

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

**YATAŞ YATAK VE YORGAN SANAYİ TİCARET
ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS REPORT
FOR THE PERIOD ENDED AT
31 DECEMBER 2017**

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**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH
INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of
Yataş Yatak ve Yorgan Sanayi Ticaret A.Ş.

Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Yataş Yatak ve Yorgan Sanayi Ticaret Anonim Şirketi (the "Parent Company") and its subsidiary (referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes

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

Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

Key Audit Matters

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

Revenue Recognition:

Key Audit Matter	How to perform of matter in audit
Revenue of the Group mainly consist of Beds, furniture, blanket, seat, home textile products mainly by retail. Revenue is the main indicator of the performance of the Group. The implementation of accounting standards of revenue recognition can be complicated and also comprise key judgements and estimations. Revenue, reflected to the financial statements, is determined as key audit matter due to the control risk to be ensure on processing adequacy heavy data.	Procedures performed are as follows: - Evaluating the adequacy of Group's accounting policy on revenue recognition; - Evaluating the controls of the projections, implementations and process of management; - Key internal controls on IT general environment such as program access controls, program change controls, program development controls, and computer operation controls; and 'control of IT internal controls and pricing and billing systems related to the completeness and accuracy of pricing and billing; - Using sampling method from customer invoices and verifying them with supporting evidence and collections; - Testing of important records between invoicing systems and trial balance.

Inventories:

Key Audit Matter	Hot to perform of matter in audit
As of 31 December 2017, 23% of the Group's assets comprised of inventories. The accounting policies for inventories in the financial statements are explained in detail in Note 8 and 2.d Due to the change in raw material prices, the fair value of the inventory constitutes a risk. Accounting Standard TMS 2 Inventory standard requires inventories to be valued at the lower of average cost and net realizable value and includes cost of purchase including all acquisition costs, conversion costs and other costs incurred in bringing the inventories to their current state. Inventories carry a risk of diminution in value due to disruptive demand changes and macroeconomic developments. In addition, determining the provision for such diminution in value involves judgements and estimates. These judgments and estimates include evaluation of the slow moving inventories due to various reasons such as technological changes and decrease in customer demands, and evaluation of the provision for obsolete and damaged inventories. Therefore, Inventory is a key matter for our audit.	Procedures performed to ensure the accuracy of the inventories are as follows, - Whether inventories are exist, whether they are in use, accuracy of the compenents of cost and testing net realizable value. - In addition to the internal control audit in order to evaluate our risk, at the end of the year, company stores, retails and facilities were visited and participated in the company physical inventory count, using the sampling method and evaluate the amounts of the inventory selected and the net realizable value of the stocks were controlled through sampling and it was found that the values of the inventories in the consolidated financial statements were reasonable. - Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, - Inquiry with the Group management about the risk of diminution in value as a result of disruptive technological changes, - Analytical procedures on inventory turnover rates compared to the prior year, - Observation of obsolete and damaged inventories during inventory counts,

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

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

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

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

Responsibilities of independent auditors in an independent audit are as follows:

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

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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Responsibilities Arising From Regulatory Requirements

In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 28 February 2018.

No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

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

Seyfettin Erol
Partner

İstanbul, 28 February 2018

(Convenience translation of the independent auditors' report and consolidated financial statements
originally issued in Turkish)

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2017 AND 2016

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

		<i>Audited</i>	<i>Audited</i>
	Footnote	Current Period	Prior Period
	References	31.12.2017	31.12.2016
ASSETS			
Current Assets		274,235,398	217,848,158
Cash and Cash Equivalents	4	34,502,481	24,059,181
Financial Investments	11	258,752	0
Trade Receivables	5	66,034,098	59,352,203
- Due from related parties	3-5	3,675,488	3,422,738
- Due from other parties	5	62,358,610	55,929,465
Other Receivables	6	3,837,545	4,722,796
- Due from related parties	3-6	3,225,587	4,535,922
- Due from other parties	6	611,958	186,874
Inventories	8	125,256,520	108,388,531
Prepaid Expenses	9	24,678,228	18,158,778
Assets Relevant to Current Period Taxes	10	12,880,161	3,166,669
Other Current Assets	7	6,787,613	0
Non-Current Assets		266,148,174	130,754,650
Trade Receivables	5	190,658	0
- Due from related parties	3-5	190,658	0
- Due from other parties	5	0	0
Other Receivables	6	604,804	586,708
Financial Investments	11	1,000	1,000
Tangible Fixed Assets	12	242,838,680	117,966,332
Lands	12	57,926,617	16,125,861
Infrastructure and land improvements	12	39,868	38,214
Buildings	12	96,383,601	39,184,223
Property, plant and equipment	12	33,203,747	10,598,404
Vehicles	12	3,593,476	2,578,550
Furnitures and fittings	12	29,007,485	21,838,734
Leasehold improvements	12	17,281,526	17,892,112
Construction in progress	12	5,402,360	9,710,234
Intangible Fixed Assets	13	6,067,130	2,922,957
Rights	13	82,446	65,296
Patents	13	2,111,579	262,852
Trademarks	13	236,624	58,043
Licenses	13	2,090,144	2,281,364
Computer Software	13	1,546,337	255,402
Prepaid Expenses	9	12,547,156	6,540,190
Deferred Tax Assets	30	3,898,746	2,737,463
TOTAL ASSETS		540,383,572	348,602,808
LIABILITIES			
Short-Term Liabilities		217,463,030	177,057,709
Borrowings	14	9,841,261	5,270,569
- Other Parties		9,841,261	5,270,569
Bank Loans		9,515,500	5,209,900
Other Borrowings		325,761	60,669
Current installments of long-term financial liabilities	14	28,294,261	29,338,194
- Other Parties		28,294,261	29,338,194
Bank Loans		27,706,524	28,816,412
Leasing Borrowings		587,737	521,782
Trade Payables	5	121,822,437	99,210,313
Other Payables	6	1,500,506	7,920,587
Employee benefit liabilities	15	11,120,359	9,159,933
Deferred Income	16	23,057,061	17,780,559
Corporate Tax	30	15,206,445	4,445,692
Provisions	17	3,169,766	1,158,607
Other Liabilities	7	3,450,934	2,773,255
Long-Term Liabilities		87,777,121	64,532,134
Borrowings	14	65,125,548	52,976,048
- Other Parties		65,125,548	52,976,048
Bank Loans		64,790,825	52,190,761
Leasing Borrowings		334,723	785,287
Liabilities for benefits provided to employees	18	8,362,308	5,783,793
Deferred Tax Liabilities	30	14,289,265	5,772,293
EQUITY		235,143,421	107,012,966
Parent Company's Equity		235,143,421	107,012,966
Paid In Capital	20.1	42,799,695	42,799,695
Capital Adjustment Differences	20.1	25,090,345	25,090,345
Buy-Back Shares (-)	20.7	(11,081,201)	(54,250)
Premiums For Shares	20.3	999,353	999,353
Accumulated Other Comprehensive Income or Expenses Not To Be Reclassified on Profit or Loss			
- Defined Benefit Plans Re-measurement Gains / (Losses)	20.4	(3,596,261)	(2,941,056)
- Revaluation of Tangible Fixed Assets	20.5	79,374,196	8,626,019
Accumulated Other Comprehensive Income or Expenses To Be Reclassified on Profit or Loss			
- Foreign Currency Conversion Difference	20.6	(307,917)	(22,352)
Reserves	20.2	12,789,314	898,950
Buy-Back Shares Reserves (-)	20.2	11,081,201	0
Legal Reserves		1,708,113	898,950
Retained Earnings / Losses	20.2	19,725,898	14,137,748
Net Profit / Loss For The Period	31	69,349,999	17,478,514
TOTAL LIABILITIES		540,383,572	348,602,808

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

(Convenience translation of the independent auditors' report and consolidated financial statements
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YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AT 1 JANUARY-31 DECEMBER 2017 AND 2016
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Audited</i>	<i>Audited</i>
		Current Period	Prior Period
	Footnote	01.01.-	01.01.-
Income / (Loss) and Other Comprehensive Income	References	31.12.2017	31.12.2016
INCOME / (LOSS)			
Sales	21	795,685,790	502,323,499
Cost of Sales (-)	22	(461,351,248)	(301,894,860)
GROSS PROFIT / (LOSS)		334,334,542	200,428,639
Marketing, sales and distribution Expenses (-)	23	(193,618,139)	(134,768,658)
General Administrative Expenses (-)	23	(32,979,685)	(25,303,453)
Research and Development Expenses (-)	23	(3,506,347)	(2,467,447)
Other Operating Incomes	24	23,724,992	21,040,655
Other Operating Expenses	25	(25,773,105)	(15,763,450)
OPERATING PROFIT / (LOSS)		102,182,258	43,166,286
Investment Activities Incomes	26	552,711	624,672
Investment Activities Expenses	27	(75,557)	(167,924)
OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME / (EXPENSE)		102,659,412	43,623,034
Financial Incomes	28	3,027,117	577,598
Financial Expenses(-)	29	(21,503,709)	(21,754,039)
OPERATING ACTIVITY PROFIT/ (LOSS) BEFORE TAXATION		84,182,820	22,446,593
Operating Activity Tax Income / (Expense)		(14,832,821)	(4,968,079)
Current Tax (Expense) / Income	30	(15,206,445)	(4,445,692)
Deferred Tax (Expense) / Income	30	373,624	(522,387)
NET PROFIT / (LOSS) FOR THE PERIOD		69,349,999	17,478,514
OTHER COMPREHENSIVE INCOME			
Not to Be Reclassified on Profit or Loss			
Defined Benefit Plans Re-measurement Gains / (Losses)		(819,005)	(599,131)
Revaluation of Tangible Fixed Assets		78,641,292	(24,306)
Accumulated Other Comprehensive Income or Expenses Not to Be Reclassified on Profit or Loss			
Deferred Tax (Expense) Income		(7,729,315)	124,687
To Be Reclassified on Profit or Loss			
Foreign Currency Conversion Difference		(285,565)	(24,155)
OTHER COMPREHENSIVE INCOME (LOSS)		69,807,407	(522,905)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		139,157,406	16,955,609
Profit or Loss Per Share (TRY)	31	1.620	0.408

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

(Convenience translation of the independent auditors' report and consolidated financial statements
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YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ

STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED AT 01 JANUARY - 31 DECEMBER 2017 AND 2016

						Accumulated Other Comprehensive Income Not to Be Reclassified on Profit or Loss		Accumulated Other Comprehensive Income to Be Reclassified on Profit or Loss					
						revaluation of tangible fixed assets	Defined Benefit Plans Re- measurement Gains / (Losses)	Foreign Currency Differences					
<i>Audited</i>	Footnote References	Paid in Capital	Inflation Adjustments of Shareholders' Equity	Buy-Back Shares	Share Premiums/ Discounts				Reserves	Retained Earnings / (Losses)	Net Profit/ (Loss) For The Period	Total Shareholders' Equity	
Balance at 01 January 2016		42,799,695	25,090,345	(54,250)	999,353	8,645,464	(2,461,751)	1,803	497,000	5,488,189	9,051,509	90,057,357	
Transfer from retained profit	20.2	0	0	0	0	0	0	0	401,950	8,649,559	(9,051,509)	0	
Total comprehensive income / (expense)		0	0	0	0	(19,445)	(479,305)	(24,155)	0	0	17,478,514	16,955,609	
Balance at 31 December 2016		42,799,695	25,090,345	(54,250)	999,353	8,626,019	(2,941,056)	(22,352)	898,950	14,137,748	17,478,514	107,012,966	
Balance at 01 January 2017		42,799,695	25,090,345	(54,250)	999,353	8,626,019	(2,941,056)	(22,352)	898,950	14,137,748	17,478,514	107,012,966	
Transfer from retained profit	20.2	0	0	0	0	0	0	0	809,163	16,669,351	(17,478,514)	0	
Buy-Back shares increase/decrease		0	0	(11,026,951)	0	0	0	0	11,081,201	(11,081,201)	0	(11,026,951)	
Total comprehensive income / (expense)		0	0	0	0	70,748,177	(655,205)	(285,565)	0	0	69,349,999	139,157,406	
Balance at 31 December 2017		42,799,695	25,090,345	(11,081,201)	999,353	79,374,196	(3,596,261)	(307,917)	12,789,314	19,725,898	69,349,999	235,143,421	

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

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED AT 01 JANUARY - 31 DECEMBER 2017 AND 2016

		<i>Audited</i>	<i>Audited</i>
	Footnote	Current Period	Prior Period
	References	01 January - 31	01 January - 31
Cash Flows (Indirect Method)		December 2017	December 2016
Cash Flow From Operating Activities :			
Profit / (Loss) of the period		84,182,820	22,446,593
Adjustments Related to Reconciliation of Profit/(Loss)			
Adjustments related to the increase/decrease in amortization and depreciation	12-13-23	16,105,902	13,501,978
Adjustments related to the increase/decrease in Interest (Income) Loss			
-Adjustment to Unearned Interest on Receivables	5-25	(4,272,616)	(2,695,573)
-Adjustment to Unearned Interest on Payables	5-24	4,624,476	3,122,599
-Adjustment to Interest Expenses	14	1,899,959	202,020
Adjustments Related to Unrealized Foreign Currency Conversion Differences	20.6	(285,565)	(24,155)
Adjustment For Provision			
-Adjustments Related to Provision (Reversal) for Employee Benefits	18	1,923,310	2,123,839
-Adjustment to Provision for lawsuits	17	3,000,000	2,033,869
Adjustment to Impairment (Reversal)			
-Adjustment to Provision for Doubtful Receivables	5	1,549,870	(1,803,783)
Adjustment to Fair Value increase / (decrease)	20.5	70,748,177	(19,445)
Adjustment to Tax Income (Expenses)	30	7,729,315	(124,687)
Changes in Operating Assets and Liabilities			
		187,205,648	38,763,255
Changes in Inventories	8	(16,867,989)	4,922,620
Changes in Trade Receivables	5	(13,046,899)	(13,612,466)
-Due from related parties		(252,750)	4,601,042
-Due from other parties		(12,794,149)	(18,213,508)
Changes in Financial Investments		(258,752)	0
Changes in Other Operating Receivables	6	867,155	3,156,075
-Due from related parties		1,310,335	5,196,486
-Due from other parties		(443,180)	(139,021)
Changes in Prepaid Expenses	9	(12,526,416)	(5,357,851)
Changes in Trade Payables	5	26,884,740	24,633,906
Changes in Other Payables	6	(6,420,081)	4,040,276
Changes in Employee benefit liabilities	15	1,960,426	4,236,182
Changes in Deferred Income	16	5,276,502	6,159,254
Changes in Other Payables	7	(311,162)	(856,761)
Changes in Other Assets		(6,787,613)	0
Taxes Returns (Payments)	30	(14,159,184)	(4,270,762)
Net Cash Flow From Operating Activities		151,816,375	63,715,118
Investing Activities			
Cash inflows from Sales of Tangible and Intangible Assets	12-13	712,054	788,442
-Cash inflows from Sales of Tangible Assets		712,054	788,442
Cash outflows from Purchases of Tangible and Intangible Non-Current Assets	12-13	(144,834,477)	(35,642,143)
-Cash outflows from Purchases of Tangible Assets		(140,570,357)	(34,455,547)
-Cash outflows from Purchases of Intangible Assets		(4,264,120)	(1,186,596)
Collections from advances given		710,363	1,824,721
-Collections from related parties		710,363	1,824,721
Interest Income	24	599,972	3,371,765
		(142,812,088)	(29,657,215)
Financial Activities			
Cash Inflows / (Outflows) from Borrowings	14	104,519,039	86,277,741
-Cash Inflows / (Outflows) from Bank Loans		104,519,039	86,277,741
Cash Outflows from Payables	14	(79,600,438)	(94,286,083)
-Cash Outflows Due to Payment of Borrowings		(79,600,438)	(94,286,083)
Cash Inflows / (Outflows) from Leasing Payments	14	(384,609)	(747,769)
Interest Paid	14	(13,918,198)	(14,365,214)
Interest Income	14	1,850,171	10,410
Cash Outflows Due to Buy-Back Shares or Shareholding Instruments		(11,026,951)	(54,250)
-Cash Outflows Due to Buy-Back Shares	20	(11,026,951)	(54,250)
Cash Outflows from Financial activities		1,439,014	(23,165,165)
Net (Decrease) / Increase in Cash and Cash Equivalents		10,443,300	10,892,738
Cash and cash equivalents at the beginning of the period		24,059,181	13,166,443
Cash and cash equivalents at the end of the period	4	34,502,481	24,059,181

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

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017

(Currency - Turkish Lira unless expressed otherwise.)

NOTE 1 – ORGANIZATION OF THE GROUP

Yataş Yatak ve Yorgan Sanayi Ticaret Anonim Şirketi (“Parent Company”) and its subsidiary are referred as “Group” on the notes to the consolidated financial statements.

The summarized information of entities which are consolidated with “complete consolidation method” is comprised of the following;

Yataş Yatak ve Yorgan Sanayi Ticaret Anonim Şirketi

Yataş Yatak ve Yorgan Sanayi Ticaret A.Ş. (“Company”) was established in 1987. The Company’s engaged in the production of bed, furniture, quilt, armchair, sofa, home textile and home furniture. The Company acquired and merged with İstanbul Pazarlama Yatak ve Yorgan Sanayi Ticaret A.Ş. (“Yataş İstanbul Pazarlama A.Ş.”) on 28 February 2011. The Company established ‘Yatas Europe GMBH’ On 10.07.2015 as owner of 100% shares. Therefore the Company begin to prepare its consolidated financial statements in complete consolidation method.

For the period ended at 31.12.2017, 2.258 personnel are employed at the Company (31.12.2016: 1.909).

Company registered on the Kayseri Chamber of Industry with the number of 14222 and its legal adres Organize Sanayi Bölgesi 18. Cadde No:6 Melikgazi / Kayseri. The Company’s operating activities located on the Turkey. The Company has 65 stores located on Turkey.

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa İstanbul (“BIST”) since 1996.

Company’s shareholding structure mentioned in Note 20.

Yatas Europe GMBH

Yatas Europe GmbH (“Yatas Europe”) was established in 10.07.2015 in Germany. The Company’s engaged in export and import of Bed, Furniture, Quilt, Armchair, Sofa, Home Textile and Home Furniture.

For the period ended at 31 December 2017, 5 personnel are employed by the Company. (31.12.2016: 3).

Yatas Europe’s shareholding structure as of 31 December 2017 in EUR are as following;

	31 December 2017		31 December 2016	
	Share Percentage	Share Amount (EUR)	Share Percentage	Share Amount (EUR)
Shareholders				
Yataş Yatak ve Yorgan Sanayi Ticaret A.Ş.	100.00%	100.000	100.00%	100.000
	100.00%	100.000	100.00%	100.000

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NOTE 2 – BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.a. Basis of Presentation

Compatibility Statement

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”).

The consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 2 June 2016 by POA and the format and mandatory information recommended by CMB.

Approval of Consolidated Financial Statements

Consolidated financial statements of the Group are approved by the Board of Directors and granted authority to publish on 28 February 2018. With no intention, the Board of Directors and some regulative agencies have the right to change the financial statements that were prepared according to legal regulations after they have been published.

Financial Statements Correction in High Inflation Period

Group was abolished inflation accounting application for 01 January 2005

Currency

The financial statements and the prior period financial statements for comparison purpose, in the accompanying statements are prepared in terms of Turkish Lira (TRY).

Subsidiaries Operating in Countries Other Than Turkey's Financial Statements

Financial statements of subsidiaries, operating in countries other than Turkey, are prepared properly according to their laws and to regulations and are adjusted Turkish Accounting Standards and Turkish Financial Reporting Standards for the purpose of fair presentation by the Public Oversight Accounting and Audited Standards Authority. The related Subsidiaries’ assets and liabilities are translated into TRY from the foreign exchange rate at the balance sheet date and income and expenses are translated into TRY at the average foreign exchange rate. Foreign exchange differences arising from the use of the average and balance sheet date rates are included in the “currency translation difference” under the shareholders’ equity.

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Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a basis, or realize the asset and settle the liability simultaneously.

Basis of Consolidation

The companies are subject to “Complete Consolidation Method” if directly or indirectly 50% or more than 50% of their shares or over 50% of their voting rights or the controlling rights regarding companies’ operations are belonging to the Parent Company. Parent Company has controlling rights if it is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The companies which have continuous relationship on management and power to govern Parent Company’s policies and/or which have direct or indirect capital and management relationship or which have voting share of Parent Company between the rates 20-50% are accounted by using equity pick-up method.

Complete Consolidation Method

The principles of consolidation followed in the preparation of the accompanying financial statements are as follows:

- The financial statements of the consolidated subsidiaries have been equipped according to the accounting principles of the Parent Company.
- The share of the Parent Company in the shareholders equity of subsidiaries is eliminated from the financial of subsidiaries these are adjusted according to the accounting principles of financials of the Parent Company.
- The income statements of the Parent Company and the subsidiaries are consolidated a line by line basis and the transaction between companies are eliminated mutually. Consolidation of income statements of subsidiaries held in an audit period are based on the investment date and the items after the holding date are included.
- The minority part of shareholders’ equity including paid capital of the companies subject to consolidation is classified as “Minority Interest” in accompanying financial statement.

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The portion of the third parties other than consolidated companies in the net profit or losses of the subsidiaries are classified as “Minority Interest” in the income statements. The 100% shares of the subsidiary is owned by the Parent Company therefore minority interest is not occurred.

As of 31 December 2017 and 2016, the Company that are subject to “Complete Consolidation Method” if directly or indirectly 50% or more than 50% of their shares or over 50% of their voting rights or the controlling rights regarding companies’ operations are belonging to the Parent Company are as below;

	Ownership of the Parent Company through the Subsidiary		Minority Interest
Subsidiaries	(Direct)	(Direct+ Indirect)	Ratio
Yatas Europe Gmbh	100.00%	100.00%	-

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2.b New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows

Amendments to IAS 7 Statement of cash flows

The amendment on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

Amendments IAS 12 Income Taxes

The amendment is effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment did not have a significant impact over consolidated consolidated financial position or performance of the Group.

Annual Improvements 2014-2016 Cycle

IFRS 12, 'Disclosure of interests in other entities'; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information. The amendment did not have a significant impact over consolidated consolidated financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

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

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TFRS 15 Revenue from Contracts with Customers

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

TFRS 9 Financial Instruments

In January 2016, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

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Annual Improvements to IFRS - 2014-2016 Cycle

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

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

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

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

The TASB issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions.

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

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

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

The TASB issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

IFRIC 23 Uncertainty over income tax treatments

The amendment effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS Interpretation Committee had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

2.b. Changes in Accounting Policies

A Group may change its accounting policy only in the following situation;

- If it is required by a Standard or Exercise or
- If it assures to present financial status, performance of The Group or transaction effects on the cash flow and effects of events on the financial statements more reliable and consistent.

The user of financial statements should be able to compare financial statements of a Group within the time period to determine the financial status, performance of The Group or transaction effects on the cash flow. Due to this reason, unless there is a change in accounting policy as stated above, it has to apply same accounting policy in every interim and fiscal period.

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2.c. Changes in Accounting Estimates and Errors

The accompanying consolidated financial statements necessitate that some predictions about income and expenses regarding possible assets and liabilities in the financial statements prepared by the Group management to be compatible with statements required by Capital Market Board. Realized amounts can differ from the predictions. These predictions are observed regularly and reported periodically in income statements. Changes in accounting estimates and errors explained in title of “Comparative Information and Previous Periods Financial Statements Adjustments”.

Comments those would have significant effect on balances reflected in the financial statements and important expectations and valuations considering present or future expectation as of report date, are as following.

Provision for doubtful receivables

Provision for doubtful receivables reflects the future loss that the Group anticipates to incur from the trade receivables as of the balance sheet date which is subject to collection risk considering the current economical conditions. During the impairment test for the receivables, the debtors are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The provision for doubtful receivables is presented in Note 5.

Useful lifetime of tangible and intangible assets

Group reserves provision for depreciation regarding to footnote 2.d that refers to useful lifetime on fixed assets. Information about useful lifetime is described in footnote 2.d.

Provision for lawsuits

While setting provision for lawsuits, it has considered probability to lose lawsuit, then the consequences of losing case by the legal advisor of the Group. Details of the lawsuits provisions are in Note 19 based on the estimation by utilizing information given by Group Management.

Severance pay provision

Severance pay provision is calculated with actuarial expectation based on assumptions like discount rates, salary increase in the future and probability to quit the job. This planning covers long term concerns. Hence assumptions involve vital uncertainty. Provisions for employee benefits are given in detail in Note 18.

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Deferred Tax

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with IFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and IFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring, the carry-forward period associated with the deferred tax assets, future reversals of existing taxable temporary differences that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the revaluation, as of 31 December 2017, temporary differences due to tax incentives can be foreseen and the fraction falls in continuity of tax incentives within the context of tax legislations, can be benefited from and is to be tax assets and accounted. As of balance sheet date, the details regarding deferred tax calculations are stated in Note 30.

Comparative Information and Previous Periods Adjustments

For the purpose of conducting a comparison of financial position and performance trend, Group's current financial statements are prepared comparative with previous periods. Comparative information is reclassified to be compatible with the presentation of current financial statements, when necessary.

2.d. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalent values contain cash on hand, bank deposits and high liquidity investments. Cash and cash equivalents are showed with obtaining costs and the total of accrued interests.

Financial Investments

Financial investments consist of shares. Financial investments are valued and discounted using effective interest rate and financial investments that accrued for the relevant period are presented on the financial statesments by calculating rediscounted.

A financial asset of financial liability at fair value difference through profit or loss

It is classified as tangible assets hold for future sale. A financial asset or financial liability is classified as tangible assets hold for future sale if it is:

- (i) Acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (ii) Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making; or
- (iii) A derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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Financial Borrowings

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

Buy-Back Shares

The buy back shares are reflected in the "Buy-Back Shares disclosure" account under shareholders' equity in the Consolidated Financial Statements in accordance with the II-22.1 of the CMB's Communiqué on "Acquisition of Buy Back Shares". In addition, the shares are classified in "Restricted reserves" in accordance with the related communiqué.

Trade Receivables and Payables

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All of the other borrowing costs are recorded in the income statement in the period in which they are incurred. For the periods ended at 31 December 2016 and 2015 there is no capitalized borrowing cost.

Provision for Doubtful Receivables

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

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

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Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the “weighted average” method. Cost elements included in inventories are materials, labor and 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 estimated costs to make the sale.

Tangible Fixed Assets and Amortisations

Tangible fixed assets except lands, buildings are carried at cost, restated by deduction of the yearly accumulated depreciation. Land and buildings are valued with their fair values. Borrowing costs are recognized in accordance with TAS-23 as an element of the book value of assets that are manufactured by the entity. Entities may subject their tangible assets to revaluation. Depreciation is calculated on a straight-line basis over the adjusted amounts and at the rates that reflect the economic useful lives of the following assets Land is considered as limitless useful life, so it is not subject to depreciation. Expected useful life, residual value and amortization method are reviewed for possible effects of changes in estimates and are accounted for prospectively if there is a change in estimates.

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

Buildings	25-50 years
Property, plant and equipment	5-14 years
Motor vehicles	4-10 years
Furniture, fixtures and office equipment	5-25 years
Leasehold improvements	Rental Period - 5-10 years

Property, plant and equipment are reviewed for possible impairment and the carrying value of the tangible asset is reduced to its recoverable amount if the recoverable amount is greater than its recoverable amount. The recoverable amount is recognized as the higher of net cash flows from the current use of the property, plant and equipment and net selling price.

Appraisal reports containing fair value of property, plant and equipment held for sale is not obtained, Therefore method of deducting selling prices from fair value has not been applied. Property, plant and equipment held for sale are stated at cost in the financial statements.

Intangible Fixed Assets

Intangible fixed assets comprise of rights and they are recorded at acquisition cost. Intangible fixed assets are amortized on a straight-line method with prorate basis over period of between 3-10 years from the date of acquisition.

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Financial Leases

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

Impairment of Assets

The Group evaluates whether there is an indicator for the decrease in value related to the asset for the rest of every assets of financial assets which are shown with the deferred tax and fair value, or not, at the every financial statement date. If there is an indicator, the regain amount of this asset is estimated. Impairment occurred if the topic assets or the net book value of unit which is belong to assets that produce cash is higher than the regain amount which was gained with the help of using or sale. In the related period, impairment lost is accounted in the income statement. Impairment loss of assets is reversed in the manner of not passing the amount of impairment which was saved before, in the situation of association an amount which was occur at the period which is following registration of impairment with the following increase in regain amount of this assets.

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Severance Pay Provision / Employee Benefits

• **Severance Pay**

Under Turkish Labor Law, Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. This liability forsee, as of 31 December 2017, maximum 4.732 TRY (31 December 2016: 4.297 TRY), 30 days total gross revenue and other rights are based to calculate this value.

The Group has reflected the severance pay liability calculated on the balance sheet date on the financial statements using the expected inflation rate and the real discount rate based on the principles stated above for the financial statements for the year ended 31 December 2017. The ratios of the basic assumptions used on the balance sheet date are as follows:

	31.12.2017
Rediscount rate	15,00%
Inflation rate	9,80%
Real dicount rates	4,74%

The Group has calculated severance pay liability on the financial statements in the accompanying consolidated financial statements using the "Projection Method" based on the experience gained over the past years by the Group in completing the personnel service period and entitlement to termination indemnity and discounting it with the government treasury rate at the balance sheet date. All calculated gains and losses are reflected in the income table.

• **Social Insurance Premium**

Group pays social security contribution to social security organization compulsorily. So long as Group pays these premiums, it has no liability. These premiums are reflected as personnel expenses in the period in which they are paid.

Fair value estimation:

The Group's various accounting policies and footnote disclosures require fair value for both financial and non-financial assets and liabilities. The fair values are determined by the following methods for valuation and / or disclosure purposes. Where feasible, the assumptions used in the determination of fair value are presented in the footnotes related to the asset or liability as additional information. Level-by-level valuation methods are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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Tax

In the accompanying Consolidated Financial Statements, the tax consists of corporate tax provision and deferred tax. The corporation tax that will be arise from the results of the period's operations have set aside a provision for the income tax liabilities at the statutory tax rates that are valid at the balance sheet date. The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and TFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring, the carry-forward period associated with the deferred tax assets, future reversals of existing taxable temporary differences that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset.

Accounting Estimations

The accompanying consolidated financial statements necessitate that some predictions about income and expenses regarding possible assets and liabilities in the financial statements prepared by the Group management to be compatible with statements required by Public Oversight Accounting and Auditing Standards Authority. Realized amounts can differ from the predictions. These predictions are observed regularly and reported periodically in income statements.

Provisions, Contingent Liabilities and Assets

Provisions

Provisions are recognized when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent Liabilities and Assets

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements of the Group if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Revenue

Revenues are recognized on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, commission and sales taxes. The Group's sales are comprised of Chemical products, Plant Installation and other sales of merchandises.

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Sales of goods

Revenue from sales of coal is recognized when all the following conditions are satisfied:

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

Rendering of services

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

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

Interest income

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

Dividend and other incomes

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

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

Foreign Currency Assets and Liabilities

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

USD, EUR and GBP are used at the end of the period as follows:

	31.12.2017	31.12.2016
USD	3.7719	3.5192
EUR	4.5155	3.7099
GBP	5.0803	4.3189

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Effects of Change in Currency Rate

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

Earnings Per Share

Earnings per share in the consolidated income statements are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

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

Other Balance Sheet Items

Other balance sheet items are mainly reflected at book value.

Cash Flow Statement

The Group prepares statement of cash flows to inform users of financial statements about changes in net assets and ability to direct financial structure, amounts and timing of cash flows according to changing situations. In the statement of cash flows, current period cash flows are grouped according to operating, financing, and investing activities. Operating cash flows resulting from activities in scope of Group's main operating scope. Cash flows related to investing activities are cash flows resulting from investing activities (fixed investments and financial investments) of the company. Cash flows related to financing activities comprise of funds used in financing activities of the Group and their repayments. Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant change in value.

Post Balance Sheet Events

Although post balance sheet events arise after the explanation of the financial information to the public or any announcement related to profitability, it encloses all the events with balance sheet date and authorization date for the diffusion of the balance sheet.

The Group adjusts the amounts in the consolidated financial statements if there exists any events necessitates adjustment. Subsequent events are stated in the consolidated notes to financial statements, if they do not need adjustments.

Reporting of Financial Information by Segments

The Group does not have an activity area to report activity according to the departments.

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Buisness mergers

In 2015, the Parent Company acquired 100% of the shares of Yatas Europe Gmbh with the title of founding partner. The Parent Company did not have goodwill on the financial statements due to the acquisition of shares from the foundation of Yatas Europe as the founding partner.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these financial statements shareholders are referred to as related parties. Related parties also include individuals that are principle owners, management and members of the Group's Board of Directors and their families. In the course of conducting its business, the Group conducted various business transactions with related parties on commercial terms:

Süntaş Sünger ve Yatak Sanayi Ticaret Anonim Şirketi

Süntaş Sünger ve Yatak Sanayi Ticaret Anonim Şirketi was established in 1976 in Kayseri. The Company engaged in trade of polyurethane foam and quilt bed quilts and so on.

Şase Ev Tekst. Aksesuarları Sanayi Ticaret Limited Şirketi

Şase Ev Tekst. Aksesuarları Sanayi Ticaret Limited Şirketi was established in 2006 in Kayseri. The Company is engaged in trade of all kind of furniture and home textile accessories related to wood and covering products.

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NOTE 3– RELATED PARTY TRANSACTIONS

Receivables From Related Parties	31.12.2017	31.12.2016
<i>Trade Receivables From Related Parties –Short Term</i>		
Süntaş Sünger ve Yatak San.Tic. A.Ş.		
-Notes receivables	3.012.751	3.413.040
- Trade receivables	662.737	-
Şase Ev Tekst. Aksesuarları San. Tic. Ltd.	-	9.698
<i>Trade Receivables –Long Term</i>		
Süntaş Sünger ve Yatak San.Tic. A.Ş.		
- Notes receivables	190.658	-
<i>Other Receivables – Short Term</i>		
Süntaş Sünger ve Yatak San.Tic. A.Ş. (*)	3.200.705	3.438.326
Receivables from shareholders	24.882	1.097.596
	7.091.733	7.958.660

As of 31 December 2017 , The Group has non-commercial receivables total of 3.200.705 TRY (31 December 2016: 3.438.326 TRY) from related party Süntaş Sünger ve Yatak Sanayi ve Ticaret A.Ş.. Therefore rediscount is not calculated for related amount. Between 01.0.1 – 31.12 2017 total amount of TRY 348.092 is reflected to financial statements due to maturity interest (Interest Rate : 9.75%). There is no contract or protocol for the collection of receivables that has been mentioned above.

Prepaid Expenses	31.12.2017	31.12.2016
Şase Ev Tekst. Aksesuarları San. Tic. Ltd.	-	13.874
	-	13.874
<i>Purchases of Fixed Assets</i>		
Süntaş Sünger ve Yatak San.Tic. A.Ş.	-	4.450.000
	-	4.450.000

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NOTE 3– RELATED PARTY TRANSACTIONS (Continue)

	01.01- 31.12.2017	01.01- 31.12.2016
Goods and Services Sales		
Süntaş Sünger ve Yatak San.Tic. A.Ş.	16.117.596	9.762.736
	16.117.596	9.762.736
Goods and Services Purchases	01.01- 31.12.2017	01.01- 31.12.2016
Süntaş Sünger ve Yatak San.Tic. A.Ş.	126.623	2.948.148
	126.623	2.948.148
Rental Expenses	01.01- 31.12.2017	01.01- 31.12.2016
Süntaş Sünger ve Yatak San.Tic. A.Ş.	671.186	610.170
Yavuz Altop	543.750	406.250
Yılmaz Öztaşkın	543.750	375.000
Other	1.087.500	750.000
	2.846.186	2.141.420
Maturity Income	01.01- 31.12.2017	01.01- 31.12.2016
Süntaş Sünger ve Yatak San.Tic. A.Ş.	348.093	3.371.765
Shareholders	-	69.114
	348.093	3.440.879

Contemplation of Related Party Transactions

The Group has not contemplate related party transactions in accordance with the CMB's corporate governance communiqué number II-17.1 corporate governance.

The total amount of benefits provided to the senior management such as the chairman and members of the board of directors, general manager, general coordinator and general manager of the Group for the year ended 31 December 2017 is TRY 10.445.295 (31 December 2016: TRY 4.634. 530).

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NOTE 4 – CASH AND CASH EQUIVALENTS

As of 31 December 2017 and 2016, the details of cash and cash equivalents are as follows:

	31.12.2017	31.12.2016
Cash	139.937	194.220
Banks		
Time deposits	14.003.900	-
Demand deposits	7.628.653	18.188.630
Liquid funds(*)	12.729.991	5.676.331
	34.502.481	24.059.181

As of 31 December 2017 the details of time deposits are as follows:

Currency	Interest Rate	Amount (TRY)
EUR ve USD	1,70% - 3,55%	14.003.900
Total		14.003.900

(*) Liquid funds consist of receivables arising from credit card sales. The average collection period for receivables from credit cards is 45 days.

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NOTE 5 – TRADE RECEIVABLES AND PAYABLES

Trade Receivables

Short term trade receivables

	31.12.2017	31.12.2016
Notes Receivables	10.309.714	13.433.196
Trade Receivables	51.281.401	39.251.905
Unearned interest	(1.859.372)	(966.032)
Receivables from related parties (Note 3)	3.012.751	3.422.738
Doubtful trade receivables	12.707.343	12.078.265
Provision for doubtful trade receivables (-)	(9.417.739)	(7.867.869)
	66.034.098	59.352.203

As of 31 December 2017 average maturity of trade receivables is 30 days

As of 31 December 2017 and 2016 maturity schedule of notes receivables are as follows:

	31.12.2017	31.12.2016
Postdated	-	119.500
30 days	570.000	879.288
31-60 days	298.530	927.145
61-90 days	1.015.400	1.518.908
91-120 days	2.349.050	2.555.980
121-150 days	556.000	3.068.715
151-180 days	1.249.766	2.219.000
181-210 days	2.217.873	1.008.660
211-240 days	896.140	599.000
241-270 days	608.754	207.000
271-300 days	203.400	120.000
301-330 days	150.000	110.000
331-360days	194.801	100.000
Notes receivables	10.309.714	13.433.196

Group management predicts that, there isn't any collection risk related with these receivables classified in trade receivables since an important part of these receivables are from significant customers that have regular sales being made to them and maturity period of subsistence is at are reasonable level.

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As of 31 December 2017 and 2016 the movement schedule of provision for doubtful receivables is as follows:

	01.01. - 31.12.2017	01.01. - 31.12.2016
Opening balance	(7.867.869)	(6.200.746)
Collections within period	222.098	68.330
Provisions within period	(1.771.968)	(1.735.453)
	(9.417.739)	(7.867.869)

Long Term Trade Receivables

	31.12.2017	31.12.2016
Notes Receivables	232.000	-
Unearned interest	(41.342)	-
	190.658	-

As of 31 December 2017 and 2016 the movement schedule of provision for notes payables is as follows:

	31.12.2017	31.12.2016
1-2 years	232.000	-
Notes Receivables	232.000	-

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Trade Payables

Short Term Trade Payables

	31.12.2017	31.12.2016
Notes payables	43.968.120	57.427.900
Trade Payables	81.512.761	44.154.315
Unearned interest	(3.658.444)	(2.371.902)
	121.822.437	99.210.313

As of 31 December 2017 average maturity of trade payables is 86 days (31 December 2016:100 days)

As of 31 December 2017 and 2016 maturity schedule of notes payables are as follows:

Notes Payables	31.12.2017	31.12.2016
30 days	16.292.387	10.018.673
31-60 days	10.997.402	10.492.468
61-90 days	6.912.758	14.221.452
91-120 days	5.630.642	6.892.307
121-150 days	2.384.931	7.237.000
151-180 days	1.750.000	3.834.000
181-210 days	-	1.996.000
211-240 days	-	1.071.000
241-270days	-	665.000
271-300 days	-	500.000
301-330 days	-	500.000
	43.968.120	57.427.900

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NOTE 6 – OTHER RECEIVABLES AND PAYABLES

Other current receivables

	31.12.2017	31.12.2016
Receivables from related parties (Note 3)(*)	3.225.587	4.535.922
Advance cheques receivables	460.000	-
Receivables from personnel	144.978	96.883
Other receivables	6.980	89.991
	3.837.545	4.722.796

As of 31 December 2017 , The Group has non-commercial receivables total of 3.200.705 TRY (31 December 2016: 3.438.326 TRY) from related party Süntaş Sünger ve Yatak Sanayi ve Ticaret A.Ş.. Therefore rediscount is not calculated for related amount. Between 01.0.1 – 31.12 2017 total amount of TRY 348.092 is reflected to financial statements due to maturity interest (Interest Rate : 9.75%). There is no contract or protocol for the collection of receivables.

As of 31 December 2017 and 2016 maturity schedule of advance receivables are as follows:

	31.12.2017	31.12.2016
30 days	100.000	-
31-60 days	-	-
61-90 days	20.000	-
91-120 days	50.000	-
121-150 days	40.000	-
151-180 days	-	-
181-210 days	25.000	-
211-240 days	100.000	-
241-270 days	125.000	-
	460.000	-

Other non-current receivables

	31.12.2017	31.12.2016
Deposits and guarantees given	604.804	586.708
	604.804	586.708

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Other current payables

	31.12.2017	31.12.2016
Advance cheques given	1.295.080	7.711.000
Other sundry payables	205.426	209.587
	1.500.506	7.920.587

As of 31 December 2017 and 2016 maturity schedule of advance checks given are as follows:

	31.12.2017	31.12.2016
30 days	960.085	3.249.500
31-60 days	292.900	1.737.500
61-90 days	42.095	1.430.000
91-120 days	-	1.294.000
	1.295.080	7.711.000

NOTE 7 – OTHER ASSETS AND LIABILITIES

Other Current Assets

	31.12.2017	31.12.2016
VAT carried forward	6.787.613	-
	6.787.613	-

Other Current Liabilities

	31.12.2017	31.12.2016
Taxes and dues payable	2.442.219	2.640.662
Overdue or deferred taxes and dues payable	745.585	-
Other Liabilities	263.130	132.593
	3.450.934	2.773.255

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NOTE 8 – INVENTORIES

	31.12.2017	31.12.2016
Raw Materials	20.649.856	10.580.054
Work in Process	6.882.723	19.507.111
Finished goods	69.009.935	71.786.167
Merchandises	28.136.733	4.297.639
Other Inventories (*)	577.273	2.217.560
	125.256.520	108.388.531

(*) Other inventories consist of goods on transit.

As of 31 December 2017, there is insurance coverage amounting to TRY 133.135.000 on inventories

NOTE 9 – PREPAID EXPENSES

Short-term prepaid expenses

	31.12.2017	31.12.2016
Order advances given	17.566.588	13.058.240
Prepaid expenses	3.891.801	3.311.326
Advances given for business purposes	2.326.199	960.874
Advances given to personnel	893.640	828.338
	24.678.228	18.158.778

Long Term

	31.12.2017	31.12.2016
Prepaid expenses	8.683.809	3.626.767
Advances given for purchases of property,plant and equipment	3.863.347	2.913.423
	12.547.156	6.540.190

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NOTE 10 – ASSETS RELEVANT CURRENT PERIOD TAX

As of 31 December 2017 assets relevant current period tax is as following;

	31.12.2017	31.12.2016
Prepaid taxes and funds	12.880.161	3.166.669
	12.880.161	3.166.669

NOTE 11 – FINANCIAL INVESTMENTS

The fair values of financial investments are classified as follows due to the data used to determine the levels.

31 December 2017	Level 1	Level 2	Level 3
Funds	258.752	-	1.000

As of 31 December 2017 and 2016 financial investments is as following;

Current Financial Investments

Funds	Number of Shares	Unit Price	Total Cost (TRY)	31.12.2017 Unit Price	Fair Value According to 31.12.2017(TRY)
Ak Portföy Para Piyasası Fonu	16.950.641	0,01449	240.876	0,015164	257.040
Alternatif Menkul Kıymetler (ALFN2)	425	3,86000	1.641	4,030000	1.713
Total					258.752

As at 31 December 2017, short-term financial assets are reflected to the financial statements at their fair value.

Long Term Financial Investments

	31.12.2017 (%)	31.12.2017 TRY	31.12.2016 (%)	31.12.2016 TRY
Kay-Ser A.Ş.	< 1	1.000	< 1	1.000
		1.000		1.000

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NOTE 12 – TANGIBLE FIXED ASSETS

Tangible Fixed Assets	01.01.2017 Opening	Addition	Disposal	Transfer	Fair Value Changes	31.12.2017 Closing
Lands	16.125.861	-	-	-	41.800.756	57.926.617
Land Improvements	115.734	-	-	-	-	115.734
Buildings	49.137.037	11.785.597	-	9.610.323	36.550.672	107.083.629
Plants, machinery and equipment	42.016.484	25.208.945	(795.129)	186.335	-	66.616.635
Vehicles	4.613.416	1.677.519	(48.111)	-	-	6.242.824
Fixtures and fittings	44.048.378	11.631.252	(1.180.475)	(86.424)	-	54.412.731
Leasehold improvements	39.120.134	6.223.392	(421.223)	-	-	44.922.303
Construction in Progress	9.710.234	5.402.360	-	(9.710.234)	-	5.402.360
Cost	204.887.278	61.929.065	(2.444.938)	-	78.351.428	342.722.833
Accumulated Depreciation (-)						
Land Improvements	77.520	3.797	-	-	(5.451)	75.866
Buildings	9.952.814	1.031.627	-	-	(284.413)	10.700.028
Plants, machinery and equipment	31.418.080	2.596.555	(601.747)	-	-	33.412.888
Vehicles	2.034.866	652.158	(37.676)	-	-	2.649.348
Fixtures and fittings	22.209.644	4.230.175	(1.034.573)	-	-	25.405.246
Leasehold improvements	21.228.022	6.471.643	(58.888)	-	-	27.640.777
Total	86.920.946	14.985.955	(1.732.884)	-	(289.864)	99.884.153
Net Book Value	117.966.332	46.943.110	(712.054)	-	78.641.292	242.838.680

As of 31 December 2017 there is insurance amounting to TRY 354.636.736 on property, plant and equipment The liability amounts for fixed assets are mentioned in Note 19.

Group's "buildings and lands" are stated in the financial statements at expertise value determined by Makro Gayrimenkul Değerleme ve Danışmanlık A.Ş. on 29-30 December 2017, which is accredited by Capital Market Board as of 31 December 2017 with deducted accumulated depreciation.

Tangible Fixed Assets	01.01.2016 Opening	Addition	Disposal	Transfer	Fair Value Changes	31.12.2016 Closing
Lands	15.640.861	485.000	-	-	-	16.125.861
Land Improvements	115.734	-	-	-	-	115.734
Buildings	42.266.968	6.870.069	-	-	-	49.137.037
Plants, machinery and equipment	40.028.137	2.154.000	(165.653)	-	-	42.016.484
Vehicles	3.212.783	1.657.308	(256.675)	-	-	4.613.416
Fixtures and fittings	36.177.550	8.160.011	(289.183)	-	-	44.048.378
Leasehold improvements	34.279.705	5.601.971	(761.542)	-	-	39.120.134
Construction in Progress	158.740	9.551.494	-	-	-	9.710.234
Total	171.880.478	34.479.853	(1.473.053)	-	-	204.887.278
Accumulated Depreciation (-)						
Land Improvements	67.862	9.215	-	-	443	77.520
Buildings	9.002.649	926.302	-	-	23.863	9.952.814
Plants, machinery and equipment	29.713.488	1.870.245	(165.653)	-	-	31.418.080
Vehicles	1.591.236	685.286	(241.656)	-	-	2.034.866
Fixtures and fittings	18.952.939	3.371.975	(115.270)	-	-	22.209.644
Leasehold improvements	15.404.162	5.985.892	(162.032)	-	-	21.228.022
Total	74.732.336	12.848.915	(684.611)	-	24.306	86.920.946
Net Book Value	97.148.142					117.966.332

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NOTE 13 – INTANGIBLE FIXED ASSETS

	01.01.2017		31.12.2017
Intangible Fixed Assets	Opening	Additions	Closing
Rights	7.319.496	4.264.120	11.583.616
<i>Patents</i>	406.375	2.222.124	2.628.499
<i>Trademarks</i>	87.087	204.925	292.012
<i>Licences</i>	3.780.799	356.045	4.136.844
<i>Computer Software</i>	1.220.664	1.442.525	2.663.189
<i>Other Rights</i>	1.824.571	38.501	1.863.072
Accumulated Depreciation (-)	4.396.539	1.119.947	5.516.486
<i>Patents</i>	143.524	373.397	516.921
<i>Marks</i>	29.044	26.344	55.388
<i>Licences</i>	1.499.435	547.265	2.046.700
<i>Computer Software</i>	965.262	151.590	1.116.852
<i>Other Rights</i>	1.759.274	21.351	1.780.625
Net Book Value	2.922.957	3.144.173	6.067.130

	01.01.2016		31.12.2016
Intangible Fixed Assets	Opening	Additions	Closing
Rights	6.132.900	1.186.596	7.319.496
<i>Patents</i>	224.162	182.213	406.375
<i>Trademarks</i>	58.671	28.416	87.087
<i>Licences</i>	2.928.317	852.482	3.780.799
<i>Computer Software</i>	1.124.209	96.455	1.220.664
<i>Other Rights</i>	1.797.541	27.030	1.824.571
Accumulated Depreciation (-)	3.743.476	653.063	4.396.539
<i>Patents</i>	85.642	57.882	143.524
<i>Trademarks</i>	12.886	16.158	29.044
<i>Licences</i>	1.055.922	443.513	1.499.435
<i>Computer Software</i>	847.358	117.904	965.262
<i>Other Rights</i>	1.741.668	17.606	1.759.274
Net Book Value	2.389.424		2.922.957

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NOTE 14 FINANCIAL BORROWINGS

As of 31 December 2017 and 2016 the details of short term financial borrowings are as follows:

Short Term Financial Borrowings	31.12.2017	31.12.2016
Foreign currency financial borrowings	4.515.500	3.709.900
Turkish Lira financial borrowings	5.325.761	1.560.669
	9.841.261	5.270.569

Current Installments of Long-Term Financial Liabilities

Current installment of long term Turkis Lira financial borrowings	11.906.176	10.692.630
Current installment of long term foreign currency financial borrowings	13.900.389	17.923.941
Leasing Payables	587.737	521.782
Accrual of Interest	1.899.959	199.841
	28.294.261	29.338.194

Long Term Financial Liabilites

Turkish Lira financial borrowings	17.081.305	12.594.861
Foreign currency financial borrowings	47.709.521	39.595.900
Leasing Payables	334.722	785.287
	65.125.548	52.976.048

As of 31 December 2017, the average effective interest rates of Eur and Try bank borrowings are 3,11% and 13.73% (31 December 2016: Eur – 3,23%, TRY – 11,87%)

Liabilities given for bank borrowings are mentioned in note 19.

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As of 31 December 2017 and 2016 maturity schedule of banks borrowings are as follows:

	31.12.2017	31.12.2016
Due within 0-1 years	35.647.826	33.887.140
Due within 1-2 years	16.468.916	20.666.244
Due within 2-3 years	16.886.105	10.601.562
Due within 3-4 years	13.345.881	8.925.880
Due within 4-5 years	10.733.765	4.435.447
Due within 5-6 years	3.070.540	4.593.708
Due within 6-7 years	2.479.420	741.980
Due within 7-8 years	903.100	741.980
Due within 8-9 years	903.100	741.980
Due within 9-10 years	-	741.980
	100.438.652	86.077.901

As of 31 December 2017 and 2016 maturity schedule of leasing payables are as follows:

	31.12.2017	31.12.2016
Due within 0-1 years	587.737	521.782
Due within 1-2 years	288.225	510.279
Due within 2-3 years	46.497	236.815
Due within 3-4 years	-	38.193
	922.459	1.307.069

NOTE 15 – EMPLOYEE BENEFIT LIABILITIES

	31.12.2017	31.12.2016
Due to personnel	6.189.840	5.393.056
Social security premiums payable	4.930.519	3.766.877
	11.120.359	9.159.933

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NOTE 16 – DEFERRED INCOME

	31.12.2017	31.12.2016
Advances received	23.057.061	17.780.559
	23.057.061	17.780.559

NOTE 17 PROVISIONS

	31.12.2017	31.12.2016
Provisions for litigation expenses	3.124.591	1.154.591
Expense Accruals	45.175	4.016
	3.169.766	1.158.607

NOTE 18 – PROVISIONS FOR EMPLOYEE BENEFITS

Provision for Severance Pay

	31.12.2017	31.12.2016
Provision for Severance Pay	8.362.308	5.783.793
	8.362.308	5.783.793

The movement of the provision for employee benefits is as follows;

	31.12.2017	31.12.2016
Balance at the beginning	5.783.793	3.180.649
Cost of services	3.487.634	3.979.226
Interest cost	550.837	303.749
Severance pay paid in the period	(2.278.962)	(2.278.962)
Actuarial profit / (loss)	819.006	599.131
	8.362.308	5.783.793

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NOTE 19 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions

The movement of the provision for litigation is as follows;

	31.12.2017	31.12.2016
Opening balance	1.154.591	666.131
Provisions reversed during the period	(1.030.000)	(2.033.869)
Provisions within period	3.000.000	2.522.329
Closing balance	3.124.591	1.154.591

Contingent Liabilities

Given GSM (Guarantee-Security-Mortgage) by Group	31.12.2017	31.12.2016
A. Total Amount of GSM Given on Behalf of Legal Entity	194.500.961	173.579.440
B. Total Amount of GSM Given for Partnerships which are Included in Full Consolidation	None None	None None
C. Total Amount of GSM Given for the Purpose of Guaranteeing Third Party Loans to Carry the Regular Trade Activities		
D. Total Amount of Other GSM Given	None	None
i. Total Amount of GSM Given for the Parent Company	None	None
ii. Total Amount of GSM Given for Other Group Companies not Included in B and C Clauses	None	None
iii. Total Amount of GSM Given for Third Parties not Included in C Clause	None	None
	194.500.961	173.579.440

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Contingent liabilities of Group are as follows:

Letters of guarantee - As of 31 December 2017, the Group has given letters of guarantee amounting to TRY 30.501.161 to the suppliers and other corporations. The details of the letters of guarantee are as below:

	Foreign currency	Currency amount	Currency rate	TRY equivalent
Electricity Distribution Companies	TRY	475.660	1,0000	475.660
Executive Directorate	TRY	50.000	1,0000	50.000
Customs Directorate	TRY	94.796	1,0000	94.796
Gas Distribution Companies	TRY	144.000	1,0000	144.000
Private Sector	TRY	73.073	1,0000	73.073
Private Sector	USD	317.830	3,7719	1.198.823
Private Sector	EUR	503.461	4,5155	2.273.377
Export Credit Bank of Turkey	EUR	5.673.000	4,5155	25.616.432
Export Credit Bank of Turkey	TRY	575.000	1,0000	575.000
				30.501.161

As of 31 December 2017, the details of the letters of guarantee based on banks and currencies are as follows:

	Foreign currency	Currency amount	Currency rate	TRY equivalent
Yapı ve Kredi Bankası A.Ş.	TRY	135.769	1,0000	135.769
Yapı ve Kredi Bankası A.Ş.	USD	33.896	3,7719	127.852
Yapı ve Kredi Bankası A.Ş.	EUR	3.275.000	4,5155	14.788.263
Türkiye Vakıflar Bankası T.A.O	TRY	660	1,0000	660
Halkbank A.Ş.	TRY	378.000	1,0000	378.000
Halkbank A.Ş.	USD	200.916	3,7719	757.835
Halkbank A.Ş.	EUR	142.840	4,5155	644.994
Denizbank A.Ş.	USD	83.018	3,7719	313.136
Denizbank A.Ş.	EUR	818.111	4,5155	3.694.179
T. İş Bankası A.Ş.	TRY	70.000	1,0000	70.000
T. İş Bankası A.Ş.	EUR	1.026.530	4,5155	4.635.296
Alternatifbank A.Ş.	EUR	72.092	4,5155	325.531
Arap Türk Bankası A.Ş.	EUR	193.888	4,5155	875.501
Arap Türk Bankası A.Ş.	TRY	575.000	1,0000	575.000
Alternatifbank A.Ş.	TRY	200.000	1,0000	200.000
Anadolubank A.Ş.	TRY	53.100	1,0000	53.100
Turklandbank A.Ş.	EUR	648.000	4,5155	2.926.044
				30.501.161

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As of 31 December 2017, the details of the letters of guarantee and bonuses given are as follows;

	Fx	31.12.2017	31.12.2016
Bills Given (EUR)		4.515.500	3.709.900
Surety bond		2.000.000	2.000.000
		6.515.500	5.709.900

As at 31 December 2017, mortgages on various tangible assets of the Group amounting to TRY 157.484.300 (31 December 2016: TRY 151.621.280).

Contingent Asset

	31.12.2017	31.12.2016
Letters of Guarantee (TRY)	50.670.000	29.096.792
Letters of Guarantee (USD)	1.691.000	7.886.527
Letters of Guarantee (EUR)	280.000	296.792
Mortgages	45.200.250	36.266.375
Mortgages (Abroad)	1.384.000	2.815.360
	99.225.250	76.361.846

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NOTE 20 – SHARE CAPITAL

20.1 Paid in Capital

The registered capital of the Parent Company is TRY 150.000.000 (31 December 2016: TRY75.000.000).

Paid-in capital of the Parent Company each 1 kr. of the total shares of the Company with a nominal amount of TRY 42.799.695 (31 December 2016: TRY 42.799.695).

The shareholding structure of the Parent Company as of 31 December 2017 and 2016 is as follows;

	31.12.2017		31.12.2016	
	Amount TRY	Share (%)	Amount TRY	Share (%)
Hacı Nuri Öztaşkın	3.550.686	8,30%	3.510.091	8,20%
Yılmaz Öztaşkın	3.125.770	7,30%	3.125.770	7,30%
Bostancı Otelcilik ve Turizm İşletmesi A.Ş	2.419.385	5,65%	2.118.060	4,95%
Others (*)	33.703.854	78,75%	34.045.774	79,55%
	42.799.695	100,00%	42.799.695	100,00%
Inflation Adjustment (**)	25.090.345		25.090.345	
	67.890.040		67.890.040	

(*) includes buy back shares nominal amount of TRY 921.781 mentioned in note 20.7

(**) Inflation adjustment is total difference between statutory capital amount to adjusted capital amount. Inflation adjustemen restricted to be added on capital.

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NOTE 20– SHARE CAPITAL (cont'd)

20.2 Previous Years Profits, Restricted Reserves, Fair Value Reserves and Other Capital Reserves

BIST Companies (Public Quoted Companies on Turkish Capital Market Board) distribute dividends according to the Communiqué No: II-19.1 on the dividend distribution effective from 01 February 2014 of the CMB. The arrangements and explanations in the Dividend Communiqué are summarized below.

The profit distribution will be distributed again with the decision of the General Assembly within the framework of the Dividend Distribution Policy to be determined by the General Assembly. While partnerships determine profit distribution policies, they will also decide whether to distribute dividends. In this framework, profit distribution is in principle an elderly person. The SPK will be able to set different principles for profit distribution policies according to the qualifications of the companies.

In the profit distribution policies of the partnership:

- Whether the profit is not to be distributed and distributed,
- Profit share ratios and the account to be applied to these ratios,
- Payment methods and time,
- Whether the dividend will be distributed as cash or bonus shares (for companies traded on the stock exchange)
- There are issues to be distributed and not to distribute profit share advance.

The upper limit of the profit share to be distributed is the distributable amount of the relevant profit distribution resources included in the statutory records. The dividend is distributed equally to all of the existing shares as a rule at the date of distribution. The acquisition and export dates of the shares are not taken into account. It can not be decided to allocate another reserves and to transfer the profit to the next year unless reserve is made in accordance with the Turkish Commercial Law and the dividend foreseen for the shareholders in the articles of association and profit distribution policy.

On condition that whether it is in the Articles of incorporation, dividends distributable to privileged shareholders or non-beneficial owner of the shares, members of the board of directors, employees. However, dividends can not be distributed to usufruct shareholders, members of the board of directors, employees and other people without paying cash dividends determined for shareholders. In principle, the Communiqué presumes that the amount to be distributed may be up to ¼ of the profit share distributed to the shareholders, unless a determination is made in the main agreement regarding the amount of the dividends to be paid to the listed persons, except for the preferential shares. If the dividend is to be distributed to people outside the shareholder and payment by installments is in question, the installment amounts shall be paid according to the installments to be paid to the shareholders and according to the same principles.

The new Capital Markets Law and the new Communiqué provide the opportunity for donations from partnerships. However, it is sought to make provision in the substantive contracts. The CMB will be able to set an upper limit, as the amount of donations can be determined by the general assemblies.

Companies whose shares are quoted in the stock exchange:

- Proposal of board of directors for dividend distribution
- Or the decision of the board of directors on the distribution of dividends
- Dividend distribution table or profit share advance distribution table

announced to the public. It is obligatory for the dividend distribution chart to be disclosed to the public at the latest when the ordinary general assembly schedule is announced.

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Restricted reserves

	31.12.2017	31.12.2016
Reserves for buy back shares	11.081.201	-
Legal Reserves	1.708.113	898.950
	12.789.314	898.950

20.3 Premiums for shares

Share premiums obtained from cash inflows from the sale of shares at market price. These premiums are stated under equity and can not be distributed. However, it can be used for future capital increases.

	31.12.2017	31.12.2016
Premiums For Shares	999.353	999.353
	999.353	999.353

20.4 Actuarial gain on severance pay/ loss

	31.12.2017	31.12.2016
Actuarial gain on severance pay/ loss of fund	(3.596.261)	(2.941.056)
	(3.596.261)	(2.941.056)

20.5 Revaluation Fund

Group's "buildings and lands" are stated in the financial statements at expertise value determined by Makro Gayrimenkul Değerleme ve Danışmanlık A.Ş. on 29-30 December 2017, which is accredited by Capital Market Board as of 31 December 2017 with deducted accumulated depreciation.

	31.12.2017	31.12.2016
Revaluation Increase	87.209.339	11.072.389
Revaluation Increase Amortization	-	(289.866)
Deferred Tax Calculated from Revaluation Fund	(7.835.143)	(2.156.504)
	79.374.196	8.626.019

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20.6 Foreign currency conversion differences

Currency conversion differences as of 31 December 2017 and 2016 are as follows;

	31.12.2017	31.12.2016
Foreign Currency Conversion Differences	(307.917)	(22.352)
	(307.917)	(22.352)

Foreign currency translation differences consist of foreign currency exchange differences arising from the translation of foreign currency financial statements from the current currency to the reporting currency.

20.7 Buy back shares

As 31 December 2017 and 2016 buy back shares as following;

	31.12.2017	31.12.2016
Buy back shares (*)	(11.081.201)	(54.250)
	(11.081.201)	(54.250)

(*) Parent Company is authorised if it is necessary to buy back shares without any approval of the General Assembly, to the decision made in the Board of Directors meeting dated 01.09.2015. The decision is based on the scope of Communiqué on "Buy back shares numbered II-22.1 article 5 preventing "immediate and serious loss" issued by the CMB and it has been determined that there is a significant loss of 20% over the weighted average prices in the share prices of the Parent Company during the one month prior to the decision of the Board of Directors.

In accordance with II-22.1 "Communiqué on Buy Back Shares" issued by the CMB, the Group has purchased the shares quoted in the Exchange Market. As of December 31, 2017, the Group has Purchased 921,781 shares amounting to TRY 11.081.201 that is 2,15% of its total capital and reflected it in the accompanying financial statements under "Buy back shares in Equity". In addition, in accordance with the related communiqué, the amount of buy back shares is reclassified in "restricted reserves".

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NOTE 21 – SALES

For the periods ended at 31 December 2017 and 2016, the details of sales are as following:

	01.01. - 31.12.2017	01.01. - 31.12.2016
Domestic sales	1.192.506.180	733.837.182
Export sales	55.099.487	41.566.691
Other sales	4.244.337	3.685.951
Gross Sales	1.251.850.004	779.089.824
Sales returns (-)	(29.680.263)	(23.171.609)
Sales discounts (-)	(425.356.349)	(251.400.017)
Other discounts (-)	(1.127.602)	(2.194.699)
Net Sales	795.685.790	502.323.499

NOTE 22 – COST OF SALES

For the periods ended at 31 December 2017 and 2016, the details of cost of sales are as following:

	01.01. - 31.12.2017	01.01. - 31.12.2016
Direct material expenses	287.527.709	243.890.585
Direct labor expenses	32.541.740	25.651.306
General administrative expenses	21.816.329	23.962.998
Amortization expenses	4.322.231	3.912.636
Semi-manufactured inventory	12.624.388	(2.841.541)
Cost of finished goods produced	358.832.397	294.575.984
Changes in finished goods inventory	5.132.642	(4.044.814)
Cost of finished goods sold	363.965.039	290.531.170
Cost of merchandise	84.753.657	1.806.221
Cost of services sold	12.632.552	9.557.469
Cost of Sales	461.351.248	301.894.860

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NOTE 23 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	01.01. - 31.12.2017	01.01. - 31.12.2016
Marketing, sales and distribution expenses	193.618.139	134.768.658
General administrative expenses	32.979.685	25.303.453
Research and development expenses	3.506.347	2.467.447
	230.104.171	162.539.558

EXPENSES BY NATURE

	01.01. - 31.12.2017	01.01. - 31.12.2016
Personnel expenses	62.291.781	44.166.481
Advertising expenses	55.548.154	31.137.307
Transportation expenses	30.901.311	22.339.600
Rent expenses	31.011.017	25.383.543
Amortization expenses	11.589.758	9.347.864
Tax, duties and fee expenses	9.281.383	6.900.124
Retailer opening supports	6.661.964	1.403.922
Consultancy expenses	2.996.433	1.982.975
Electricity, water, climate expenses	2.602.564	2.354.803
Travel and accommodation expenses	2.432.172	3.277.873
Retailers common area rent expenses	2.171.031	2.078.753
Material expenses	2.091.791	1.547.477
Provision for doubtful receivables expenses	1.771.968	1.735.453
Retirement pay provision expenses	1.759.509	2.004.013
Maintenance and repair expenses	1.328.490	1.175.019
Insurance expenses	1.032.802	887.962
Communication expenses	347.406	345.753
Other expenses	4.284.637	4.470.636
	230.104.171	162.539.558

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NOTE 24 – OTHER INCOME

	01.01. - 31.12.2017	01.01. - 31.12.2016
Foreign exchange income	7.664.329	7.243.258
Rediscount income	4.624.476	3.122.599
Incentive income	4.448.919	3.453.947
Other income	3.408.598	833.929
Early payment discounts	2.408.508	2.694.209
Maturity difference income	948.064	3.624.383
Reversal of unnecessary provision	222.098	68.330
	23.724.992	21.040.655

NOTE 25 – OTHER EXPENSES

	01.01. - 31.12.2017	01.01. - 31.12.2016
Foreign exchange losses	10.614.015	2.990.360
Maturity difference expenses	6.795.305	7.519.986
Rediscount expenses	4.272.616	2.695.573
Litigation provision expenses	3.000.000	2.033.869
Other expenses	1.091.169	523.662
	25.773.105	15.763.450

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NOTE 26 – INVESTMENT ACTIVITIES INCOME

	01.01. - 31.12.2017	01.01. - 31.12.2016
Profit on sale of fixed assets	312.758	624.672
Profit on fund sales	223.718	-
Fair value increase of Funds	16.235	-
	552.711	624.672

NOTE 27 – INVESTMENT ACTIVITIES EXPENSES (-)

	01.01. - 31.12.2017	01.01. - 31.12.2016
Loss on sale of fixed asset	75.557	167.924
	75.557	167.924

NOTE 28 – FINANCIAL INCOME

	01.01. - 31.12.2017	01.01. - 31.12.2016
Foreign exchange incomes	1.176.946	567.188
Interest incomes	1.850.171	10.410
	3.027.117	577.598

NOTE 29 – FINANCIAL EXPENSES (-)

	01.01. - 31.12.2017	01.01. - 31.12.2016
Interest expenses	6.506.027	7.443.962
Foreign exchange losses	7.237.419	7.392.838
Bank commission	7.064.576	6.277.265
Other financial expenses	695.687	460.769
Guarantee letter commison expenses	-	178.770
Credit Card Commission	-	435
	21.503.709	21.754.039

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NOTE 30 – TAX ASSETS AND LIABILITIES

In Turkey, the corporate tax rate is 20% as of 31 December 2017 (2016: 20%). According to the law “Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun” numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Under the related law, deferred tax assets and liabilities in the financial statements as of December 31, 2017 are calculated with the tax rate of 22% for the portion of temporary differences that will have tax effect in 2018, 2019 and 2020.

As of 31 December 2017, provisional tax is payable at the rate of 20% (2016: 20%) on the income generated for the three-month periods according to tax legislation and the amounts paid in this way are deducted from the tax calculated on the annual earnings. With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020.

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Declarations and related accounting records can be examined within five years of the tax year, and tax accounts can be revised by tax office. Companies in Turkey obligated to pay 15% income tax for dividend payments whether shareholders located in Turkey or not whether legal entity or not unless if company or person have exempt or non-obliged to pay corporate tax or income tax. The companies located in Turkey exempted if dividend pays to an other company. Also If profit not distributed or profit add to capital there is none corporate tax occur.

Exemption for Real Estate and Subsidiary Share Sales Gains

Dividend income (excluding profits from investment funds 'participation certificates and investment trusts' shares) obtained from participating in the capital of another corporation which is fully taxpayer is exempt from corporation tax. In addition, 75% of the profits arising from the sale of founders' shares, redeemable shares and preferential rights of real estates (immovables) owned by the same duration as the participation shares included in the assets of the institutions for at least two full years are exempt from corporate taxation as of December 31, 2017. However, with the amendment made by Law No. 7061, this ratio has been reduced from 75% to 50% in terms of immovables and this ratio will be used as 50% in tax declarations to be prepared from 2018. In order to benefit exclusively, the earning must be kept in a passive fund account and not withdrawn for 5 years. The sales price must be collected until the end of the second calendar year following the year in which the sale is made. There are many exceptions to the Corporate Tax Law. The following are the exceptions to the Company regarding these exceptions:

If the property that reflected balance sheet for two years and sold, their income's 75% as of 31 December 2017 non-obliged to corporate tax for this reason Group's properties which are taxable might be occur temporary differences thus accepted 5% for previous periods corporate tax's (2016: 20%) 75% used exempt. As of 31 December 2017 the exemption rate was set at 50%, the exemption was applied and the new deferred tax rate was taken as 10%.

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For the periods ended at 31 December 2017 and 2016, the details of tax income / expense are as following;

Deferred tax reconciliation

Deferred tax reconciliation	31.12.2017
31 December 2016 Deferred tax assets / (liabilities), net	(3.034.830)
31 December 2017 Deferred tax assets / (liabilities), net	(10.390.519)
Period difference	(7.355.689)
Effect of actuarial gain / loss tax on severance indemnity in other comprehensive income	(163.801)
Revaluation's depreciation effect in other comprehensive income	7.893.114
Current period deferred tax income	373.624

	31.12.2017	31.12.2016
Corporation tax	(15.206.445)	(4.445.692)
Deferred tax income / (expense)	373.624	(522.387)
Total Tax Income / (Loss)	(14.832.821)	(4.968.079)

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According to the law “Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun” numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Under the related law, deferred tax assets and liabilities in the financial statements as of December 31, 2017 are calculated with the tax rate of 22% for the portion of temporary differences that will have tax effect in 2018, 2019 and 2020.

	31 December 2017		31 December 2016	
	Cumulative temporary difference	Deferred tax assets / (liabilities)	Cumulative temporary difference	Deferred tax assets / (liabilities)
Deffered tax assets:				
Retirement pay provision	8.362.308	1.672.462	5.783.793	1.156.759
Maturity difference and adjustments on inventories	4.055.042	892.109	2.992.380	598.476
Rediscount on receivables	1.900.714	418.157	966.032	193.207
Capitalized brand cancellations	3.424.265	684.853	3.440.138	688.028
Provisions for doubtful receivables	969.564	213.304	492.391	98.478
Interest accruals	-	-	12.574	2.515
Other	81.181	17.861	-	-
Deferred tax assets		3.898.746		2.737.463
Deffered tax liabilities				
Fixed asset valuation increases	(78.351.430)	(7.835.143)	(10.782.525)	(2.156.504)
Adjustment of tangible and intangible assets	(28.146.550)	(5.626.121)	(15.637.929)	(3.127.586)
Rediscount on payables	(3.658.444)	(804.858)	(2.371.902)	(474.380)
Time deposit interest accruals	(16.235)	(3.572)	-	-
Other	(88.958)	(19.571)	(69.114)	(13.823)
Deferred tax liability		(14.289.265)		(5.772.293)
Deferred tax assets / (liabilities), net		(10.390.519)		(3.034.830)

NOTE 31 – EARNING PER SHARE

Earnings / loss per share is determined by dividing the weighted average number of shares in the current year by the weighted average.

	01.01. - 31.12.2017	01.01. - 31.12.2016
Net period profit	69.349.999	17.478.514
Each 1 Kr / 1 TRY Share	42.799.695	42.799.695
Earnings per Share	1,620	0,408

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NOTE 32 – EXPOSURE TO FINANCIAL RISKS DUE TO FINANCIAL INSTRUMENTS

Financial Instruments

Credit risk

Credit risk is defined as the risk that a financial instrument will cause a financial loss to the Group because one party can not fulfill its contractual obligation. The Group is exposed to credit risk as a result of trade receivables arising from forward sales and deposits held in banks. The Group management reduces the credit risk related to customers' receivables by setting credit limits separately for each customer and taking collateral if necessary and selling only through cash collection to customers who are considered risky. The collective risk of the Group mainly arises from its commercial receivables. Trade receivables are assessed by considering their past experience and current economic condition and are shown net in the statement of financial position after the provision for doubtful receivables is appropriated.

The Group's exposure to credit risk as of 31 December 2017 is as follows:

31 December 2017	Trade receivables		Other receivables		Bank Deposit	Financial Investment
	Related Party	Other	Related Party	Other		
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	3.866.146	59.069.006	3.225.587	1.216.762	21.632.553	258.752
The part of maximum risk under guarantee with collateral	-	3.289.604	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired	3.866.146	62.358.610	3.225.587	1.216.762	21.632.553	258.752
B. Net book values of financial assets that are renegotiated, if not that will be accepted as overdue or impaired	-	-	-	-	-	-
C. Book value of financial assets that are overdue but not impaired	-	-	-	-	-	-
-The part under guarantee with collateral etc	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value amount)	-	9.417.739	-	-	-	-
- Impairment (-)	-	(12.707.343)	-	-	-	-
The part of net value under guarantee with collateral etc	-	3.289.604	-	-	-	-
Non overdue (gross book value amount)	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-	-
E. Factors Including Off-Balance Sheet Risk	-	-	-	-	-	-

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The Group's exposure to credit risk as of 31 December 2016 is as follows:

31 December 2016	Trade receivables		Other receivables		Bank Deposit
	Related Party	Other	Related Party	Other	
Maximum net credit risk as of balance sheet date (A+B+C+D+E) (*)	3.422.738	51.719.069	4.535.922	773.582	18.188.630
The part of maximum risk under guarantee with collateral	-	4.210.396	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired	3.422.738	55.809.965	4.535.922	773.582	18.188.630
B. Net book values of financial assets that are renegotiated, if not that will be accepted as overdue or impaired	-	-	-	-	-
C. Book value of financial assets that are overdue but not impaired	-	119.500	-	-	-
- The part under guarantee with collateral etc	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value amount)	-	7.867.869	-	-	-
- Impairment (-)	-	(12.078.265)	-	-	-
The part of net value under guarantee with collateral etc	-	4.210.396	-	-	-
Non overdue (gross book value amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral	-	-	-	-	-
E. Factors Including Off-Balance Sheet Risk	-	-	-	-	-

As of 31 December 2016, the aging schedule of the assets of the Parent Company that are past due but not impaired are as follows;

31 December 2016	Trade receivables		Other receivables	
	Related Party	Other	Related Party	Other
Overdue 1-30 days	-	119.500	-	-
	-	119.500	-	-

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Liquidity risk

Fair liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Group aims at maintaining flexibility in funding by keeping committed credit lines. The Group management manages liquidity risk by distributing the funds and by keeping sufficient cash and cash equivalents resources to cover the current and possible liabilities.

As of 31 December 2017 and 2016 liquidity risk table of the Group is as following;

Maturities According to Contract	Book Value	Cash outflow according to contract (=I+II+III)	Less than 3 months (I)	Between 3- 12 months (II)	Between 1- 5 years (III)	More than 5 years (IV)
Non-Derivative Financial Liabilities						
Financial liabilities	102.338.610	115.973.165	11.192.369	32.368.067	67.177.512	5.235.217
Financial lease liabilities	922.460	958.056	164.241	451.527	342.288	-
	103.261.070	116.931.221	11.356.610	32.819.594	67.519.800	5.235.217

The table below shows the Group's liquidity risk as of December 31, 2017, according to expected maturities;

Expected Maturities	Book Value	Cash outflow according to expected maturities (=I+II+III)	Less than 3 months (I)	Between 3- 12 months (II)	Between 1- 5 years (III)	More than 5 years (IV)
Non-Derivative Financial Liabilities						
Trade payables	121.822.437	125.480.881	115.647.575	9.833.306	-	-
Other payables	39.128.860	39.128.860	14.308.163	24.820.697	-	-
	160.951.297	164.609.741	129.955.738	34.654.003	-	-

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The table below shows the liquidity risk of the Group as of 31 December 2016;

Maturities According to Contract	Book Value	Cash outflow according to contract (=I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-Derivative Financial Liabilities						
Financial liabilities	86.277.742	95.608.650	11.517.253	25.787.700	48.896.706	9.406.991
Financial lease liabilities	1.307.069	1.389.028	145.107	428.785	815.136	--
	87.584.811	96.997.678	11.662.360	26.216.485	49.711.842	9.406.991

The table below shows the Group's liquidity risk as of December 31, 2016, according to expected maturities;

Expected Maturities	Book Value	Cash outflow according to expected maturities (=I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-Derivative Financial Liabilities						
Trade payables	99.210.313	101.582.215	75.268.136	26.314.079	-	-
Other payables	37.634.334	37.634.334	11.800.597	25.833.737	-	-
	136.844.647	139.216.549	87.068.733	52.147.816	-	-

Interest rate risk

Fluctuations may occur in the value of financial instruments by changing prices in the market. Such fluctuations may be due to price changes in securities or factors specific to the issuer of such securities or affecting the entire market. The Group's interest rate risk is mainly due to bank loans.

Although the interest rates of interest bearing financial liabilities vary, interest bearing financial assets have a fixed interest rate, and future cash flows do not change with the size of these assets. First of all, the Group's risk exposure to changing market interest rates depends on the Group's floating interest rate debt obligations. The Group's policy in this regard is to manage interest cost by using fixed and floating rate debts.

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Interest Rate Risk Sensitivity Analysis

If the interest rates of the loans with variable interest rates were TRY and all other variables were 100 basis points (1%) higher / lower, the profit before tax for the period would be TL 1.382.498 at 31 December 2017 due to higher / lower interest expenses it would be lower / higher.

The Group's interest position is as follows;

	31.12.2017	31.12.2016
Fixed-rate financial instrument		
-Assets of at fair value through profit or loss	-	-
Financial assets -Marketable financial assets	-	-
Financial liabilities	67.917.513	42.681.239
Floating interest financial instrument		
Financial assets	-	-
Financial liabilities	35.343.557	44.903.572

Capital risk management

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

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

As of 31 December 2017 and 2016 net debt / total equity ratio is as follows:

	31.12.2017	31.12.2016
Total debts	305.240.151	241.589.843
Less: Liquid assets	(34.502.481)	(24.059.181)
Net debt	270.737.670	217.530.662
Total equity	235.143.421	107.012.966
Total capital	505.881.091	324.543.627
Net Debt/Total Equity ratio	54%	67%

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Foreign currency risk

The carrying amounts of foreign currency assets and liabilities held by the Group as of 31 December 2017 and 2016 are as follows:

	31 December 2017					31 December 2016				
	TRY equivalent functional currency	USD	EUR	GBP	CHF	TRY equivalent functional currency	USD	EURO	GBP	CHF
1. Trade Receivables	28.476.933	5.379.537	1.792.584	18.000	-	21.142.908	4.454.725	1.452.357	18.000	-
2a. Monetary Financial Assets (including cash, banks)	28.795.734	4.088.263	2.961.039	915	-	24.041.428	1.518.583	4.999.025	35.043	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	57.272.667	9.467.800	4.753.622	18.915	-	45.184.336	5.973.308	6.451.382	53.043	-
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary financial assets	239.221	63.422	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	223.194	63.422	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	239.221	63.422	-	-	-	223.194	63.422	-	-	-
9. Total Assets (4+8)	57.511.888	9.531.222	4.753.622	18.915	-	45.407.530	6.036.730	6.451.382	53.043	-
10. Trade Payables	7.395.659	217.548	1.454.401	1.416	1.199	6.170.254	301.674	1.373.991	2.601	1.199
11. Financial Liabilities	18.850.048	-	4.174.521	-	-	22.144.842	-	5.969.121	-	-
12a. Other monetary financial liabilities	427.590	94.498	15.758	-	-	2.039.317	41.024	510.781	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-	-	-	-	-	-
13. Current Liabilities (10+11+12)	26.673.297	312.046	5.644.679	1.416	1.199	30.354.413	342.698	7.853.893	2.601	1.199
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	48.044.244	-	10.639.850	-	-	40.227.608	-	10.843.313	-	-
16a. Other monetary financial liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	48.044.244	-	10.639.850	-	-	40.227.608	-	10.843.313	-	-
18. Total Liabilities	74.717.541	312.046	16.284.530	1.416	1.199	70.582.021	342.698	18.697.206	2.601	1.199
19. Net asset / liability position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-	-	-
19a. Hedged amount of assets	-	-	-	-	-	-	-	-	-	-
19b. Hedged amount of liabilities position	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency position asset / liabilities (9-18+19)	(17.205.653)	9.219.176	(11.530.907)	17.499	(1.199)	(25.174.491)	5.694.032	(12.245.824)	50.442	(1.199)
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(17.205.653)	9.219.176	(11.530.907)	17.499	(1.199)	(25.174.491)	5.694.032	(12.245.824)	50.442	(1.199)

Details of the import and export amounts of the Group as of 31 December 2017 and 2016 are as follows;

	31 December 2017		31 December 2016	
	Imports	Export	Imports	Export
USD	1.669.166	9.368.818	1.109.636	4.497.041
EUR	10.385.145	4.915.931	4.304.174	3.683.170
TRY	-	853.358	-	-
GBP	27.282	-	17.032	2.485.445
TRY equivalent	48.951.575	55.099.487	17.777.549	41.566.691

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Foreign Currency Risk Sensitivity Analysis

As of 31 December 2017, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure is as below:

Foreign Currency Risk Sensivity Analysis Table
01.01. - 31.12.2017

	Profit / (Loss)	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In case of appreciation / depreciation of USD against TRY at 10%		
1- USD net asset / liability	3.477.381	(3.477.381)
2- Part of hedged from USD risk (-)	-	-
3- USD net effect (1+2)	3.477.381	(3.477.381)
In case of appreciation / depreciation of EUR against TRY at 10%		
4- EUR net asset / liability	(5.206.781)	5.206.781
5- Part of hedged from EUR risk (-)	-	-
6- EUR net effect (4+5)	(5.206.781)	5.206.781
In case of appreciation / depreciation of GBP against TRY at 10%		
7-GBP net asset/liability	8.890	(8.890)
8-Part of hedged from GBP risk (-)	-	-
9-GBP net effect (7+8)	8.890	(8.890)
In case of appreciation / depreciation of SEK against TRY at 10%		
10- GBP net asset/liability	(55)	55
11- Part of hedged from GBP risk (-)	-	-
12- GBP net effect (13+14)	(55)	55
TOTAL (3+6+9+12)	(1.720.565)	1.720.565

Foreign Currency Risk Sensivity Analysis Table
01.01. - 31.12.2016

	Profit / (Loss)	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In case of appreciation / depreciation of USD against TRY at 10%		
1- USD net asset / liability	2.003.844	(2.003.844)
2- Part of hedged from USD risk (-)	-	-
3- USD net effect (1+2)	2.003.844	(2.003.844)
In case of appreciation / depreciation of EUR against TRY at 10%		
4- EUR net asset / liability	(4.543.078)	4.543.078
5- Part of hedged from EUR risk (-)	-	-
6- EUR net effect (4+5)	(4.543.078)	4.543.078
In case of appreciation / depreciation of GBP against TRY at 10%		
7-GBP net asset/liability	21.786	(21.786)
8-Part of hedged from GBP risk (-)	-	-
9-GBP net effect (7+8)	21.786	(21.786)
TOTAL (3+6+9)	(2.517.448)	2.217.448

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

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

Financial Assets

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

Financial Liabilities

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

NOT 34 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR REQUIRED TO BE DISCLOSURE FOR CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

As a result of the examination made by Turkish Capital Market Board Süntaş Parent Company purchased sponge from related party “Sünger ve Yatak Sanayi Ticaret Anonim Şirketi”, between 2002 and 2006 amounting to TRY 7.189.381,56 has been paid to Süntaş and it has been decided to pay back to the Parent Company in one month period with the legal interest. The Kayseri Public Prosecutor's Office has been ordered by the Capital Markets Board to appeal against the prosecution to the nearest criminal court. In the expert report dated 29.05.2009, it was stated that the claims were invalid. In the new expert report prepared in the course of the lawsuit, the amount transferred to the Süntaş with implicit transactions was determined as 1,694,048.09TRY and it was stated that the Board of Directors should be held responsible for these transactions. At the trial dated 01.02.2011, it was decided to request a report from the expert delegate of three experts in the field of capital market and criminal law.

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AS OF 31 DECEMBER 2017

(Currency - Turkish Lira unless expressed otherwise.)

During the proceedings of case, it was stated that the case file was sent to a committee which includes CMB Experts to reveal the contradiction in the expert reports and "It is alleged that defendants act is only be revealed by technical committee compare the sale price of sponge material with similar sponge material's price in the market to reveal whether kind a concealed distribution of capital is realized or not. At the point where the technical committee made the comparison of the external precedent claim of the concealed distribution claim with this movement, the report dated 16.03.2012 issued by the experts on the issue of the file of the expert technical delegation within the Kayseri Chamber of Industry and Commerce in this regard, It is determined by the invoice application issued by the other similar sponge manufacturers that different sales prices can be applied even for the products indicated to have the same density at the same price but the reason why the wastes given at the production stage are not the same for each production amount, it has been found that price differences are applied in the same business / manufacturing firms in which the prices of the raw materials supplied are different from each other, the storage costs are increased due to the fact that the buyer has no inventory

At the trial dated 14.09.2012, all the expert reports were considered and allegation is based on subjective judgement and is not based on objective judgement, not based on material concrete. It is determined that defendants are not commit to crime by considering the quality and quantity of sponge is different by its cost and it effects the sale prices and the prices is reasonable decided by judge. As the CMB's legal rights reserved the the case is abated and defendants are not committed crime according to law 2499 is revealed and all public cases for defendants are abated according to criminal procedure law.

According to the T.C. Kayseri Commercial Court's 26 September 2016 and number 2016/1042 decision that liquidation of Süntaş Sünger ve Yatak Sanayi ve Ticaret A.Ş. and by the defendant 21 February 2017 it has been appealed to the Presidency of the Supreme Court of Appeals Department of the Ankara District Court of Justice 21st Civil Rights Court on the grounds that it is contrary to the law.

NOTE 35 – POST BALANCE SHEET EVENTS

None.