	-
Total	**1,104,600**	**-**	**235,347**	**41,889**

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 195,012,266 sm^3 natural gas purchase commitment between 1 July and 31 December 2018 (31 December 2017: 373,943,764 sm3).

24. Employee Benefits

Long Term

Short Term	**31 June 2018**	**31 December 2017**
Unused vacation provisions	2,746	2,011

Provision for employee termination benefits	**31 June 2018**	**31 December 2017**
Domestic	85,579	79,868
Foreign	5,460	3,105
	91,039	**82,973**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

24. Employee Benefits (continued)

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 30 June 2018 is TRY 5,434.42 (31 December 2017: TRY 4,732.48).

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 30 June 2018 and 31 December 2017 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 2017: 6.00%) and a discount rate of 11.39% (31 December 2017: 11.39%), the real discount rate is approximately 4.69%(31 December 2017: 4,69%). The anticipated rate of forfeitures that occurred on voluntary turnovers is considered.

The movement of the employement termination benefits is as follows:

	1 January-30 June 2018	**1 January-30 June 2017**
1 January	82,973	66,812
Service cost	6,496	8,291
Interest cost	4,511	1,643
Impact of consolidation method change (Note 3)	1,690	-
Currency translation differences	536	237
Paid during the period	(5,167)	(4,227)
	91,039	**72,756**

25. Impairment of Assets

	30 June 2018	**31 December 2017**
Provision for doubtful receivables	58,049	48,679
Provision for impairment of inventory	10,017	11,811
Provision for impairment of financial investments	9.346	
	72.243	**60,490**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

26. Other Assets and Liabilites

Other current assets	**30 June 2018**	**31 December 2017**
Other VAT	37,572	26,519
Other	7,296	3,813
	44,868	**30,332**

Other current liabilities	**30 June 2018**	**31 December 2017**
Expense accruals	80,403	33,926
Taxes and funds payables	39,421	14,130
Social security premiums payable	22,153	17,640
Social benefit payable	13,840	8,839
Other	7,465	6,129
	163,282	**80,664**

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 125,000,000,000 (31 December 2017: 113,000,000,000) shares issued on bearer with a nominal value of Kr 1 (Kuruş one) each.

	30 June 2018	**31 December 2017**
Registered capital ceiling	3,000,000	3,000,000
Approved and paid-in capital	1,250,000	1,130,000

Shareholder structure as of 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018		**31 December 2017**	
Shareholders	**Amount TRY**	**Share (%)**	**Amount TRY**	**Share (%)**
Türkiye Şişe ve Cam Fabrikaları A.Ş.	868,129	69.45	784,789	69.45
Publicly traded	381,871	30.55	345,211	30.55
Paid - in share capital	**1,250,000**	**100,00**	**1,130,000**	**100,00**
Adjustment to share capital	5,577	-	5,577	-
Total share capital	**1,255,577**		**1,135,577**	

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

27. Capital, Reserves and Other Equity Items (continued)

a) Capital / Treasury Shares (continued)

	30 June 2018		31 December 2017	
Shareholders	**Amount TRY**	**Share (%)**	**Amount TRY**	**Share (%)**
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	302,392	24,19	269,913	23,89
Atatürk's Shares (Cumhuriyet Halk Partisi)	161,423	12,91	144,418	12,78
Other (Publicly traded)	786,185	62,89	715,669	63,33
Total	**1,250,000**	**100,00**	**1,130,000**	**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 30 June 2017 (31 December 2017: 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:

Items not to be reclassified to profit and loss	**30 June 2018**	**31 December 2017**
Fixed assets revaluation fund	482,897	464,325
- Revaluation funds of land and buildings	482,897	464,325
-Actuarial gain / loss revaluation fund for employee termination provisions	(4,881)	(4.892)
	478,029	**459,433**

<u>Provision for employee termination benefits actuarial gain / loss reserve fund</u>

The amendment in TAS-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- 30 June 2018	**1 January- 30 June 2017**
1 January	(4,892)	800
Currency translation difference	24	9
	(4,868)	**809**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

27. Capital, Reserves and Other Equity Items (continued)

d) Other Comphrensive 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 41,167 thousand of the change in the currency translation difference relates to non-controlling interests (31 December 2017: TRY 39,685 thousand).

Items to be reclassified to profit or loss	30 June 2018	31 December 2017
Currency translation differences	607,653	464,047

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	30 June 2018	31 December 2017
Legal reserves	197,629	159,699

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

27. Capital, Reserves and Other Equity Items (continued)

f) Retained Earnings

Prior periods' income of the Group amounting to TRY 1.499.687 thousand is classified to retained earnings in the consolidated balance sheet as at 30 June 2018 (31 December 2017: TRY 1,174,791 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.

	30 June 2018	**31 December 2017**
Net profit for the year	203,779	538,254
I. Legal reserves	(10,189)	(26,913)
Distributable profit for the period	**193,590**	**511,341**
Extraordinary reserves	769,344	565,676
Retained earnings	511	327
	963,445	**1,077,344**

28. Revenue and Cost of Sales

Sales	**1 January-30 June 2018**	**1 January-30 June 2017**	**1 April-30 June 2018**	**1 April-30 June 2017**
Sales	2,711,619	2,147,517	1,410,909	1,135,833
Sales discount	(153,313)	(104,605)	(80,142)	(53,660)
Sales returns	(11,561)	(10,923)	(6,313)	(6,138)
Other sales discounts	(107)	(95)	(10)	(94)
	2,546,638	**2,031,894**	**1,324,444**	**1,075,940**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

28. Revenue and Cost of Sales (continued)

Cost of sales	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
Direct materials	(1,075,511)	(812,792)	(571,802)	(435,770)
Direct labor	(168,557)	(139,478)	(91,163)	(74,475)
General production	(338,509)	(273,891)	(186,875)	(145,737)
Depreciation	(141,329)	(132,268)	(73,444)	(64,954)
Change in work - in - progress inventories	13,362	6,585	7,666	1,452
Change in finished goods inventories	79,810	28,225	52,946	7,853
Cost of goods sold	**(1,630,734)**	**(1,323,619)**	**(862,672)**	**(711,630)**
Cost of traded goods sold	(56,172)	(39,038)	(4,130)	(9,835)
Cost of services given	(16,460)	(5,384)	(10,056)	(2,443)
	(1,703,366)	**(1,368,041)**	**(876,858)**	**(723,908)**

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

	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
General administrative expenses	(163,179)	(164,365)	(89,721)	(88,888)
Marketing expenses	(278,000)	(203,764)	(143,819)	(101,694)
Research and development expenses	(9,380)	(14,969)	(4,460)	(6,736)
	(450,559)	**(383,098)**	**(238,000)**	**(197,318)**

30. Expense by Nature

	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
Indirect material costs	(10,666)	(11,091)	(4,750)	(4,893)
Labor and employee salary expense	(128,245)	(106,805)	(75,362)	(56,925)
Outsourced services	(178,123)	(154,148)	(85,612)	(80,443)
Miscellaneous expenses	(110,951)	(89,878)	(60,998)	(44,403)
Depreciation and amortization expenses	(22,574)	(21,176)	(11,278)	(10,654)
	(450,559)	**(383,098)**	**(238,000)**	**(197,318)**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

31. Other Income and Expenses from Operating Activities

Other operating income	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
Finance income related to operating activities	71,010	52,997	52,846	11,975
Terminated provisions	16,216	20,902	15,405	17,161
Prior period income and profits	9,918	-	8,049	-
Gain on sales of mould and material	7,089	7,072	1,419	3,415
Franchise income	6,950	-	6,950	-
Insurance damage indemnity	6,854	1,512	2,702	361
Investment incentive income	2,753	3,411	1,449	2,283
Gain on sales of scrap	1,771	1,245	1,123	860
Rent income	900	547	565	222
Other	20,530	11,677	10,087	4,265
	143,991	**99,363**	**100,595**	**40,542**

Other operating expenses	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
Financing expense related to operating activities	(40,649)	(34,675)	(33,669)	(5,886)
Provision expenses	(17,331)	(7,563)	(12,885)	(5,741)
Loss on sales of scrap	(3,456)	(2,932)	(1,076)	(1,496)
Commission expenses	(130)	(224)	(88)	(111)
Indemnities	(98)	(182)	(70)	(73)
Other	(10,917)	(4,144)	(6,899)	(2,318)
	(72,581)	**(49,720)**	**(54,687)**	**(15,625)**

32. Income or Expenses from Investing Activities

Income from investing activities	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
Fair value through profit and loss of currency translation adjustment of subsidiary	54,699	-	54,699	-
Gain on sale of marketable securities	176,095	24,630	131,358	-
Dividend income	993	4,901	-	530
	231,787	**29,531**	**186,057**	**530**

Expense from investing activities	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
Loss on sale of tangible assets	(383)	(22)	(277)	(20)
Financial asset valuation difference	-	(11,669)	-	(11,669)
	(383)	**(11,691)**	**(277)**	**(11,689)**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

33. Financial Income and Expenses

Financial Income	1 January- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2018	1 April- 30 June 2017
Foreign exchange income	236,512	92,816	154,100	14,541
- Cash and cash equivalents	198,622	79,198	148,499	7,477
- Borrowings	237	2,119	149	1,504
- Bonds issued	-	3,025	(15,075)	3,025
- Other	37,653	8,474	20,527	2,535
Interest income	48,102	43,153	22,889	27,368
- Time deposits	41,340	33,365	19,317	20,229
- Other	6,762	9,788	3,572	7,139
	284,614	**135,969**	**176,989**	**41,909**

Financial Expenses	1 January- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2018	1 April- 30 June 2017
Foreign exchange expense	(337,612)	(106,177)	(234,396)	227
- Cash and cash equivalents	(37,368)	(73,279)	(30,572)	(24,507)
- Borrowings	(72,069)	(25,756)	(44,422)	(2,895)
- Bonds issued	(197,201)	-	(137,876)	29,850
- Other	(30,974)	(7,142)	(21,526)	(2,221)
Interest expense	(51,758)	(55,039)	(27,189)	(28,083)
- Borrowings	(20,174)	(20,384)	(9,686)	(9,426)
- Bonds	(23,594)	(18,939)	(12,919)	(9,172)
- Other	(7,990)	(15,716)	(4,584)	(9,485)
	(389,370)	**(161,216)**	**(261,585)**	**(27,856)**

Financial Income/ Expense (Net)	1 January- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2018	1 April- 30 June 2017
Foreign exchange expense	(101,100)	(13,361)	(80,296)	14,768
- Cash and cash equivalents	161,254	5,919	117,927	(17,030)
- Borrowings	(71,832)	(23,637)	(44,273)	(1,391)
- Bonds issued	(197,201)	3,025	(152,951)	32,875
- Other	6,679	1,332	(999)	314
Interest expense	(3,656)	(11,886)	(4,300)	(715)
-Time deposits and borrowings	21,166	12,981	9,631	10,803
- Bonds	(23,594)	(18,939)	(12,919)	(9,172)
- Other	(1,228)	(5,928)	(1,012)	(2,346)
	(104,756)	**(25,247)**	**(84,596)**	**14,053**

34. Assets Held for Sale and Discontinued Operations

None (31 December 2017: None).

(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.

	30 June 2018	**31 December 2017**
Deferred tax assets	82,037	52,098
Deferred tax liabilities (-)	(58,013)	(41,638)
Deferred tax assets (net)	**24,024**	**10,460**

Temporary Differences	**30 June 2018**	**31 December 2017**
Useful life and valuation differences on tangible and intangible assets	697,396	558,104
Carry forward tax losses	(321,420)	(236,824)
Employee termination benefits	(82,981)	(75,593)
Inventory valuation adjustments	(6,567)	(9,301)
Investment allowance utilized during the period	(514,019)	(313,005)
Discount on receivables and payables	(1,020)	(2,681)
Provision for legal exposures	(7,572)	(5,421)
Doubtful receivables	(22,686)	(23,469)
Other	165,701	61,215
	(93,168)	**(46,975)**

Deferred Tax (Assets)/Liabilities	**30 June 2018**	**31 December 2017**
Useful life and valuation differences on tangible and intangible assets	146,718	100,276
Carry forward tax losses	(38,890)	(14,190)
Employee termination benefits	(18,214)	(16,411)
Inventory valuation adjustments	(1,051)	(1,896)
Investment allowance utilized during the period	(122,832)	(68,861)
Discount on receivables and payables	(224)	(590)
Provisions for legal exposures	(1,666)	(1,193)
Doubtful receivables	(5,392)	(5,086)
Other	17,527	(2,509)
	(24,024)	**(10,460)**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

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

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

	1 January-30 June 2018	**1 January-30 June 2017**
1 January	(10,460)	(34,589)
Recognized in the statement of profit and loss	(12,457)	24,447
Recognized in the statement of other comprehensive income	6	2
Impact of consolidation method change	715	-
Currency translation differences	(1,828)	870
	(24,024)	**(9,270)**

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 22% as of the balance sheet date (31 December 2017: 20%).

The principal tax rates (%) of the tax authorities in each country used to calculate deferred taxes as of 30 June 2018 are as follows:

Country	**Tax Rate (%)**
Bulgaria	10.0
Egypt	20.0
Romania	16.0
Russia (*)	2.0 – 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 2,0%, 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 2018, 22% of temporary tax rate is applied during the taxation of corporate income (31 December 2017: 20%).

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017."Bazı Vergi Kanunları ile Diger Bazı Kanunlarda Degisiklik 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.

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

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

Corporate tax (continued)

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.

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.

	30 June 2018	**31 December 2017**
Current tax provision	90,804	116,779
Prepaid taxes and funds (-)	(48,388)	(75,792)
Tax provision in the statement of the financial position	**42,416**	**40,987**

	1 January-30 June 2018	**1 January-30 June 2017**
Provision for Corporate Tax for current period	(90,804)	(41,069)
Deferred tax income	12,457	(24,448)
Tax provision in the statement of income	**(78,347)**	**(65,517)**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

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

Reconciliation of provision for tax	**1 January-30 June 2018**	**1 January-30 June 2017**
Profit before taxation and non-controlling interest	600,891	338,636
Effective tax rate	22.00%	20.00%
Calculated tax	**(132,196)**	**(67,727)**
The reconciliation of income tax provision and calculated		
- Non-deductible expenses	(10,848)	(6,317)
- Corporate tax allowance	65,184	(17,088)
- Income/(loss) from associates	2,024	3,129
- The effect of foreign companies subject to different tax rate	(4,044)	4,902
-Other	1,533	17,584
Tax provision in the statement of income	**(78,347)**	**(65,517)**

36. Earnings Per Share

Earning per share	**1 January-30 June 2018**	**1 January-30 June 2017**	**1 April-30 June 2018**	**1 April-30 June 2017**
Average number of shares existing during the period (total value)	1,250,000	1,250,000	1,250,000	1,250,000
Net profit for the period attributable to equity holders of the parent	504,386	262,194	297,613	147,376
Earning per share	**0.4035**	**0.2098**	**0.2381**	**0.1179**
Total comprehensive income attributable to equity holders of the parent	709,013	327,608	400,659	91,645
Earnings per share from total comprehensive income	**0.5672**	**0.2621**	**0.3205**	**0.0733**

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	**30 June 2018**	**31 December 2017**
T, İş Bankası A,Ş,		
- Time deposits	669,218	1,129,240
- Demand deposits	5,464	2,320
	674,682	**1,131,560**
İşbank AG		
- Time deposits	-	-
- Demand deposits	76,850	16,766
	76,850	**16,766**
	751,532	**1,148,326**

37. Related Party Disclosures (continued)

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 30 June 2018 was 1.69% (31 December 2017:1.28%)

Financial liabilities to related parties	30 June 2018	31 December 2017
Şişecam Holding through(*)	1,144,179	945,642

(*) 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 4,651thousand portion of the period balance is short term and TRY 1,139,528 thousand portion is long term.

Financial investments to be held until maturity	1 January-30 June 2018	1 January-30 June 2017
Türkiye İş Bankası A,Ş,	200,754	123,172
Türkiye Sınai Kalkınma Bankası A,Ş,	105,118	59,770
	305,872	**182,942**

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

Securities issuer	ISIN Code	Coupon Interest Rate(%)	1 January-30 June 2018 Nominal Amount (thousand USD)	1 January-30 June 2017 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,	XS1578203462	6.1250%	550	550
			43,906	**33,982**
Türkiye Sınai Kalkınma Bankası A,Ş,	XS1219733752	5.1250%	6,350	3,000
Türkiye Sınai Kalkınma Bankası A,Ş,	XS1412393172	4.8750%	16,287	12,898
Türkiye Sınai Kalkınma Bankası A,Ş,	XS1117601796	5.3750%	410	410
			23,047	**16,308**

Other receivables from related parties	30 June 2018	31 December 2017
Türkiye Şişe ve Cam Fabrikaları A,Ş,	125,360	151,449
Paşabahçe Bulgaria EAD	7,170	13,145
Camiş Elektrik Üretim A,Ş,	210	4,855
Şişecam Sigorta Aracılık Hizmetleri A,Ş,	1,535	1,313
Saint Gobain Glass Egypt S,A,E,	2,209	-
Other	2,868	3,217
	139,352	**173,979**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

37. Related Party Disclosures (continued)

Trade payables to related parties	30 June 2018	31 December 2017
Şişecam Bulgaria EOOD	22,544	21,149
Soda Sanayii A,Ş,	23,017	10,835
Şişecam Dış Ticaret A,Ş,	4,933	6,247
Camiş Madencilik A,Ş,	3,893	12,713
Çayırova Cam Sanayii A,Ş,	11	3
Camiş Elektrik Üretim A,Ş,	2,506	2,427
Şişecam Sigorta Aracılık Hizmetleri A,Ş,	2,239	2,222
Saint Gobain Glass Egypt S,A,E,	996	1,090
Şişecam Enerji A,Ş,	6,325	-
Other	573	2,251
	67,037	**58,937**

Other payables to related parties	30 June 2018	31 December 2017
Türkiye Şişe ve Cam Fabrikaları A,Ş,	82,221	171,424

Interest income from related parties	1 January- 30 June 2018	1 January- 30 June 2017
Türkiye İş Bankası A,Ş,	35,677	26,492
Türkiye Şişe ve Cam Fabrikaları A,Ş,	2,830	6,221
Other	606	161
	39,113	**32,874**
Interest expense to related parties		
Türkiye Şişe ve Cam Fabrikaları A,Ş,	4,027	10,135
Şişecam Dış Ticaret A,Ş,	50	46
Soda Sanayii A,Ş,	40	1,045
Camiş Madencilik A,Ş,	29	603
Türkiye İş Bankası A,Ş,	141	936
Other	24	496
	4,311	**13,261**

Other income from related parties	1 January- 30 June 2018	1 January- 30 June 2017
Paşabahçe Bulgaria EAD (1)	17,746	10,299
Anadolu Cam Yenişehir Sanayi A,Ş,	-	1,473
Paşabahçe Cam Sanayii ve Tic, A,Ş,	497	394
Camiş Madencilik A,Ş,	281	260
Türkiye Şişe ve Cam Fabrikaları A,Ş,	763	513
Other	2,619	165
	21,906	**13,104**

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

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

37. Related Party Disclosures (continued)

Other expenses to related parties	1 January- 30 June 2018	1 January- 30 June 2017
Soda Sanayii A,Ş,[1]	52,853	51,038
Camiş Madencilik A,Ş,[2]	52,217	46,459
Şişecam Enerji A,Ş,	15,681	-
Şişecam Bulgaria EOOD[3]	51,431	52,499
Camiş Elektrik Üretim A,Ş,	13,442	12,193
Camiş Egypt Mining Ltd, Co,	3,946	4,789
Türkiye Şişe ve Cam Fabrikaları A,Ş,	39,507	42,755
Other	5,697	21,864
	234,774	**231,597**

(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- 30 June 2018	1 January- 30 June 2017
Parent	3,285	2,772
Consolidated entities	9,632	8,894
	12,917	**11,666**

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.

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

As of 30 June2018 and 31 December 2017 the Group's net debt / total equity ratios are as follows:

	30 June 2018	**31 December 2017**
Financial liabilities and trade payables	3,485,204	3,078,639
Less: Cash and cash equivalents	(1,076,265)	(1,393,526)
Net Debt	**2,408,939**	**1,685,113**
Total Equity	**4,940,050**	**4,356,175**
Net debt / total equity ratio	**49%**	**39%**

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

a) 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).

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)
b) Financial Risk Factors (continued)

b.1) Credit Risk Management (continued)

		Receivables					
		Trade Receivable		Other Receivable			
Credit risk of financial instruments		**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Cash and Cash Equivalents**	**Derivative Financial Instruments**
Maximum credit risk exposed as of 30 June2018 (*) (A+B+C+D+E)		**-**	**828,366**	**139,352**	**29,224**	**1,075,986**	**913,455**
	- Hedged part of maximum risk with collateral	**-**	**(295,029)**	**-**	**-**	**-**	**-**
A.	Net book value of financial assets that are neither past due nor impaired	-	760,317	139,352	29,224	1,075,986	913,455
	- The part of which is under guarantee with collateral	-	(247,573)	-	-	-	-
		-	-	-	-	-	-
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	-	68,049	-	-	-	-
	- The part of which is under guarantee with collateral	-	(47,456)	-	-	-	-
		-		-	-	-	-
D.	Net book value of impaired assets	-	-	-	-	-	-
	- Past due (gross carrying amount)	-	52,880	-	-	-	-
	- Impairment (-)	-	(52,880)	-	-	-	-
	- 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

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

c) Financial Risk Factors (continued)

b.1) Credit Risk Management (continued)

	Receivables						
	Trade Receivable			Other Receivable			
Credit risk of financial instruments	**Related Party**	**Third Party**		**Related Party**	**Third Party**	**Cash and Cash Equivalents**	**Derivative Financial Intruments**
Maximum credit risk exposed as of 31 December 2017 (*) (A+B+C+D+E)	**-**	**705,090**		**173,979**	**15,886**	**1,393,486**	**739,532**
- Hedged part of maximum risk with collateral	**-**	**(335,429)**		**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due nor impaired	-	622,241	-	173,979	15,886	1,393,486	739,532
- The part of which is under guarantee with collateral	-	(310,197)	-	-	-	-	-
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	-	82,849	-	-	-	-	-
- The part of which is under guarantee with collateral	-	(25,232)	-	-	-	-	-
	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	48,679	-	-	-	-	-
- Impairment (-)	-	(48,679)	-	-	-	-	-
- 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

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)
b) Financial Risk Factors (continued)

b.1) Credit Risk Management (continued)

Guarantees received from the customers are as follows:

	30 June 2018	31 December 2017
Letters of guarantee	107,875	117,965
Security cheques and bonds	59,919	41,798
Mortgages	52,558	116,981
Direct Debiting System	2,718	6,531
Other	71,959	52,154
	295,029	**335,429**

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

	30 June 2018	31 December 2017
Overdue 1-30 days	39,880	33,488
Overdue 1-3 months	7,740	11,069
Overdue 3-12 months	9,929	27,993
1-5 years overdue	10,500	10,299
Total overdue receivables	**68,049**	**82,849**
The part secured with guarantee, etc, (-)	**47,456**	**25,232**

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.

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)
b) Financial Risk Factors (continued)

b.2) Liquidity Risk Management (continued)

Liquidity risk tables (continued)

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.

	30 June 2018					
Non-derivative financial Liabilities	**Carrying value**	**Total cash outflow in accordance to contract (I+II+III+IV)**	**Less than 3 months (I)**	**3-12months (II)**	**1-5 years(III)**	**More than 5 years(IV)**
Bank borrowings	1,891,740	2,029,324	310,275	782,327	916,803	19,919
Due to related parties (Note 37)	1,144,179	1,237,089	-	48,457	1,188,632	-
Finance lease obligations	591	591	110	332	149	-
Trade payables	381,657	383,610	376,227	7,383	-	-
Due to related parties	149,258	149,258	149,258	-	-	-
Other payables	69,743	69,743	68,567	-	1,176	-
Total Liabilities	**3,637,168**	**3,869,614**	**904,437**	**838,499**	**2,106,760**	**19,919**

	30 June 2017					
Non-derivative financial Liabilities	**Carrying value**	**Total cash outflow in accordance to contract (I+II+III+IV)**	**Less than 3 months (I)**	**3-12months (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	5,430	-	-
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**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

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 as of June 30, 2018			
		TRY Equivalent	**USD Dollar**	**Euro**	**Other**
1,	Trade receivables	98,819	7,864	3,505	44,345
2a,	Monetary financial assets (included cash and banks account)	743,124	26,925	112,442	23,350
2b,	Non monetary financial assets	-	-	-	-
3,	Other	-	-	-	-
4,	**Current assets (1+2+3)**	**841,943**	**34,789**	**115,947**	**67,695**
5,	Trade receivables	-	-	-	-
6a,	Monetary financial assets	913,455	200,288	-	-
6b,	Non-Monetary financial assets	13,339	-	1,176	7,095
7,	Other	-	-	-	-
8,	**Non-current assets (5+6+7)**	**926,794**	**200,288**	**1,176**	**7,095**
9,	**Total assets (4+8)**	**1,768,737**	**235,077**	**117,123**	**74,790**
10,	Trade payables	86,205	1,218	12,887	12,230
11,	Financial liabilities	231,273	6,286	38,161	-
12a,	Other monetary liabilities	-	-	-	-
12b,	Other non-monetary liabilities	-	-	-	-
13,	**Current Liabilities (10+11+12)**	**317,478**	**7,504**	**51,048**	**12,230**
14,	Trade payables	-	-	-	-
15,	Financial liabilities	1,484,307	270,555	47,161	-
16a,	Other monetary liabilities	-	-	-	-
16b,	Other non-monetary liabilities	-	-	-	-
17,	**Non-Current Liabilities (14+15+16)**	**1,484,307**	**270,555**	**47,161**	**-**
18,	**Total Liabilities (13+17)**	**1,801,785**	**278,059**	**98,209**	**12,230**
19,	Net foreign currency asset /(liability) position(19a-19b)	-	-	-	-
19a,	Derivative assets	-	-	-	-
19b,	Derivative liability	-	-	-	-
20,	**Net foreign currency position of monetary items (9-18+19)**	**(33,048)**	**(42,982)**	**18,914**	**62,560**
21,	**Net monetary foreign currency asset and liabilities (1+2a+5+6a-10-11-12a-14-15-16a)**	**(46,387)**	**(42,982)**	**17,738**	**55,465**
22,	Hedged foreign currency position	**-**	**-**	**-**	**-**
23,	Export	196,368	11,647	28,911	5,912
24,	Import	577,420	13,940	104,258	5,262

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

		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	140,899	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**	**8,500**	**54,998**	**1,986**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	1,307,726	272,902	61,647	-
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

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.

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3,1) *Foreign Currency Risk Management* (continued)

Exchange Rate Risk Sensitivity

	30 June 2018			
	Profit and Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TRY by 10%				
1 – USD Dollar net asset / (liability)	(19,603)	19,603	-	-
2 – Hedged portion (-)	-	-	-	-
3 – USD Dollar net effect (1+2)	**(19,603)**	**19,603**		
Appreciation of EUR against TRY by 10%				
4 – EUR net asset / (liability)	9,417	(9,417)	232,413	(232,413)
5 – Hedged portion (-)	-	-	-	-
6 - Euro net effect (4+5)	**9,417**	**(9,417)**	**232,413**	**(232,413)**
Appreciation of other currencies against TRY by 10%				
7 – Other currency net asset / (liability)	5,547	(5,547)	173,837	(173,837)
8 – Hedged portion (-)	-	-	-	-
9 – Other currency net effect(7+8)	**5,547**	**(5,547)**	**173,837**	**(173,837)**
Total (3+6+9)	**(4,639)**	**4,639**	**406,250**	**(406,250)**

	31 December 2017			
	Profit and Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TRY by 10%				
1 – USD Dollar net asset / (liability)	23,826	(23,826)	-	-
2 – Hedged portion (-)	-	-	-	-
3 – USD Dollar net effect (1+2)	**23,826**	**(23,826)**		
Appreciation of EUR against TRY by 10%				
4 – EUR net asset / (liability)	(24,669)	24,669	195,866	(195,866)
5 – Hedged portion (-)	-	-	-	-
6 - Euro net effect (4+5)	**(24,669)**	**24,669**	**195,866**	**(195,866)**
Appreciation of other currencies against TRY by 10%				
7 – Other currency net asset / (liability)	4,290	(4,290)	146,463	(146,463)
8 – Hedged portion (-)	-	-	-	-
9 – Other currency net effect(7+8)	**4,290**	**(4,290)**	**146,463**	**(146,463)**
Total (3+6+9)	**3,447**	**(3,447)**	**342,329**	**(342,329)**

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (Continued)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

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 4,427 thousand as of 30 June2018 (31 December 2017: TRY 4,121 thousand).

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

	30 June 2018			
	Floating interest	**Fixed interest**	**Non-interest bearing**	**Total**
Financial assets	**-**	**2,814,492**	**172,170**	**2,986,662**
Cash and cash equivalents	-	904,095	172,170	1,076,265
Financial investments	-	913,455	-	913,455
Trade receivables	-	828,366	-	828,366
Due from related parties	-	139,352	-	139,352
Other receivables	-	29,224	-	29,224
Financial liabilities	**1,891,740**	**1,418,040**	**327,388**	**3,637,168**
Bank borrowings	1,891,740	816,791	327,388	3,035,919
Financial leasing liabilities	-	591	-	591
Trade payables	-	381,657	-	381,657
Due from related parties	-	149,258	-	149,258
Other payables	-	69,743	-	69,743

	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

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

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 30 June2018 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

30 June 2018	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	**1,989,720**	**967,718**	**-**	**-**	**2,957,438**	
Cash and cash equivalents	1,076,265	-	-	-	1,076,265	6
Trade receivables	-	828,366	-	-	828,366	10
Due from related parties	-	139,352	-	-	139,352	37
Derivative financial assets	-	-	-	-	-	12
Financial investments	913,455	-	-	-	913,455	7
Financial liabilities	**3,567,425**	**-**	**-**	**-**	**3,567,425**	
Financial liabilities	3,036,510	-	-	-	3,036,510	8
Trade payables	381,657	-	-	-	381,657	10
Due to related parties	149,258	-	-	-	149,258	37
Derivative financial liabilities	-	-	-	-	-	12

(Amounts expressed in thousand Turkish Lira ("TRY") unless otherwise indicated.)

39. Financial Instruments (Fair Value and Hedge Accounting Disclosure) (continued)

Categories of Financial Instruments (continued)

31 December 2017	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	**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
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

40. Events After Reporting Period

None.

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 30 June 2018 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 27 June 2018.