**BRİSA BRIDGESTONE SABANCI
LASTİK SANAYİ VE TİCARET A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH
OF FINANCIAL STATEMENTS
AT 31 DECEMBER 2016 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR’S REPORT ORGINALLY ISSUED IN TURKISH)

To the Board of Directors of
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.

Report on the Financial Statements

We have audited the accompanying financial statements of Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. (“the Company”), which comprise the statement of balance sheet as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

Other Concern

Without qualifying our opinion, as described in note 2.5.24, The Company management has decided to capitalize the expenses related to the development projects in the current period and has resolved the research and development expenses in the prior period and restated the prior period financial statements by capitalizing the expenses related to development phase.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 23 February 2017.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2016 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Yaman Polat, SMMM
Partner

İstanbul, 23 February 2017

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BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED BALANCE SHEET AT 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

	Notes	Current Period 31 December 2016	Restated Prior Period 31 December 2015
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	85.736.102	60.713.519
Trade Receivables	6	825.877.076	762.610.504
Trade Receivables From Related Parties	24	41.924.144	34.509.332
Trade Receivables From Third Parties		783.952.932	728.101.172
Other Receivables	7	10.827.826	9.171.722
Other Receivables From Related Parties	24	92.099	587.407
Other Receivables From Third Parties		10.735.727	8.584.315
Derivative Financial Instruments	5	3.077.383	7.065.185
Inventories	8	364.067.909	357.632.271
Prepaid Expenses and Deferred Income	9	31.230.546	31.501.383
Other Current Assets	15	11.909.945	6.327.890
Total Current Assets		**1.332.726.787**	**1.235.022.474**
Non-Current Assets			
Trade Receivables	6	46.717.535	29.523.216
Other Receivables	7	131.280	121.191
Derivative Financial Instruments	5	100.025.565	7.433.137
Property, Plant and Equipment	10	1.089.522.968	676.146.959
Intangible Assets	11	70.917.208	57.515.797
Prepaid Expenses	9	184.329.431	121.073.728
Deferred Tax Assets	22	11.897.371	9.207.543
Total Non-Current Assets		**1.503.541.358**	**901.021.571**
TOTAL ASSETS		**2.836.268.145**	**2.136.044.045**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED BALANCE SHEET AT 31 DECEMBER 2016

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

	Notes	Current Period 31 December 2016	Restated Prior Period 31 December 2015
LIABILITIES			
Current Liabilities			
Short-term Borrowings	4	459.582.804	537.889.388
Short-term Portion of Long Term Borrowings	4	277.498.799	77.139.541
Trade Payables	6	359.749.707	270.138.681
Trade Payables to Related Parties	24	141.026.215	111.088.885
Trade Payables to Third Parties		218.723.492	159.049.796
Payables Related to Employee Benefits	14	22.080.116	14.974.098
Other Payables	7	5.921.480	5.625.643
Other Payables to Related Parties	24	700.557	443.694
Other Payables to Third Parties		5.220.923	5.181.949
Derivative Financial Insturments	5	2.575.314	1.589.322
Deferred Income	9	14.610.486	15.671.615
Current Tax Liabilities	22	642.427	2.230.061
Short-term Provisions		12.483.829	18.609.352
Short-term Provisions For Employee Benefits	14	8.846.095	10.830.714
Other Short-term Provisions	12	3.637.734	7.778.638
Total Current Liabilities		**1.155.144.962**	**943.867.701**
Non-Current Liabilities			
Long-term Borrowings	4	1.046.184.000	486.042.000
Trade Payables	6	28.456	518.903
Trade Payables to Related Parties	24	-	518.903
Trade Payables to Third Parties		28.456	-
Derivative Financial Instruments	5	4.560.575	-
Deferred Income	9	6.750.733	1.429.510
Long-term Provisions		53.413.359	46.586.111
Long-term Provisions For Employee Benefits	14	53.413.359	46.586.111
Total Non-Current Liabilities		**1.110.937.123**	**534.576.524**
Total Liabilities		**2.266.082.085**	**1.478.444.225**
EQUITY			
Share Capital	16	305.116.875	305.116.875
Adjustment to Share Capital		54.985.701	54.985.701
Share Premium		4.903	4.903
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss			
Hedging Reserve (Losses) /Gains		327.501	924.403
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss			
Actuarial Losses		(3.546.159)	(3.546.159)
Restricted Reserves		114.135.542	88.919.684
Retained Earnings		19.049.069	14.001.248
Net Income For The Period		80.112.628	197.193.165
Total Equity		**570.186.060**	**657.599.820**
TOTAL LIABILITIES AND EQUITY		**2.836.268.145**	**2.136.044.045**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	Current Period 1 January- 31 December 2016	Restated Prior Period 1 January- 31 December 2015
Sales	17	1.766.472.991	1.801.875.943
Cost of Sales (-)	17	(1.247.912.326)	(1.240.495.578)
GROSS PROFIT		**518.560.665**	**561.380.365**
General Administrative Expenses (-)	18	(118.246.313)	(82.175.820)
Marketing Expenses (-)	18	(227.072.976)	(218.738.526)
Research and Development Expenses (-)	18	(6.722.094)	(11.514.565)
Other Operating Income	19	79.232.992	61.517.994
Other Operating Expenses (-)	19	(27.165.952)	(13.675.846)
OPERATING PROFIT		**218.586.322**	**296.793.602**
Income From Investing Activities	20	357.307	135.028
Expenses From Investing Activities (-)	20	(17.866)	(415.562)
PROFIT BEFORE FINANCIAL EXPENSES		**218.925.763**	**296.513.068**
Financial Expenses (-)	21	(138.980.647)	(91.904.969)
PROFIT BEFORE TAX		**79.945.116**	**204.608.099**
Taxation on Income		**167.512**	**(7.414.934)**
Current Tax Expense (-)	22	(2.373.090)	(8.229.172)
Deferred Tax Income / (Expense)	22	2.540.602	814.238
PROFIT FOR THE PERIOD		**80.112.628**	**197.193.165**
Earnings per share	23	**0,240**	**0,580**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Current Period 1 January- 31 December 2016	**Restated Prior Period 1 January- 31 December 2015**
PROFIT FOR THE PERIOD	**80.112.628**	**197.193.165**
OTHER COMPREHENSIVE INCOME /(EXPENSES)		
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss	(596.902)	11.932.308
Hedging Reserve Gains/ (Losses)	(746.128)	14.915.385
Deferred Tax Income / (Expense)	149.226	(2.983.077)
OTHER COMPREHENSIVE INCOME/ (EXPENSE)	**(596.902)**	**11.932.308**
TOTAL COMPREHENSIVE INCOME	**79.515.726**	**209.125.473**

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

				Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss	Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss		Retained Earnings		
	Share Capital	**Adjustment to Share Capital**	**Share Premium**	**Hedging Reserve Gains/ (Losses)**	**Acturial (Losses)/ Gains**	**Restricted Reserves**	**Retained Earnings**	**Net Income For The Period**	**Shareholders' Equity**
Balance at 1 January 2015 (Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**(11.007.905)**	**(3.546.159)**	**66.032.094**	**6.972.485**	**186.319.625**	**604.877.619**
Corrections for mistatements (Note 2.5.24)	-	-	-	-	-	-	-	5.193.856	5.193.856
Balance at 1 January 2015 (Restated Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**(11.007.905)**	**(3.546.159)**	**66.032.094**	**6.972.485**	**191.513.481**	**610.071.475**
Transfers	-	-	-	-	-	22.887.590	168.625.891	(191.513.481)	-
Total Comprehensive Income	-	-	-	11.932.308	-	-	-	197.193.165	209.125.473
Dividends Paid (*)	-	-	-	-	-	-	(161.597.128)	-	(161.597.128)
Balances at 31 December 2015 (End of the Period)	**305.116.875**	**54.985.701**	**4.903**	**924.403**	**(3.546.159)**	**88.919.684**	**14.001.248**	**197.193.165**	**657.599.820**
Balance at 1 January 2016 (Beginning of the Period)	**305.116.875**	**54.985.701**	**4.903**	**924.403**	**(3.546.159)**	**88.919.684**	**14.001.248**	**197.193.165**	**657.599.820**
Transfers	-	-	-	-	-	25.215.858	171.977.307	(197.193.165)	-
Total Comprehensive Income	-	-	-	(596.902)	-	-	-	80.112.628	79.515.726
Dividends Paid (*)	-	-	-	-	-	-	(166.929.486)	-	(166.929.486)
Balances at 31 December 2016 (End of the Period)	**305.116.875**	**54.985.701**	**4.903**	**327.501**	**(3.546.159)**	**114.135.542**	**19.049.069**	**80.112.628**	**570.186.060**

(*) Dividends paid by the Company per share with a TL 1 nominal value is TL 0,5146 (2015: TL 0,4950).

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

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

	Notes	Current Period 1 January- 31 December 2016	Restated Prior Period 1 January- 31 December 2015
Net Profit For The Period		**80.112.628**	**197.193.165**
Adjustments to Reconcile Profit For The Period		**274.201.078**	**199.061.979**
Adjustments Related to Depreciation and Amortization Expenses	18	81.999.985	111.685.308
Provisions for Employee Benefits		18.353.052	18.377.484
Adjustments Related to Retirement Pay Provision	14	11.212.692	12.358.411
Lawsuit Provision	12	860.332	1.051.242
Adjustment Related to Provisions	12	820.742	5.283.238
Adjustments Related to Doubtful Receivables	6	31.095.302	864.580
Interest Income	19	(451.064)	(46.068)
Interest Expense	21	123.934.147	83.019.269
Unrealized Foreign Exchange Losses / (Gains)		16.541.510	10.218.984
(Gains) / Losses From Derivative Financial Instruments	5	(4.686.835)	(44.094.512)
Adjustments Related to Tax Expense / Income	22	(167.512)	7.414.934
Losses / (Gain) On Sale of Properties, Net	20	(84.490)	280.534
Losses / (Gain) On Sale of Intangible Assets, Net	20	(254.951)	-
Impairment on inventories	8	5.512.168	612.897
Finance expense accruals from credit purchases (net)		1.266.414	732.229
Finance income accruals from credit sales (net)		(11.750.414)	(8.696.551)
Changes In Working Capital		**(59.216.293)**	**(311.846.314)**
Adjustments Related to Increase / Decreases in Trade Receivables		(94.539.410)	(233.318.270)
Adjustments Related to Increase / Decreases in Inventory		17.692.539	(47.041.631)
Adjustments Related to Increase / Decreases in Other Receivables Related to Operations		(7.235.867)	9.256.933
Adjustments Related to Increase / Decreases in Prepaid Expenses		(47.538.238)	(93.991.995)
Adjustments Related to Increase / Decreases in Trade Payables		81.639.089	60.514.607
Adjustments Related to Increase / Decreases in Deferred Income		3.701.410	7.610.721
Adjustments Related to Increase / Decreases in Employee Benefits Payables		(13.231.653)	(18.137.064)
Adjustments Related to Increase / Decreases in Other Payables Related to Operations		295.837	3.260.385
Cash Flows From Operating Activities		**(13.717.082)**	**(11.983.455)**
Interest Received	19	451.064	46.068
Taxes Paid / Reimbursed	22	(3.960.724)	(5.999.111)
Paid / Reversed Provisions	12	(5.409.049)	(322.001)
Paid / Reversed Lawsuit Provisions	12	(412.929)	(1.544.830)
Retirement Benefits Paid	14	(4.385.444)	(4.163.581)
A. NET CASH GENERATED FROM OPERATING ACTIVITIES		**281.380.331**	**72.425.375**
Proceeds From Sale of Property, Plant and Equipments		542.558	377.471
Proceeds From Sale of Intangible Assets		317.326	-
Payments For Property, Plant and Equipment and Intangible Assets	10,11	(494.719.367)	(237.771.831)
Cash Inflow / (Outflows) from Derivative Instruments		(9.202.772)	50.352.242
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(503.062.255)**	**(187.042.118)**
Proceeds From Borrowings, Net		591.724.076	395.672.576
Cash Used for Repayment of Obligations Under Finance Leases		(1.310)	(97.891)
Dividends Paid		(166.929.486)	(161.597.128)
Interest Paid		(178.088.773)	(68.494.614)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**246.704.507**	**165.482.943**
Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)		25.022.583	50.866.200
Cash and Cash Equivalents at the Beginning of the Period		60.713.519	9.847.319
Cash and Cash Equivalents at the End of the Period		**85.736.102**	**60.713.519**

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

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. (“Brisa” or “Company”) was established in 1974 as a subsidiary of Hacı Ömer Sabancı Holding A.Ş.

Brisa is primarily engaged in manufacturing, marketing and selling vehicle tires in Turkey. In 1988, the Company entered into a license agreement with Bridgestone Corporation for the purpose of manufacturing and selling Bridgestone tires.

The control of the Company is jointly held by H.Ö. Sabancı Holding A.Ş. and Bridgestone Corporation.

The Company’s employee headcount with indefinite-term employment contract is 2.580 (2015: 2.600). This number includes 1.957 employees who are subject to Collective Bargaining Agreement terms (2015: 1.989), and 611 employees who are not subject to these terms (2015: 602). There are 12 foreign employees (2015: 9). In addition, there are 40 employee who is subject to definite-term employment contracts (2015: 1).

Brisa is registered with the Capital Markets Board (“CMB”) and its shares have been quoted in Borsa İstanbul A.Ş. since 1986. As of the same date, the main shareholders and their respective shareholding in the Company are as follows:

	%
Hacı Ömer Sabancı Holding A.Ş.	43,63
Bridgestone Corporation	43,63
Other	12,74
	100,00

The address of the registered office of the Company is as follows:

Sabancı Center Kule 2 Kat: 8
4. Levent 34330 Beşiktaş / İstanbul

The financial statements for the period 1 Janaury-31 December 2016 have been approved for issue by the Board of Directors on 23 February 2017 and signed on behalf of the Board of Directors by Ahmet Yiğit Gürçay, General Manager, and Reşat Oruç, Chief Financial Officer. General assembly has the right to make changes in the financial statements after the aforementioned financial statements are issued.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance with TAS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards (“TAS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

Additionally, the financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.1 Basis of Presentation (Cont’d)

Statement of compliance with TAS (cont’d)

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position are expressed in Turkish Lira (“TL”), which is the functional currency of the Company and the reporting currency for the financial statements.

Preparation of financial statements in hyperinflationary periods

Based on CMB‟s resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey and preparing their financial statements in accordance with the POA Accounting Standards are not subject to inflation accounting effective from 1 January 2005. Therefore, starting from January 2005, TAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied in the accompanying financial statements.

2.2 Change in Accounting Policies

Significant changes in the accounting policies are applied retrospectively and prior period financial statements are restated. There are no changes in the accounting policies for the period 1 January - 31 December 2016.

2.3 Change in the Accounting Policies

Changes in accounting estimates should be applied prospectively, if only for a period in which the change in the current period. If it relates to future periods they are recognized to prospectively both in the current period and in the future period considering the impact on the profit of loss. There are changes in the accounting estimates for the period 1 January - 31 December 2016 (Note 2.6). Identified accounting errors are corrected in financial statements retrospectively (Note 2.5.24).

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 New and Revised Turkish Accounting Standards

a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements

None.

b) New and revised TAS applied with no material effect on the financial statements

Amendments to TAS 16 and TAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	*Agriculture: Bearer Plants* [1]
Amendments to TFRS 11 and TFRS 1	*Accounting for Acquisition of Interests in Joint operations* [1]
Annual Improvements to 2011-2013 Cycle	*TFRS 1* [2]
Amendments to TAS 1	*Disclosure Initiative* [2]
Annual Improvements to 2012-2014 Cycle	*TFRS 5, TFRS 7, TAS 34, TAS 19* [2]
Amendments to TAS 27	*Equity Method in Separate Financial Statements* [2]
Amendments to TFRS 10 and TAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [2]
Amendments to TFRS 10, TFRS 12 and TAS 28	*Investment Entities: Applying the Consolidation Exception* [2]
TFRS 14	*Regulatory Deferral Accounts* [2]

[1] Effective for annual periods beginning on or after 31 December 2015.
[2] Effective for annual periods beginning on or after 1 January 2016.

Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the financial statements (cont'd)

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 *Agriculture: Bearer Plants*

This amendment include 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

Amendments to TFRS 11 and TFRS 1 *Accounting for Acquisition of Interests in Joint operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

Annual Improvements 2011-2013 Cycle

TFRS 1: Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

Amendments to TAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Accounting Standards (cont'd)

b) New and revised TAS applied with no material effect on the financial statements (cont'd)

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19.

Amendments to TAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to TFRS 10 and TAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10, TFRS 12 and TAS 28 *Investment Entities: Applying the Consolidation Exception*

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

TFRS 14 *Regulatory Deferral Accounts*

TFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Accounting Standards (cont'd)

c) New and revised TAS in issue but not yet effective

The Company has not applied the following new and revised TAS that have been issued but are not yet effective:

TFRS 9	*Financial Instruments* [1]
TFRS 15	*Revenue from Contracts with Customers* [1]

[1] Effective for annual periods beginning on or after 1 January 2018.

TFRS 9 *Financial Instruments*

TFRS 9, issued by Public Oversight Authority ("POA") in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted unless before 1 February 2015.

TFRS 15 *Revenue from Contracts with Customers*

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies

2.5.1 Revenue

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns and commissions, and exclude sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

Other revenues earned by the Company are recognised on the following bases:

Interest revenue

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.5.2 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour, translation difference from financial and an appropriate amount of factory overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 8). Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any (Note 10). Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful Lives
Land and land improvements	20
Buildings	15-50
Machinery and equipment	10 and 20
Motor vehicles	5
Furniture and fixtures	10

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.

Estimated useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

Expenses for the repair and maintenance of property, plant and equipment are normally charged against income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and depreciated over the average expected life between major overhauls.

2.5.4 Intangible assets

Intangible assets include acquired rights, software, special selling rights, licences and other identifiable rights. Intangible assets are carried at cost less accumulated amortization. Amortisation is calculated using the straight-line method over a period not exceeding 10 years (Note 11).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.4. Intangible assets (cont'd)

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.5.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months (Note 3).

2.5.6 Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Principal payments are disclosed as liabilities and decreased according to payments made. The interest element of the finance cost is charged to the income statement over the lease period. Obligations under finance leases are stated in the financial statements at the acquisition values of the related property, plant and equipment and depreciated over the useful life.

2.5.7 Trade Receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortised cost. Short-term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due.

The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Those with maturities greater than 1 year are classified as non-current assets. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 6).

2.5.8 Due date income / (charges)

Due date income /(charges) represents the income / (charges) that are resulting from credit purchase or sales. These income / (charges) are considered as financial income and expenses which result from credit purchase or sales during the period and included in other operating income / (expense) throughout the maturity period.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.9 Taxes on income

Taxes on income for the period comprise of current tax and the change in deferred taxes.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.9 Taxes on income (cont'd)

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination.

2.5.10 Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred (Note 4).

2.5.11 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (Note 6).

Those with maturities greater than 1 year are classified as non-current liabilities.

2.5.12 Foreign currency transactions

The financial statements are presented in Turkish Lira (“TL”), which is the functional currency and the presentation currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign currency differences related with borrowings are recognized in the “financial income / (expense), whereas foreign currency differences related with cash and cash equivalents and other monetary assets and liabilities are recognised in the “other operating income/(expense)” in the statement of profit or loss.

Foreign currency differences related with non-monetary assets and liabilities are recognised as fair value gains and losses.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.13 Provisions, contingent assets and liabilities

Provisions are recognised when the Company has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

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

2.5.14 Provision for employement termination benefits

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. All calculated actuarial gains and losses are accounted for under other comprehensive income (Note 14).

2.5.15 Share Capital

Ordinary shares are classified as equity. Dividends payable are recognised in the financial statements as a result of profit distribution in the period in which they are declared.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.5.16 Earnings per share

Earnings per share disclosed in the income statement are determined by dividing net income by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported (Note 23).

2.5.17 Related Parties

For the purpose of these financial statements, shareholders, the Group companies of Hacı Ömer Sabancı Holding A.Ş. and Bridgestone Corporation Group companies, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. The Company assigned its key management as board of directors and the members of the executive board (Note 24).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.18 Derivative financial instruments

The derivative financial instruments of the Company consist of foreign exchange forward transactions and cross currency swap transactions. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at their respective fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has designated their derivatives (“hedging instrument”) to hedge its cash flows on foreign purchases (“hedged item”).

The Company documents, at the inception of the transaction the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statements of income.

Since the terms of cross currency swap agreements match with the terms of the borrowing contracts, the foreign currency differences are offsetted and disclosed under financial liabilities.

The gain or loss relating to the ineffective portions of foreign exchange forward transactions is recognised in the statement of profit or loss. Amounts previously recognised in other comprehensive income are transferred to the statement of profit or loss in the periods when the hedged item affects profit or loss (when the forecast transaction that is hedged takes place). The gain or loss relating to the effective portions of cross currency swap tarnsactions is recognised in other comprehensive income (Note 5).

2.5.19 Reporting of cash flows

Statements of cash flows are reported by presenting cash flows from operating, investing and financing activities separately.

Cash flows from operating activities are the cash flows from Company's principal revenue-producing activities.

Cash flows from investing activities are the cash flows from Company's acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Cash flows from financing activities are the cash flows from Company's changes in the size and composition of the contributed equity and borrowings.

Cash and cash equivalents include cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within 3 months (Note 3).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5. Significant Accounting Policies (Cont’d)

2.5.20 Offsetting

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

2.5.21 Provision for warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses for products sold under the scope of the warranty terms.

2.5.22 Financial assets

Financial assets within the scope of TAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2.5.23 Events after the reporting period

Events after the reporting period comprise any event between the balance sheet date and the date of authorization of the financial statements, even if the event after balance sheet date occurred subsequent to an announcement on the Company’s profit or following any financial information that are released.

2.5.24 Comparatives and restatement of prior period financial statements

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are disclosed.

Long-term prepaid expenses amounting to TL 43.401.307, which were presented under the current assets in the balance sheet as of 31 December 2015, are reclassified and presented as prepaid expenses under fixed assets.

The foreign currency net expenses from doubtful receivables amounting to TL 402.821 TL which was presented under general administrative expenses in the statement of income for the period ended 31 December 2015, are reclassified and presented as other income. The sales return from previous years amounting to TL 583.181, which was presented under marketing expenses in the statement of income for the period ended 31 December 2015, are reclassified and presented as other expenses.

The Company has reviewed the research and development expenses which are accounted in the statement of income during current period and has separated the expenses as research and development in accordance with TAS 38. The expenses which are related to development of products are capitalized in the current period. In this context, prior period financial statements have been restated according to Turkis Accounting Standart No:8 “Accounting Policies, Changes and Errors in Accounting Estimates” (“TAS 8”).

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

2.5.24 Comparatives and restatement of prior period financial statements (Cont'd)

The restatement effects on financial statements for the year ended 2015 and 2014 are as follow.

	Previously Reported	Restatement Effect	Restated
31 December 2015			
Total Assets	2.125.825.194	10.218.851	2.136.044.045
Total Liabilities	1.478.444.225	-	1.478.444.225
Period Profit/(Loss)	192.168.170	5.024.995	197.193.165
Retained Earnings	8.807.392	5.193.856	14.001.248

Profit per share increased by TL 0.015 in the statement of profit or loss statement for the year ended 31 December 2015 (2014: TL 0.016)

2.6 Critical Accounting Judgments, Estimates and Assumptions

Changes in the accounting estimates are applied prospectively only in the period in which the change is made, and in the future periods if the change relates to the current period, if it relates to a future period.

In this scope, after reporting period for 1 January-31 March 2016, the Company has reviewed the estimation for the useful lives of land and land improvements, buildings, machinery and softwares related to machinery and determined the useful lives of the fixed assets as 20 years for land and land improvements, from 15 years to 50 years for buildings, 10 years for machinery and softwares related to machinery instead of 10, 25, 8 and 3 years. In addition, the Company has revised the useful lives of some production machinery as 20 years, which were 10 years between 1 January -30 June 2016 reporting period.

As a result of these two changes in estamation which are made in 2016 for the useful lives of property, plant and equipment; inventories decreased by TL 9.904.206 in the balance sheet and depreciation expense decreased by TL 39.062.818 in the income statement and the deferred tax expense increased by TL 7.812.564, profit for the period increased by TL 31.250.254 and earnings per share increased by TL 0,096 for the period ended 31 December 2016 .

Preparation of the financial statements in accordance with CMB Financial Reporting Standards necessitates the usage of estimations and assumptions that can affect amounts of reported assets and liabilities as of balance sheet date, the explanation for the contingent assets and liabilities and income and expenses reported during the accounting period. Although these estimations and assumptions are based on the best judgement of the Company management related with the current conditions and transactions, actual results may differ from these estimations. Estimations are revised on a regular basis; necessary adjustments and corrections are made; and they are included in the income statement when they accrue. Estimations and assumptions subject to the risk that may lead to corrections in the book value of assets and liabilities in the next financial period are given below:

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.6 Critical Accounting Judgments, Estimates and Assumptions(Cont'd)

Useful lives of tangible and intangible assets

Tangible and intangible assets are stated at historical cost less depreciation and net of any impairment, if any. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Useful lives depend on best estimates of management, are reviewed in each financial period and necessary corrections are made (Note 10 - 11).

Provision for doubtful receivables

The Company calculates the provision for impairment of trade receivables to cover the estimated losses resulting from the inability of its customers to make required payments. The estimates used in evaluating the adequacy of the provision for impairment of trade receivables are based on the aging of the trade receivable balances and the trend of collection performance. The provision for doubtful trade receivables is a critical accounting estimate that is formed by past payment performance and financial position of customers (Note 6).

Fair value of derivatives and other financial instruments

The fair value of derivative financial instruments which are not traded in an active market is determined using valuation techniques based on market rates and expected yields. Fair value of non-derivative financial instruments is determined based on the present value of future principal and interest cash flows. These cash flows are calculated based on the discount rate prevailing at the reporting date (Note 5).

Investment incentives

The recognition of deferred income tax assets is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. Deferred income tax assets are recognised to the extent that it is probable that investment incentive will be utilized. As discussed in Note 22, the Company has obtained a foreign investment incentive right amounting to TL 481 million for 5 years period with a certificate taken from Republic of Turkey Prime Ministry Undersecretariat of Treasury dated 1 June 2010 based on the 4875 Act of Direct Foreign Investment Law. Based on the related incentive right, the Company utilized a reduced corporate tax amounting to TL 12.513.682 for the years ended 31 December 2010-2015 and TL 1.084.515 for the year ended 31 December 2016.

The Company utilized a reduced corporate tax of TL 46.286.896 for the secondary manufacturing plant investment to be located in the Aksaray Organized Industrial Zone in year 2013-2015, whereas the Company utilized a reduced corporate tax of TL 8.543.323 for the period 1 January – 31 December 2016 (Note 22).

In accordance with the letter dated 28 March 2016 and 67577454-401.07 - E.36663 of the Ministry of Economy, General Directorate of Incentive Implementation and Foreign Investments, the existing investment incentive certificate of Aksaray Plant Komple New Investment and domestic TL 168.293.500 and $ 76.143.961 FOB of imported machinery and equipment lists were canceled and replaced with the incentive certificate dated 29 March 2016 and D 113798, Imported machinery and equipment lists of TL 288.115.567 domestic and $ 99.084.014 FOB have been revised and approved, and for this reason the total investment expenditure figure of Aksaray Plant has been increased from TL 497.385.001 to TL 755.998.847. There has been no change in the supportive elements of the new investment incentive document.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.6 Critical Accounting Judgments, Estimates and Assumptions (Cont’d)

Investment incentives (cont’d)

According to the revaluation report no. 2016B171 prepared by TSKB Gayrimenkul Değerleme A.Ş at 7 August 2015, the market value of the land in size of 952.903,31 m2 which was granted by Aksaray Organize Sanayi Bölgesi to the Company is TL 19.058.000 excluding VAT.

According the expansion investment decision in İzmit Plant, the investment incentive certificate application of the Company to the Ministry of Economy, Incentive Application and General Directorate of Foreign Investments is approved and under the large-scale investments starting from 21 May 2015 to 21 May 2020, an investment incentive certificate is arranged at 20 August 2015 and numbered 120314 for the expansion investment amounting to TL 690 million. The Company utilized a reduced corporate tax of TL 448.802 for the year 2015 and TL 339.317 for the period 1 January – 31 December 2016 (Note 22).

The Company estimates to benefit TL 473.918.926 reduction from corporate tax within scope of investment incentive certificates in the next years. In addition to this, since it is not predictable how long the benefit will be utilized, The Company accounted a deferred tax asset of TL 20.189.828 and deferred tax income of TL 6.812.379 for the foreseeable 3 years in terms of the context of prudency.

Other provision

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made (Note 12).

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

3. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash	6.444	4.660
Banks	85.729.658	60.708.859
Demand deposits	19.240.837	16.509.651
Credit card slip receivables	66.488.821	44.199.208
	85.736.102	**60.713.519**

Nature and extent of the risks on cash and cash equivalents are described below the note 25. Demand deposits comprise collections from direct debiting system (DDS) and cheques kept under current accounts based on agreements made with banks.

4. FINANCIAL LIABILITIES

	31 December 2016	31 December 2015
Short-term bank borrowings	459.582.804	537.889.388
Total short-term financial liabilities	**459.582.804**	**537.889.388**
Short-term portion of long term bank borrowings(*)	**470.430.799**	**77.139.541**
Long-term bank borrowings(*)	1.123.356.000	646.058.000
Total long-term financial liabilities	**1.123.356.000**	**646.058.000**
Total financial liabilities	**2.053.369.603**	**1.261.086.929**
Short-term bank borrowings	(192.932.000)	
Long-term bank borrowings	(77.172.000)	(160.016.000)
Cumulative foreign currency differences from cross-currency and interest rate swap (*)	**(270.104.000)**	**(160.016.000)**
Net financial liabilities	**1.783.265.603**	**1.101.070.929**

(*)As foreign currency denominated borrowings are hedged by cross currency swap transactions, the foreign currency loss amounting to TL 270.104.000 for 2016 and amounting to TL 160.016.000 for 2015 are offsetted and disclosed under financial liabilities.

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

4. FINANCIAL LIABILITIES (Cont'd)

Bank Borrowings

	31 December 2016		31 December 2015	
	Weighted average effective interest rate %	**TL**	**Weighted average effective interest rate %**	**TL**
Short-term bank borrowings				
TL denominated borrowings	10,93	459.582.804	10,47	537.889.388
		459.582.804		**537.889.388**
Short-term portion of long-term borrowings				
TL denominated borrowings	12,50	2.986.110	12,50	2.986.109
Euro denominated borrowings	0,75	33.524.048	2,05	47.691.143
USD denominated borrowings(*)	1,41	433.920.641	1,17	26.462.289
		470.430.799		**77.139.541**
Total short-term borrowings		**930.013.603**		**615.028.929**
Long-term bank borrowings				
TL denominated borrowings	12,50	50.000.000	12,50	50.000.000
USD denominated borrowings (*)	2,03	1.073.356.000	1,16	596.058.000
Total long-term borrowings		**1.123.356.000**		**646.058.000**
Total borrowings		**2.053.369.603**		**1.261.086.929**
Short-term bank borrowings		(192.932.000)		-
Long-term bank borrowings		(77.172.000)		(160.016.000)
Cumulative foreign currency differences from cross-currency and interest rate swap(*)		**(270.104.000)**		**(160.016.000)**
Net financial borrowings		**1.783.265.603**		**1.101.070.929**

*As foreign currency denominated borrowings are hedged by cross currency swap transactions, the foreign currency loss amounting to TL 270.104.000 for 2016 and amounting to TL 160.016.000 for 2015 are offsetted and disclosed under financial liabilities. (Note 5).

Redemption schedules of borrowings are summarised below:

	31 December 2016			31 December 2015		
	Bank borrowings	**Cumulative foreign currency differences from cross-currency and interest rate swap**	**Bank borrowings (Net)**	**Bank borrowings**	**Cumulative foreign currency differences from cross-currency and interest rate swap**	**Bank borrowings (Net)**
2016	-	-	-	615.028.929	-	615.028.929
2017	930.013.603	(192.932.000)	737.081.603	348.912.000	(119.540.000)	229.372.000
2018	227.705.056	(77.172.000)	150.533.056	188.292.806	(40.476.000)	147.816.806
2019	101.290.611	-	101.290.611	27.673.611	-	27.673.611
2020	217.864.111	-	217.864.111	27.673.611	-	27.673.611
2021	217.864.111	-	217.864.111	27.673.611	-	27.673.611
2022	206.866.611	-	206.866.611	25.832.361	-	25.832.361
2023	151.765.500	-	151.765.500	-	-	-
	2.053.369.603	**(270.104.000)**	**1.783.265.603**	**1.261.086.929**	**(160.016.000)**	**1.101.070.929**

Fair value of the Company's borrowings approximates their carrying value.

4. FINANCIAL LIABILITIES (Cont’d)

Bank Borrowings (Cont’d)

Company’s significant bank borrowings are summarized as follows:

a) USD 60 million borrowing has been used on 26 March 2013. Interest payments has started on 26 September 2013 and will continue until the due date which is 26 March 2017. In order to mitigate the floating interest rate and foreign currency risk of the 4 year-term USD 60 million borrowing which has an interest installement in every 6 months period and has a USLibor+0,625 interest rate, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 109.032.000 and in a six month interest installement over 7,29% rate while the USD foreign exchange rate is fixed to TL 1,8172.

b) USD 20 million borrowing has been used on 26 September 2013, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,325 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 40 million, once in a six month interest installment over 8,87% rate and the USD exchange rate to TL 2,0000.

c) USD 20 million borrowing has been used on 24 October 2013, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,325 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 40.170.000, once in a three month interest installment over TRLibor+0,40 rate and the USD exchange rate to TL 2,0085.

d) USD 20 million borrowing has been used on 8 November 2013, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,325 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 40.170.000, once in a three month interest installment over TRLibor+0,40 rate and the USD exchange rate to TL 2,0085.

e) USD 40 million borrowing has been used on 24 March 2014 , with a maturity of 4 years and a once in a six month interest installment of USLibor+0,295 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 89.280.000, once in a six month interest installment over 11,9 % rate and the USD exchange rate to TL 2,2320.

f) USD 20 million borrowing has been used on 30 April 2014, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,295 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 44.700.000, once in a six month interest installment over 11,9% rate and the USD exchange rate to TL 2,2350.

g) USD 25 million borrowing has been used on 29 May 2015, with a maturity of 7 years, no principal payment in first three years and a once in a six month interest installment of USLibor+1,000 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 66.250.000, once in a six month interest installment over 11,25% rate and the USD exchange rate to TL 2,6500.

4. FINANCIAL LIABILITIES (Cont'd)

Bank Borrowings (Cont'd)

h) USD 25 million borrowing has been used on 4 February 2016, with a maturity of 7 years, no principal payment in first three years and a once in a three month interest installment of USLibor+0,8615 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 73.925.000, once in a three month interest installment over 12,70% rate and the USD exchange rate to TL 2,9570.

i) USD 25 million borrowing has been used on 4 March 2016, with a maturity of 7 years, no principal payment in first three years and a once in a three month interest installment of USLibor+0,8692 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 73.925.000, once in a three month interest installment over 12,70% rate and the USD exchange rate to TL 2,9570.

j) USD 80 million borrowing has been used on 26 August 2016, with a maturity of 7 years, no principal payment in first three years and a once in a three month interest installment of USLibor+1,30 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 237.600.000, once in a three month interest installment over 10,72% rate and the USD exchange rate to TL 2,9700.

k) TL 70 million spot borrowing has been used on 26 January 2016 with a 1 year maturity. Annual interest rate of the borrowing is 11,90 % and once in a six month interest installement.

l) TL 150 million spot borrowing has been used on 25 March 2016 with a 1 year maturity. Annual interest rate of the borrowing is 11,95 % and once in a six month interest installement.

m) TL 50 million borrowing has been used on 4 March 2016 with 6 years and 4 months maturity, no principal payment in 2 years and 4 months and once in a six month interest installement. Annual interest rate of the borrowing is 12,50 %.

n) TL 90 million spot borrowing has been used on 22 July 2016 with 8 months maturity. Annual interest rate of the borrowing is 10,25 %.

o) TL 90 million spot borrowing has been used on 19 August 2016 with 8 months maturity. Annual interest rate of the borrowing is 9,35%.

p) USD 90 million borrowing has been used on 12 December 2016, with a maturity of 7 years, no principal payment in first three years and a once in a six month interest installment of USLibor+1,90 rate.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

5. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Cross-currency and interest rate swaps	3.077.383	1.279.614	-	-
Option	-	-	5.745.497	-
Foreign exchange forward contracts	-	1.295.700	1.319.688	1.589.322
Short-term	**3.077.383**	**2.575.314**	**7.065.185**	**1.589.322**
Cross-currency and interest rate swaps	100.025.565	4.560.575	7.433.137	-
Long-term	**100.025.565**	**4.560.575**	**7.433.137**	**-**
	103.102.948	**7.135.889**	**14.498.322**	**1.589.322**

In order to mitigate the foreign currency risks arising from the Euro exports and US Dollar raw material purhases, the Company enters into Euro Selling/ US Dollar Buying and TL selling/Euro Buying and TL selling/US Dollar Buying forward contracts. Transactions in the first group are carried out within the framework of cash flow hedge accounting and unrealized valuation differences are recognized in equity accounts.As for balance sheet exchange rate hedges are accounted in profit and loss accounts.

The Company purchased Euro 25.000.000 and sold USD 27.500.000 as of 31 December 2015 with the parity of 1.10 and the maturities of option contracts were 30 June 2016 and 30 December 2016, respectively. As a result of the American Vanilla style option contracts, the Company has made a loss of TL 3.956.588.

As of 31 December 2016, the Company’s various forward contracts’ maturities extend to 03 January 2016 with a total TL 80.053.000 selling and US Dollar 15.000.000 and Euro 7.000.000 buying purposes and has an average USD foreign exchange rate of TL 3,5640 and Euro foreign exchange rate of TL 3,7990 causing a liability of TL 1.295.700 (31 December 2015: of TL 432.000 liability).

As of 31 December 2016, the Company’s various forward contracts’ maturities extend to 17 January 2017 with a total TL 314.352.000 selling and US Dollar 90.000.000 buying (31 December 2015: TL 155.067.100 selling and US Dollar 51.600.000 buying) purposes and has an average USD foreign exchange rate of TL 3,4928 (31 December 2015: TL 3,0052) causing an asset of TL 3.077.383 (31 December 2015: of TL 1.319.688 asset and TL 1.157.332 liability).

In order to mitigate the floating USLibor+0,625 interest rate and foreign currency risk of the 4 year-term USD 60 million amounting borrowing used on 26 March 2013 which has an interest installement in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 109.032.000 and the interest rate to 7,29% while the USD foreign exchance rate is fixed to TL 1,8172. As of 31 December 2016, Company has a total asset of TL 101.818.144 arising from this swap transaction. (31 December 2015: TL 70.455.981 asset).

5. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

In order to mitigate the floating USLibor+0,325 interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 26 September 2013 which has an interest installement in every 6 months, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 40.000.000 and the interest rate to 8,87% while the USD foreign exchange rate is fixed TL 2,0000. As of 31 December 2016, Company has a total asset of TL 30.156.385 arising from this swap transaction. (31 December 2015 : TL 19.232.659 asset)

In order to mitigate the floating USLibor+0,325 interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 24 October 2013 which has an interest installement in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 40.170.000 and the interest rate to TRLibor+0,40 with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 2,0085. As of 31 December 2016, Company has a total asset of TL 29.746.818 arising from this swap transaction. (31 December 2015 : TL 16.913.583 asset)

In order to mitigate the floating USLibor+0,325 interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 8 November 2013 which has an interest installement in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 40.170.000 and the interest rate to TRLibor+0,40 with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 2,0085. As of 31 December 2016, Company has a total asset of TL 29.931.038 arising from this swap transaction. (31 December 2015: TL 17.175.024 asset).

In order to mitigate the floating USLibor+0,295 interest rate and foreign currency risk of the 4 year-term USD 40 million amounting borrowing used on 24 March 2014 which has an interest installement in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 89.280.000 and the interest rate to 11,9 % with a once in a 6 month interest installment while the USD foreign exchance rate is fixed to TL 2,2320. As of 31 December 2016, Company has a total asset of TL 48.060.063 arising from this swap transaction (31 December 2015: TL 24.111.293 asset).

In order to mitigate the floating USLibor+0,295 interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 30 April 2014 which has an interest installement in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 44.700.000 and the interest rate to 11,9 % with a once in a 6 month interest installment while the USD foreign exchance rate is fixed to TL 2,2350. As of 31 December 2016, Company has a total asset of TL 24.551.362 arising from this swap transaction (31 December 2015: TL 12.387.072 assets).

In order to mitigate the floating USLibor+1,00 interest rate and foreign currency risk of the 7 year-term USD 25 million amounting borrowing used on 29 May 2015 which has an interest installement in every 6 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 66.250.000 and the interest rate to 11,25 % with a once in a 6 month interest installment while the USD foreign exchance rate is fixed to TL 2,65. As of 31 December 2016, Company has a total asset of TL 22.474.047 arising from this swap transaction (31 December 2015: TL 7.173.525 assets).

5. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

In order to mitigate the floating USLibor+0,8615 interest rate and foreign currency risk of the 7 year-term USD 25 million amounting borrowing used on 4 February 2016 which has an interest installement in every 3 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 73.925.000 and the interest rate to 12,70 % with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 2,9570. As of 31 December 2016, Company has a total asset of TL 10.006.834 arising from this swap transaction.

In order to mitigate the floating USLibor+0,8692 interest rate and foreign currency risk of the 7 year-term USD 25 million amounting borrowing used on 4 March 2016 which has an interest installement in every 3 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 73.925.000 and the interest rate to 12,70 % with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 2,9570. As of 31 December 2016, Company has a total asset of TL 10.667.212 arising from this swap transaction.

In order to mitigate the floating USLibor+1,30 interest rate and foreign currency risk of the 7 year-term USD 80 million amounting borrowing used on 26 August 2016 which has an interest installement in every 3 months period, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 237.600.000 and the interest rate to 10,72 % with a once in a 3 month interest installment while the USD foreign exchance rate is fixed to TL 2,9700. As of 31 December 2016, Company has a total asset of TL 56.877.473 arising from this swap transaction.

As foreign currency denominated borrowings are hedged by cross currency swap transactions, the foreign currency loss amounting to TL 270.104.000 for 2016 and amounting to TL 160.016.000 for 2015 are offsetted and disclosed under financial liabilities (Note 4).

Quoted prices in markets for similar instruments are used as a basis in valuation of derivative instruments.

During the current period, TL 4.686.835 (2015: TL 44.094.512 income) income has been accounted for relating with the derivative financial instruments that are due.

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

6. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

As of the balance sheet date, the Company's trade receivables are as follows:

Short-term trade receivables	31 December 2016	31 December 2015
Trade receivables	821.847.225	728.233.938
Notes receivables	12.098.698	17.609.792
Trade receivables from related parties (Note 24)	41.924.144	34.509.332
Unearned credit finance income	(11.750.414)	(8.696.551)
Doubtful receivables provision (-)	(38.242.577)	(9.046.007)
	825.877.076	**762.610.504**

Long-term trade receivables	31 December 2016	31 December 2015
Trade receivables	46.717.535	29.523.216
	46.717.535	**29.523.216**

As of 31 December 2016, the maturities of trade receivables are 111 days (2015: 90 days) on average and they are discounted with average annual interest rates of 10,39% (2015: 9,97%).

As of 31 December 2016, the receivables amounting to TL 199.983.335 (2015: TL 99.159.980) were past due but nor impaired.

The aging of these receivables as of 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Between 0 - 1 months	45.026.152	36.028.327
Between 1 - 3 months	53.436.120	34.712.713
Between 3 - 12 months	101.521.063	28.418.940
	199.983.335	**99.159.980**

As of 31 December 2016, the trade receivables amounting to TL 38.242.577 (2015: TL 9.046.007) were impaired and provided for.

Most of doubtful receivables are resulted from the dealers / customers that have economic difficulties unexpectedly. It is expected to collect some portion of doubtful receivables.

The allowance for doubtful receivables is determined based on past experiences of collection of receivables.

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

6. TRADE RECEIVABLES AND PAYABLES (Cont'd)

Trade Receivables (Cont'd)

Movements in provision for doubtful receivables as of 31 December 2016 and 2015 are as follows:

	1 January-31 December 2016	1 January-31 December 2015
Opening balance	9.046.007	7.778.606
Period charge (*)	31.442.572	1.267.401
Write-Off Provisions	(1.804.556)	-
Collections	(441.446)	-
Closing balance	**38.242.577**	**9.046.007**

(*) As of 31 Decemer 2016, the foreign currency exchange differences amounting to TL 347.270 arise from the doubtful receivables in foreign currency (2015: TL 402.821).

Trade Payables

As of the balance sheet date, the Company's trade payables detail is as follows:

Short-term trade payables	31 December 2016	31 December 2015
Trade payables	219.989.907	159.782.025
Trade payables to related parties (Note 24)	141.026.215	111.088.885
Unrealised credit finance expense	(1.266.415)	(732.229)
	359.749.707	**270.138.681**

Long-term trade payables	31 December 2016	31 December 2015
Trade Payables	28.456	-
Trade payables to related parties (Note 24)	-	518.903
	28.456	**518.903**

As of 31 December 2016 and 2015, the maturities of trade payables are 52 days on average and they are discounted with average annual interest rates of 10,39% and 9,97% respectively. The Company has financial risk management policy in order to manage the maturity structure of liabilities.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

7. OTHER RECEIVABLES AND PAYABLES

Other Receivables

Other Short-term Receivables	31 December 2016	31 December 2015
Other receivables from related parties (Note 24)	92.099	587.407
Receivables from tax office	4.204.206	5.431.832
Due from personnel	5.019.899	2.067.520
Other	1.511.622	1.084.963
	10.827.826	**9.171.722**

Other Long-term Receivables	31 December 2016	31 December 2015
Deposits and guarantees given	131.280	121.191
	131.280	**121.191**

Other Payables

Other Payables	31 December 2016	31 December 2015
Other payables to public authorities	5.220.923	5.181.949
Other payables to related parties (Note 24)	700.557	443.694
	5.921.480	**5.625.643**

8. INVENTORIES

	31 December 2016	31 December 2015
Raw materials	50.953.519	53.497.669
Materials and supplies	55.447.998	52.970.844
Semi-finished goods	17.682.814	17.637.254
Finished goods	96.091.716	105.997.149
Trade goods	100.737.706	73.657.297
Goods in transit	49.279.221	54.484.955
Impairment on inventories	(6.125.065)	(612.897)
	364.067.909	**357.632.271**

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

9. PREPAID EXPENSES AND DEFERRED INCOME

Short-term Prepaid Expenses	31 December 2016	31 December 2015
Advances given to dealers (*)	16.527.551	17.705.126
Prepaid expenses	9.046.435	10.643.676
Prepaid loan commission	2.165.073	-
Advances given to suppliers	3.491.487	3.152.581
	31.230.546	**31.501.383**

Long-term Prepaid Expenses	31 December 2016	31 December 2015
Advances given for fixed assets(**)	142.452.846	74.933.507
Prepaid loan commission	13.281.556	-
Advances given to dealers (*)	26.562.815	43.401.307
Prepaid expenses	2.032.214	2.738.914
	184.329.431	**121.073.728**

(*) Consists of advances given to dealers which are to be offset with sales premiums.

(**) TL 132.787.547 of advance is mainly given to construction companies as the part of investment for Aksaray Factory (31 December 2015: 65.824.195).

Short-term Deferred Income	31 December 2016	31 December 2015
Advances received	9.982.194	12.353.044
Deferred income	4.628.292	3.302.772
Other	-	15.799
	14.610.486	**15.671.615**

Long-term Deferred Income	31 December 2016	31 December 2015
Deferred Income	6.750.733	1.429.510
	6.750.733	**1.429.510**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

10. PROPERTY, PLANT AND EQUIPMENT

	1 January 2016	Additions	Transfers	Disposals	31 December 2016
Cost					
Land and land improvements	16.504.173	10.500	10.070	-	16.524.743
Buildings	242.964.402	77.204	10.937.196	-	253.978.802
Machinery and equipment	1.458.025.673	53.712	113.338.153	(775.278)	1.570.642.260
Motor vehicles	6.060.228	1.051.563	225.630	(3.300)	7.334.121
Furniture and fixtures	67.684.359	4.669.066	15.086.134	(23.891)	87.415.668
Other fixed assets	69.577.144	13.952.275	894.729	(161.831)	84.262.317
Construction in progress	126.218.541	475.248.767	(147.661.033)	-	453.806.275
	1.987.034.520	**495.063.087**	**(7.169.121)**	**(964.300)**	**2.473.964.186**
Accumulated depreciation					
Land and land improvements	10.737.566	40.808	-	-	10.778.374
Buildings	148.394.984	3.452.715	-	-	151.847.699
Machinery and equipment	1.098.346.947	56.054.568	-	(363.414)	1.154.038.101
Motor vehicles	3.425.306	645.355	-	(3.300)	4.067.361
Furniture and fixtures	27.678.265	6.827.396	-	(4.850)	34.500.811
Other fixed assets	22.304.493	7.039.047	-	(134.668)	29.208.872
	1.310.887.561	**74.059.889**	**-**	**(506.232)**	**1.384.441.218**
Net book value	**676.146.959**	**421.003.198**	**(7.169.121)**	**(458.068)**	**1.089.522.968**

In the year ended 31 December 2016, TL 44.652.940 of the depreciation expense is charged to “cost of goods sold”, TL 298.586 is charged to “research and development expenses”, TL 12.376.769 is charged to “selling and marketing costs”, TL 2.480.058 charged to general administrative expenses”, TL 12.740.024 of the depreciation expense is charged to “inventories”, TL 1.511.512 of the depreciation expense is charged to “capitalized development costs”,

As of 31 December 2016 there are no mortgages on property, plant and equipment and intangible assets (2015: None).

The capitalized borrowing cost is TL 27.742.226 for the year ended 2016 (2015: 4.982.928).

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

10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	1 January 2015	Additions	Transfers	Disposals	31 December 2015
Cost					
Land and land improvements	16.290.188	95.672	118.313	-	16.504.173
Buildings	234.545.921	9.768	8.408.713	-	242.964.402
Machinery and equipment	1.363.236.697	98.385	100.881.870	(6.191.279)	1.458.025.673
Motor vehicles	4.537.478	174.344	1.591.632	(243.226)	6.060.228
Furniture and fixtures	55.376.984	3.998.567	8.373.815	(65.007)	67.684.359
Other fixed assets	47.560.030	11.655.501	10.593.262	(231.649)	69.577.144
Construction in progress	57.927.375	201.299.008	(133.007.842)	-	126.218.541
	1.779.474.673	**217.331.245**	**(3.040.237)**	**(6.731.161)**	**1.987.034.520**
Accumulated depreciation					
Land and land improvements	10.557.273	180.293	-	-	10.737.566
Buildings	140.641.552	7.753.432	-	-	148.394.984
Machinery and equipment	1.019.688.581	84.461.663	-	(5.803.297)	1.098.346.947
Motor vehicles	3.061.953	528.366	-	(165.013)	3.425.306
Furniture and fixtures	22.145.832	5.561.890	-	(29.457)	27.678.265
Other fixed assets	16.180.000	6.199.882	-	(75.389)	22.304.493
	1.212.275.191	**104.685.526**	**-**	**(6.073.156)**	**1.310.887.561**
Net book value	**567.199.482**	**112.645.719**	**(3.040.237)**	**(658.005)**	**676.146.959**

In the year ended 31 December 2015, TL 79.779.415 of the depreciation expense is charged to "cost of goods sold", TL 720.698 is charged to "research and development expenses", TL 12.122.189 is charged to "selling and marketing costs", TL 2.576.810 charged to general administrative expenses", TL 8.652.587 of the depreciation expense is charged to "inventories",TL 833.827 of the depreciation expense is charged to "capitalized development costs"

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

11. INTANGIBLE ASSETS

	1 January 2016	Additions	Transfers	Disposals	31 December 2016
Cost					
Capitalized development costs	11.164.984	12.797.594	-	-	23.962.578
Rights	80.333.073	11.765.412	-	-	92.098.485
Other intangible assets	45.343.322	2.835.500	7.169.121	(402.087)	54.945.856
	136.841.379	**27.398.506**	**7.169.121**	**(402.087)**	**171.006.919**
Accumulated depreciation					
Capitalized development costs	2.001.484	3.360.346	-	-	5.361.830
Rights	48.542.630	10.441.812	-	-	58.984.442
Other intangible assets	28.781.468	7.301.683	-	(339.712)	35.743.439
	79.325.582	**21.103.841**	**-**	**(339.712)**	**100.089.711**
Net book value	**57.515.797**	**6.294.665**	**7.169.121**	**(62.375)**	**70.917.208**

In the year ended 31 December 2016, TL 1.485.116 of the amortisation expense is charged to "cost of goods sold", TL 3.367.536 is charged to "research and development expenses" , TL 10.806.842 is charged to "selling and marketing costs", TL 5.002.393 expense is charged to "general administrative expenses", TL 423.721 is included in "inventories", TL 18.233 of the depreciation expense is charged to "capitalized development costs".

	1 January 2015	Additions	Transfers	Disposals	31 December 2015
Cost					
Capitalized development costs	4.902.682	6.262.302	-	-	11.164.984
Rights	63.520.591	16.812.482	-	-	80.333.073
Other intangible assets	39.983.297	2.348.730	3.040.237	(28.942)	45.343.322
	108.406.570	**25.423.514**	**3.040.237**	**(28.942)**	**136.841.379**
Accumulated depreciation					
Capitalized development costs	376.841	1.624.643	-	-	2.001.484
Rights	40.086.736	8.455.894	-	-	48.542.630
Other intangible assets	23.067.313	5.743.097	-	(28.942)	28.781.468
	63.530.890	**15.823.634**	**-**	**(28.942)**	**79.325.582**
Net book value	**44.875.680**	**9.599.880**	**3.040.237**	**-**	**57.515.797**

In the year ended 31 December 2016, TL 1.579.101 of the amortisation expense is charged to "cost of goods sold", TL 1.640.036 is charged to "research and development expenses" , TL 9.315.143 is charged to "selling and marketing costs", TL 3.100.313 expense is charged to "general administrative expenses", TL 171.264 is included in "inventories", TL 17.777 of the depreciation expense is charged to "capitalized development costs".

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

12. PROVISIONS, CONTINGENT AND LIABILITIES

Provisions

Short-term provisions	31 December 2016	31 December 2015
Provision for lawsuits (i)	2.310.762	1.863.359
provision for warranty claims (ii)	447.488	866.717
Other	879.484	5.048.562
	3.637.734	**7.778.638**

(i) Provision for lawsuits consists of reemployment and occupational accident lawsuits against Company.

(ii) The provision for warranty claims represents the present value of management’s best estimate of the future outflow of economic benefits that will be required under the Company’s 24-month warranty program for tires. The estimate has been made on the basis of historical warranty expenses.

(ii) The other provisions consist mainly of advertising and publicity fees to be billed in next years.

Movements of provisions during the period are as follows:

	Lawsuits	Warranty claims	Other	Total
1 January 2016	1.863.359	866.717	5.048.562	7.778.638
Additions	860.332	426.850	393.892	1.681.074
Payments/ reversals	(412.929)	(846.079)	(4.562.970)	(5.821.978)
31 December 2016	**2.310.762**	**447.488**	**879.484**	**3.637.734**

	Lawsuits	Warranty claims	Other	Total
1 January 2015	2.356.947	487.633	466.409	3.310.989
Additions	1.051.242	656.382	4.626.856	6.334.480
Payments/ reversals	(1.544.830)	(277.298)	(44.703)	(1.866.831)
31 December 2015	**1.863.359**	**866.717**	**5.048.562**	**7.778.638**

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

13. COMMITMENTS

Guarantees Received	31 December 2016	31 December 2015
Direct debiting system limits	209.784.260	233.335.685
Letter of guarantees received	292.580.807	285.543.460
Export insurance	63.365.092	46.103.798
Mortgages	83.548.052	71.235.749
Cheques and notes receivables received as guarantee	30.372.750	14.378.738
Letter of credit	6.717.079	26.568.064
Payment guarantees obtained from banks	6.128.330	9.354.261
Foreign currency blockage received as guarantee	4.875.121	4.782.360
	697.371.491	**691.302.115**

The Company has obtained bank collaterals and guarantee cheques and notes from its suppliers due to advances given to suppliers for purchases of goods and services.

In addition, the Company has guarantees comprising letters of guarantee received to minimise customer credit risk in forward sales made to domestic customers, encumbrances, debentures and limits for government debt securities allocated to customers through banks and export insurance, bank letters of guarantee, letters of credit, cash blockage and export factoring for trade receivables due from foreign customers on the basis of credit risk management.

Company's total guarantees received from international export insurance company in order to carry out open account transactions with overseas customers have been disclosed as export insurance while the guarantees taken from factoring companies have been accounted for as factoring amount.

The Company benefited from tax Law No. 6736 "Law Regarding the Restructring of Certain Receivables" and paid to tax office the tax principal and default interest total amounting to TL 2.391.526,20 with respect to corporate tax principal amounting to TL 4.232.081 and loss of tax amounting to 7.481.370,99 related to taxation period of year 2011 which was declared in notifications on 27 October 2016. The tax dispute is terminated as a result of payment to tax office.

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

13. COMMITMENTS (Cont'd)

Collaterals, Pledges and Mortgages given by the Company:

As of 31 December 2016 and 2015 collaterals, pledges and mortgages ("CPM") given by the Company is as follows:

		2016			2016		
CPM given by the Company	**Currency**	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**	
A. Total of CPMs given on behalf of own legal personality	TL	7.276.268	7.276.268	TL	5.106.148	5.106.148	
	USD	729.951	2.568.844	USD	525.486	1.527.903	
	EURO	2.295.936	8.517.693	EURO	2.149.472	6.830.162	
B. Total of CPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-	-	
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-	
D. Total amount of other CPM							
i) Total amount of CPM given on behalf of the majority shareholder	-	-	-	-	-	-	
ii) Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-	-	
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-	
			18.362.805			**13.464.213**	

The ratio of other CPM to equity is 0% (2015: 0%)

There are no CPMs given by the Company on behalf of third parties, other than those given on behalf of the Company itself. The guarantees given by the Company comprise guarantees to customs office for import transactions made under the inward processing certificate, guarantees to executive offices for labour matters, guarantees to several governmental institutions to participate in several tenders and guarantee letters to Eximbank A.Ş. for borrowings.

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

14. EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2016	31 December 2015
Accrued salaries and wages	3.042.168	2.846.885
Accrued social security premiums	12.355.799	6.196.774
Witholding personnel income tax	6.682.149	5.930.439
	22.080.116	**14.974.098**

Short-term provisions for employee benefits

	31 December 2016	31 December 2015
Bonus accruals	4.650.000	7.045.292
Unused vacation pay provision	4.196.095	3.785.422
	8.846.095	**10.830.714**

Movements of provisions during the period are as follows:

	Bonus accruals	Unused vacation pay	Total
1 January 2016	7.045.292	3.785.422	10.830.714
Additions	4.650.000	10.660.884	15.310.884
Payments/ Cancellations	(7.045.292)	(10.250.211)	(17.295.503)
31 December 2016	**4.650.000**	**4.196.095**	**8.846.095**

	Bonus accruals	Unused vacation pay	Total
1 January 2015	9.572.668	3.087.263	12.659.931
Additions	7.045.292	8.485.307	15.530.599
Payments/ Cancellations	(9.572.668)	(7.787.148)	(17.359.816)
31 December 2015	**7.045.292**	**3.785.422**	**10.830.714**

Provision for retirement pay liability:

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 4.297,21 for each period of service at 31 December 2016 (31 December 2015: TL 3.828,37).

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

14. EMPLOYEE BENEFITS (Cont'd)

Provision for retirement pay liability (cont'd)

The liability is not funded, as there is no funding requirement. The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate.

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

TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions used in the calculation of the total liability as these actuarial assumptions are detailed below:

	31 December 2016	**31 December 2016**
Discount rate (%)	3,30	3,30
Retirement probability (%)	100,00	100,00

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi - annually, the maximum amount of TL 4.426,16 effective from 1 January 2016 (1 January 2015: TL 4.092,53) has been taken into consideration in calculation of provision from employee termination benefits.

The movement of employee termination benefits is as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
As of 1st January	46.586.111	38.391.281
Service cost	9.671.138	11.091.499
Interest cost	1.541.554	1.266.912
Payments during the year	(4.385.444)	(4.163.581)
As of 31st December	**53.413.359**	**46.586.111**

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

15. OTHER ASSETS AND LIABILITES

Other Current Assets	31 December 2016	31 December 2015
Deferred VAT	11.860.772	6.316.582
Other current assets	49.173	11.308
	11.909.945	**6.327.890**

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital

The Company's authorised and issued capital consists of 30.511.687.500 shares at Kr 1 nominal value each (2015: 30.511.687.500 shares). All shares are paid and there is no preferred stock. The Company's shareholders and their shareholdings at 31 December 2016 and 2015 are as follows:

Shareholders	**(%)**	**2016**	**(%)**	**2016**
H.Ö. Sabancı Holding A.Ş.	43,63	133.111.388	43,63	133.111.388
Bridgestone Corporation	43,63	133.111.388	43,63	133.111.388
Other	12,74	38.894.099	12,74	38.894.099
Total paid-in share capital	**100,00**	**305.116.875**	**100,00**	**305.116.875**

Restricted reserves and retained earnings

As of 31 December 2016 profit reserves comprise the legal reserves amounting to TL 114.135.542 (2015: TL 88.919.684).

The Company's equity table to be considered as a basis for profit distribution is as follows:

	31 December 2016	31 December 2015
Restricted reserves	114.135.542	88.919.684
Net income for the period	80.112.628	197.193.165
Retained earnings	19.049.069	14.001.248
Total equity	**213.297.239**	**300.114.097**

Dividend Distribution:

Public companies distribute profit in accordance with Profit Share Communique no II-19.1 issued by CMB effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of associations.

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

17. SALES AND COST OF GOODS SOLD

Revenue	1 January-31 December 2016	1 January-31 December 2015
Sales	1.973.955.733	2.076.081.823
Sales returns (-)	(25.394.690)	(20.823.311)
Sales discounts (-)	(133.082.431)	(207.294.504)
Other sales discounts (-)	(49.005.621)	(46.088.065)
Net Sales	**1.766.472.991**	**1.801.875.943**
Cost of sales	(1.247.912.326)	(1.240.495.578)
Gross profit	**518.560.665**	**561.380.365**

18. EXPENSES BY NATURE

	1 January-31 December 2016	1 January-31 December 2015
Raw materials used	669.541.944	692.778.298
Personnel expenses	298.971.149	286.650.119
Cost of trade goods sold	191.511.182	189.882.537
Depreciation and amortization	80.470.240	110.833.705
Production overheads	97.942.626	91.902.521
Advertisement expenses	75.236.425	72.851.202
Royalty expenses	31.068.768	28.088.090
Warehouse and office rent expenses	13.503.078	13.516.498
Communication and information technology expenses	11.291.208	9.939.987
ELT (end of life-tire) management service	4.146.999	6.502.408
Service, maintenance expenses	5.770.347	5.486.763
Real estate and stamp tax expenses	5.148.339	3.874.207
Transportation and storage expenses	8.649.803	1.903.319
Energy expenses	1.813.706	2.079.580
Claims for defective tires	1.582.334	1.967.025
Insurance expenses	2.650.496	2.644.395
Change in work in progress	(77.980)	(1.128.723)
Change in finished goods	26.774.279	(14.856.761)
Other	73.958.766	48.009.319
	1.599.953.709	**1.552.924.489**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

18. EXPENSES BY NATURE (Cont’d)

The functional breakdown of depreciation, amortisation and personnel expenses is as follows:

Depreciation and amortization expenses	1 January- 31 December 2016	1 January- 31 December 2015
Cost of sales	46.138.056	81.358.516
Marketing, selling and distribution expenses	23.183.611	21.437.332
General administrative expenses	7.482.451	5.677.123
Research and development expenses	3.666.122	2.360.734
	80.470.240	**110.833.705**

Personnel expenses	1 January- 31 December 2016	1 January- 31 December 2015
Cost of sales	215.791.729	200.559.190
General administrative expenses	37.574.428	37.678.643
Marketing, selling and distribution expenses	44.281.280	43.145.620
Research and development expenses	1.323.712	5.266.666
	298.971.149	**286.650.119**

19. OTHER OPERATING INCOME AND EXPENSES

Details of other operating income for years ended 31 December 2016 ve 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Finance income on credit sales	50.057.341	36.179.841
Interest income on credit sales	25.240.074	13.548.333
Foreign exchange gains on operations, net (*)	-	4.849.117
Income from derivative financial instruments, net	-	1.810.328
Interest income	451.064	46.068
Other income	3.484.513	5.084.307
	79.232.992	**61.517.994**

(*) The amount consists of the foreign exchange gains and losses resulting from trade receivables and payables.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

19. OTHER OPERATING INCOME AND EXPENSES (Cont'd)

Details of other operating expenses for years ended 31 December 2016 ve 2015 are as follows:

	1 January- 31 December 2015	1 January- 31 December 2015
Due date expenses on trade payables	12.517.977	10.320.425
Foreign exchange losses on operations, net (*)	3.158.575	-
Loss from derivative financial instruments, net	2.670.949	-
Other expenses	8.818.451	3.355.421
	27.165.952	**13.675.846**

(*) The amount consists of the foreign exchange gains and losses resulting from trade receivables and payables.

20. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities	1 January- 31 December 2016	1 January- 31 December 2015
Gain on sale of property, plant and equipment	357.307	135.028
	357.307	**135.028**

Expenses from Investing Activities	1 January- 31 December 2016	1 January- 31 December 2015
Loss on sale of property, plant and equipment	17.866	415.562
	17.866	**415.562**

21. FINANCIAL EXPENSES

	1 January - 31 December 2016	1 January - 31 December 2015
Interest expenses on borrowings	151.675.973	88.001.811
Foreign currency (gains) / losses on borrowings, net	15.046.500	8.885.700
Total interest expense	166.722.473	96.887.511
Interest expense included in cost of fixed assets	(27.742.226)	(4.982.928)
	138.980.247	91.904.583
Interest expenses of financial leasing	400	386
	138.980.647	**91.904.969**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

22. TAXATION ON INCOME

Corporate tax

	31 December 2016	31 December 2015
Corporate tax payable	2.373.090	8.229.172
Less: Prepaid taxes (*)	(1.730.663)	(5.999.111)
	642.427	**2.230.061**

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company’s results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2016 is 20% (2015: 20%) for the Company.
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	1 January- 31 December 2016	1 January- 31 December 2015
Current period corporate tax expense	2.373.090	8.229.172
Deferred tax (income) / expense	(2.540.602)	(814.238)
	(167.512)	**7.414.934**

Current period tax reconciliation for the years ended 31 December 2016 and 2015 is as follows:

Current tax provision reconciliation:	1 January- 31 December 2016	1 January- 31 December 2015
Profit before taxation on income	79.945.116	204.608.099
Income tax rate %20 (2015: %20)	(15.989.023)	(40.921.620)
Tax effect:		
- non-taxable income	486.310	474.967
- non-deductible expenses	(1.109.309)	(327.650)
- reduced corporate tax (Note 2)	16.779.534	33.359.369
Tax expense	**167.512**	**(7.414.934)**

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

22. TAXATION ON INCOME (Cont'd)

Deferred tax

Deferred tax:

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

Tax rates used for deferred income tax assets and liabilities calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method are 20% in Turkey (2015: 20%).

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2016 and 2015 using the enacted tax rates are as follows:

	Cumulative temporary differences		**Deferred income tax assets/ liabilities**	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Deferred tax assets				
Provision for employement termination benefits	53.413.359	46.586.111	10.682.672	9.317.222
Allowance for doubtful receivables	29.594.900	4.966.215	5.918.980	993.243
Trade receivables	11.504.482	7.733.355	2.300.896	1.546.671
Derivative instruments	99.616.189	168.045.322	19.923.238	33.609.064
Provision for unused vacation liability	4.196.095	3.785.423	839.219	757.085
Provision for bonus premium	4.650.000	7.045.292	930.000	1.409.058
Provision for lawsuits	2.310.762	1.863.358	462.152	372.672
Provision for warranty claims	447.488	866.717	89.498	173.343
Inventories	10.764.549	14.596.546	2.152.910	2.919.309
Investment incentive (Note 2)	-	-	20.189.828	13.377.449
Other	-	250.000	-	50.000
	216.497.824	**255.738.339**	**63.489.393**	**64.525.116**
Deferred tax liabilities				
Property, plant and equipment	154.412.401	106.774.826	30.882.480	21.354.965
Inventories	1.266.415	732.229	253.283	146.446
Trade payables	101.807.248	169.080.810	20.361.450	33.816.162
Derivative instruments	474.045	-	94.809	-
	257.960.109	**276.587.865**	**51.592.022**	**55.317.573**
Deferred tax assets, net			**11.897.371**	**9.207.543**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

22. TAXATION ON INCOME (Cont’d)

Deferred Tax (cont’d)

The movements in deferred income tax assets / (liabilities) for the years ended 31 December 2016 and 2015 are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Opening as of 1 January	9.207.543	11.376.382
Recognised in profit or loss statement	2.540.602	814.238
Recognised in equity	149.226	(2.983.077)
Closing as of 31 December	**11.897.371**	**9.207.543**

Investment incentive certificate:

In accordance with the 40613 No. Letter on 10 June 2013 from T. C. Ministry of Economy Promoting Implementation and Foreign Investment General Directorate, within the scope of No: 5534 Regional Incentive Applications dated 1 June 2010, in place of existing Investment Incentive Certificate amounting to TL 366.623.571, as a part of Large Scale Investments; Investment Incentive Certificate No. 5534/B amounting to TL 481.014.717 has been arranged. With the amendment mentioned above, the investment amount rose by TL 114.391.146, thus increasing the investment contribution rate from 20% to 30%. Tax deduction rate is 50%.

The duration of certificate was expired on 20 May 2015 and the Company made application to T.C. Ministry of Economy Promoting Implementation and Foreign Investment General Directorate for the closure of the certificate.

The Company utilized reduced corporate tax amounting to TL 12.513.682 for the years ended between the years 2010-2015 and TL 1.084.515 for the period 1 January – 31 December 2016.

The Company’s application to T.C. Ministry of Economy Incentive Implementation and Foreign Capital Department for investment incentive in accordance with the investment decision of a second production plant construction in Aksaray Organized Industrial Zone has been approved and as of 13 February 2014, 113798 No. of Investment Incentive Certificate has been drawn up for the plant construction amounting to TL 495.000.000 that had started on 9 October 2013. Provided investment contribution rate is 60% while the tax deduction rate is 90%. In accordance with the incentive mentioned above, Company utilized a reduced corporate tax of TL 46.286.896 in 2013 and 2015 for the secondary manufacturing plant investment to be located in the Aksaray Organized Industrial Zone. The Company utilized reduced corporate tax amounting to TL 8.543.323 for the year ended 31 December 2016.

According the expansion investment decision in İzmit Plant, the investment incentive certificate application of the Company to the Ministry of Economy, Incentive Application and General Directorate of Foreign Investments is approved and under the large-scale investments starting from 21 May 2015 to 21 May 2020, an investment incentive certificate is arranged at 20 August 2015 and numbered 120314 for the expansion investment amounting to TL 690 million. Investment investment incentive certificates provided by the contribution rate of 25%, the tax deduction rate is 50%. The Company utilized a reduced corporate tax of TL 448.802 in 2015 and TL 339.317 for the period 1 January – 31 December 2016.

The Company estimates to utilize TL 473.918.926 reduced corporate tax in the future. In addition to this, since it is not predictable how long the benefit will be utilized, for the foreseeable 3 years a deferred tax asset of TL 20.189.828 and deferred tax income of TL 6.812.379 has been accounted for in the context of prudency.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

23. EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the statements of income is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class outstanding during the year.

	31 December 2016	31 December 2015
Total number of ordinary shares	30.511.687.500	30.511.687.500
Net profit	80.112.628	197.193.165
Legal reserves	3.067.390	10.048.493
Earnings per usufruct shares (TL)	39.973	102.304
Earnings per ordinary shares (TL)	0,240	0,580

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties as of 31 December 2016 mostly consist of sales transactions and have average maturity of 11 days (2015: 23).

Due to related parties as of 31 December 2016 mostly consist of purchase transactions and have average maturity of 82 days (2015: 86). No interest is charged for payables.

	31 December 2016			
Balances with related parties	Receivables		Payables	
	Short-term		Short-term	
	Trade	Non-trade	Trade	Non-trade
Shareholders				
H. Ö. Sabancı Holding A.Ş.	-	-	10.829	-
Bridgestone Corporation	1.684.855	21.150	26.249.897	687.623
Other related parties				
Bridgestone Singapore Pte. Ltd.	-	-	69.640.848	-
Bridgestone (Shenyang) Steel Cord	-	-	6.182.167	-
Kordsa Global End.İpk Kord Bezi San.Tic.A.Ş.	-	-	20.249.138	-
Enerjisa Enerji Üretim A.Ş.	-	-	4.199.239	-
Bridgestone Europe S.A/N.V.	11.079.662	70.076	5.955.202	-
Temsa Global San.ve Tic. A.Ş.	2.126.111	-	99.050	-
Akbank T.A.Ş (*)	26.048.831	-	-	-
Other	984.685	873	8.439.845	12.934
	41.924.144	**92.099**	**141.026.215**	**700.557**

(*) Due from Akbank T.A.Ş. consists of credit card receivables.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Balances with related parties	31 December 2015			
	Receivables		Payables	
	Short-term		Short/Long-term	
	Trade	Non-trade	Trade	Non-trade
Shareholders				
Bridgestone Corporation	185.902	513.179	7.544.267	407.013
Other related parties				
Bridgestone Singapore Pte. Ltd.(**)	-	-	68.073.634	-
Bridgestone (Shenyang) Steel Cord	-	-	5.395.285	-
Kordsa Global End.İpk Kord Bezi San.Tic.A.Ş.	-	-	13.550.716	26.754
Enerjisa Enerji Üretim A.Ş.	-	-	5.694.884	-
Bridgestone Europe S.A/N.V.	13.883.594	73.480	4.768.043	-
Temsa Global San.ve Tic. A.Ş.	4.067.157	-	66.392	-
Akbank T.A.Ş (*)	15.689.364	-	-	-
Other	683.315	748	6.514.567	9.927
	34.509.332	**587.407**	**111.607.788**	**443.694**

(**) The Company has long-term trade payables TL 518.903 to Bridgestone Singapore Pte Ltd.

Sales of finished goods and commercial goods	1 January-31 December 2016	1 January-31 December 2015
Shareholders		
Bridgestone Corporation	4.897.690	11.422.900
Other related parties		
Bridgestone Europe SA./N.V.	104.898.339	99.220.898
Temsa Global San.ve Tic. A.Ş.	6.229.900	10.534.996
Other	1.722.228	1.354.710
	117.748.157	**122.533.504**

Other sales	1 January-31 December 2016	1 January-31 December 2015
Shareholders		
Bridgestone Corporation	641.960	1.205.238
Other related parties		
Other	211.726	233.341
	853.686	**1.438.579**

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

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Purchases of Raw Materials, Semi Finished Goods and Consumables	1 January-31 December 2016	1 January-31 December 2015
Shareholders		
Bridgestone Corporation	1.973.886	1.849.002
Other related parties		
Bridgestone Singapore Pte. Ltd.	157.819.014	183.243.268
Kordsa Glb End. İpl. Kordbezi San. Tic. A.Ş.	57.960.172	58.346.622
Bridgestone (Shenyang) Steel Cord Co.	16.977.822	22.490.793
Bridgestone (Huizhou) Synthetic Rubco. Ltd.	3.683.007	10.732.152
Firestone Polymers, LLC.	5.097.268	6.597.476
Bridgestone Carbon Black Co. Ltd.	2.138.013	2.766.045
Other	1.493.238	2.040.528
	247.142.420	**288.065.886**

Purchases of finished goods and commercial goods	1 January-31 December 2016	1 January-31 December 2015
Shareholders		
Bridgestone Corporation	86.122.707	91.554.239
Other related parties		
Bridgestone Europe SA./N.V.	99.630.907	76.703.067
Enerjisa Enerji Üretim A.Ş.	47.232.046	48.575.817
Other	4.032.237	168.205
	237.017.897	**217.001.328**

Purchases of services	1 January-31 December 2016	1 January-31 December 2015
Shareholders		
Bridgestone Corporation	-	46.865
H. Ö. Sabancı Holding A.Ş.	114.390	219.470
Other related parties		
Aksigorta A.Ş.	9.252.408	11.067.121
Vista Turizm ve Seyahat A.Ş.	6.364.529	8.029.245
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	10.050.737	8.749.324
Lasder Lastik San. Derneği İktisadi İşletmesi	7.598.434	6.502.408
Other	1.384.055	2.970.898
	34.764.553	**37.585.331**

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

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Rent expense	1 January-31 December 2016	1 January-31 December 2015
Shareholders		
H. Ö. Sabancı Holding A.Ş.	321.421	325.524
Other related parties		
Exsa Export Sanayi Mamulleri A.Ş.	503.832	387.492
Teknosa İç ve Dış Ticaret A.Ş.	37.700	35.142
	862.953	**748.158**

Purchase of fixed assets	1 January-31 December 2016	1 January-31 December 2015
Shareholders		
Bridgestone Corporation	97.590.766	4.469.318
Other related parties		
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	10.022.206	10.903.919
Bridgestone Plant Eng.	3.964.150	2.263.990
Bridgestone Logstics Co.	2.483.293	2.335.388
Other	2.665.769	1.416.776
	116.726.184	**21.389.391**

Commission expense (Sales premium and Royalty)	1 January-31 December 2016	1 January-31 December 2015
Shareholders		
Bridgestone Corporation	31.068.768	28.088.090
Other related parties		
Other	-	1.408
	31.068.768	**28.089.498**

Commision income (Sales premium)	1 January-31 December 2016	1 January-31 December 2015
Shareholders		
Bridgestone Corporation	70.476	494.190
	70.476	**494.190**

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

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

	31 December 2016	31 December 2015
Demand deposits		
Akbank T.A.Ş.	25.746.150	11.802.842
	25.746.150	**11.802.842**
Credit card slip receivables		
Akbank T.A.Ş.	26.048.831	15.890.455
	26.048.831	**15.890.455**
Financial liabilities		
Akbank T.A.Ş.	-	4.860.969
	-	**4.860.969**
Advances given		
Vista Turizm ve Seyahat A.Ş.	-	763.045
Bridgestone Plant Engineering (Thailand) Co.Ltd.	-	813.377
	-	**1.576.422**
Advances received		
Bridgestone Europe SA./N.V.	384.380	844.388
	384.380	**844.388**

	1 January- 31 December 2016	1 January- 31 December 2015
Finance income		
Akbank T.A.Ş.	60.569	46.068
	60.569	**46.068**
Finance expenses		
Akbank T.A.Ş.	61.479	5.315.584
	61.479	**5.315.584**

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

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont'd)

Key management personnel include members of the board of directors, executive board members. The compensation of key management are as follows; Salary, pensions, insurances, termination indemnity, rent and relocation expenses, vehicle rents, fue and cell phones, provisions etc. The remuneration of key managements for the year ended 31 December 2016 and 2015 are as follows:

Key management compensation:	1 January- 31 December 2016	1 January- 31 December 2015
Salaries and other short-term benefits	4.210.371	4.434.380
Employment termination benefits	129.719	152.282
Other long-term benefits	104.980	71.728
	4.445.070	**4.658.390**

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by Chief Financial Officer of Brisa under policies approved by the board of directors. Chief Financial Officer identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

(a) Liquidity risk

Prudent 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 Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below depicts the cash outflows the Company will pay for the financial liabilities in the balance sheet in accordance with the remaining maturities. The amounts in the table are contractual and non-discounted. The Company performs its liquidity risk management by considering expected non-discounted cash flows.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Liquidity risk (Cont'd)

As of 31 December 2016 and 2015, liquidity risk analysis of the financial liabilities of the Company is as follows:

31 December 2016

	Carrying value	Contractual cash flows	Less than 3 months	3-12 months	1-5 years	Over 5 years
Contractual maturities						
Non-derivative financial liabilities						
Financial liabilities	2.053.369.603	2.325.472.456	521.074.571	326.311.453	1.276.521.857	201.564.575
Trade payables	359.778.163	361.044.578	361.016.122	-	28.456	-
Other payables	115.260.003	115.260.003	50.899.816	4.196.095	60.164.092	-
Total liabilities	**2.528.407.769**	**2.801.777.037**	**932.990.509**	**330.507.548**	**1.336.714.405**	**201.564.575**

31 December 2015

	Carrying value	Contractual cash flows	Less than 3 months	3-12 months	1-5 years	Over 5 years
Contractual maturities						
Non-derivative financial liabilities						
Financial liabilities	1.261.086.929	1.417.729.121	263.392.682	411.819.480	715.101.623	27.415.336
Trade payables	270.657.584	271.389.813	270.870.910	-	518.903	-
Other payables	102.896.329	102.896.329	51.095.286	3.785.422	48.015.621	-
Total liabilities	**1.634.640.842**	**1.792.015.263**	**392.731.133**	**415.604.902**	**763.636.147**	**27.415.336**

(b) Market Risk

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. To keep these exposures at a minimum level, the Company tries to borrow at the most suitable rates.

Interest rate risk table of the Company as of 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Financial instruments with fixed interest rate		
Financial liabilities	1.972.017.822	1.179.140.129
Financial instruments with floating interest rate		
Financial liabilities	81.351.781	81.946.800

At 31 December 2016, if interest rates on TL denominated borrowings had been 5% higher/lower with all other variables held constant, post-tax profit for the year would have been TL 382.384 (2015: TL 472.925) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market Risk (cont'd)

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Turkish Lira. Foreign Exchange risk is monitored with an analysis of foreign exchange positions. In addition, the company aims to reduce foreign exchange risk arising from assets and liabilities by using currency forward instruments.

The Company has documented officially its currency risk policy practices and derivative transactions under its “Currency Risk Hedge Policy”, and performs this practice according to the rules and limits stated in the document and approved by senior management.

Derivative financial instruments

The derivative financial instruments of the Company consist of foreign exchange forward contracts. Such contracts while providing effective economic hedges for the associated risks also qualify for hedge accounting under the requirements of TAS 39 “Financial Instruments: Recognition and Measurement” thus they are accounted for as hedging derivatives financial instruments in the financial statements.

The Company presents the gains and losses relating to the hedging transactions under equity as “hedge reserves”.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Foreign Currency Position

The Company's assets and liabilities denominated in foreign currencies at 31 December 2016 and 2015 are as follows:

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(b) Market Risk (cont’d)

Foreign currency position table

	31 December 2016				
	TL Equivalent (Functional currency)	**US Dollar**	**Euro**	**JPY**	**GBP**
Cash and cash equivalents	7.972.479	682.966	1.491.639	937.363	1.623
Trade receivables	71.545.443	6.633.780	11.802.031	200.000	1.020.974
Trade receivables from related parties	12.764.516	166.857	3.282.383	-	-
Other receivables from related parties	92.099	4.800	20.272	-	-
Prepaid expenses	1.714.218	204.043	261.383	-	6.123
Current Assets	**94.088.755**	**7.692.446**	**16.857.708**	**1.137.363**	**1 .028.720**
Trade receivables	23.649	5.845	-	-	713
Prepaid expenses	22.969.502	4.798	6.186.856	-	-
Non-Current Assets	**22.993.151**	**10.643**	**6.186.856**	**-**	**713**
Total Assets	**117.081.906**	**7.703.089**	**23.044.564**	**1.137.363**	**1 .029.433**
Trade payables	75.881.055	7.642.009	12.818.220	39.523.788	57.024
Trade payables to related parties	75.726.425	18.267.594	75.387	371.671.285	-
Other payables to related parties	687.775	43	-	22.901.694	-
Deferred income	8.120.783	666.473	1.556.735	-	-
Short-term portion of long-term bank borrowings	467.444.689	123.300.932	9.036.375	-	-
Current Liabilities	**627.860.727**	**149.877.051**	**23.486.717**	**434.096.767**	**57.024**
Long-term bank borrowings	1.073.356.000	305.000.000	-	-	-
Non-Current Liabilities	**1.073.356.000**	**305.000.000**	**-**	**-**	**-**
Total Liabilities	**1.701.216.727**	**454.877.051**	**23.486.717**	**434.096.767**	**57.024**
Net Foreign Currency Position	**(1.584.134.821)**	**(447.173.962)**	**(442.153)**	**(432.959.404)**	**972.409**
Total foreign currency amount of off-balance sheet derivative financial assets (*)	1.585.546.038	443.162.292	7.000.000	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities(*)	-	-	-	-	-
Net foreign currency position of derivative financial instruments	1.585.546.038	443.162.292	7.000.000	-	-
Net foreign currency asset/ (liability) position	**1.411.217**	**(4.011.670)**	**6.557.847**	**(432.959.404)**	**972.409**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(b) Market Risk (cont’d)

Foreign currency position table		**31 December 2015**			
	TL Equivalent (Functional currency)	**US Dollar**	**Euro**	**JPY**	**GBP**
Cash and cash equivalents	11.316.462	2.179.989	1.513.821	386.043	36.811
Trade receivables	65.035.046	10.510.766	10.010.805	-	619.343
Trade receivables from related parties	14.057.388	-	4.423.901	-	-
Other receivables from related parties	587.468	166.516	32.511	-	-
Prepaid expenses	2.552.476	74.175	734.763	-	470
Current Assets	**93.548.840**	**12.931.446**	**16.715.801**	**386.043**	**656.624**
Trade receivables	25.877	7.845	-	-	713
Prepaid expenses	4.393.937	419.295	999.117	-	-
Non-Current Assets	**4.419.814**	**427.140**	**999.117**	**-**	**713**
Total Assets	**97.968.654**	**13.358.586**	**17.714.918**	**386.043**	**657.337**
Trade payables	42.603.383	5.777.792	8.000.016	8.401.488	42.024
Trade payables to related parties	61.992.327	21.014.992	240.576	5.178.266	-
Other payables to related parties	407.138	43	-	16.903.947	-
Deferred income	11.266.352	2.128.564	1.564.180	-	24.880
Short-term portion of long-term bank borrowings	74.153.432	9.101.076	15.008.542	-	-
Current Liabilities	**190.422.632**	**38.022.467**	**24.813.314**	**30.483.701**	**66.904**
Long-term bank borrowings	596.058.000	205.000.000	-	-	-
Long-term payables to related parties	518.903	178.464	-	-	-
Non-Current Liabilities	**596.576.903**	**205.178.464**	**-**	**-**	**-**
Total Liabilities	**786.999.535**	**243.200.931**	**24.813.314**	**30.483.701**	**66.904**
Net Foreign Currency Position	**(689.030.881)**	**(229.842.345)**	**(7.098.396)**	**(30.097.658)**	**590.433**
Total foreign currency amount of off-balance sheet derivative financial assets (*)	702.419.716	224.094.826	16.000.000	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities(*)	-	-	-	-	-
Net foreign currency position of derivative financial instruments	702.419.716	224.094.826	16.000.000	-	-
Net foreign currency asset/ (liability) position	**13.388.835**	**(5.747.519)**	**8.901.604**	**(30.097.658)**	**590.433**

(*) As of 31 December 2015, the Company entered into a number of foreign exchange forwards contracts with banks in order to hedge its exchange rate risk associated with the import and export transactions amounting to USD 51.600.000 USD buying/TL selling.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market Risk (cont'd)

The Company is exposed to foreign exchange risk arising primarily with respect to transactions denominated in USD, Euro, GBP and JPY.

The following table details the Company's sensitivity to a 10% increase and decrease in the TL against USD, Euro, GBP and JPY. 10% is used in the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange rate fluctuations. Sensitivity analysis can only made on the year-end outstanding foreign currency denominated monetary items and it shows the year-end effects of the 10% of exchange currency fluctuation on the related items. The analysis includes foreign loans as well as loans that are denominated other than the creditors' functional currency and used for the Company's foreign transactions. Positive value represents an increase in profit/loss and other equity items.

Foreign currency sensitivity analyze table

	31 December 2016	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD net asset / liability	(157.369.461)	157.369.461
2- Hedged USD (-)	155.957.674	(155.957.674)
3- USD net effect (1 +2)	(1.411.787)	1.411.787
Change in Euro against TL by 10%		
4- Euro net asset / liability	(164.034)	164.034
5- Hedged Euro (-)	2.596.930	(2.596.930)
6- Euro net effect (4+5)	2.432.896	(2.432.896)
Change in other currencies against TL by 10%		
7- Other currencies net asset / liability	(879.987)	879.987
8- Hedged other currencies (-)	-	-
9- Other currencies net effect (7+8)	(879.987)	879.987
TOTAL (3 + 6 +9)	**141.122**	**(141.122)**

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Market Risk (cont'd

	31 December 2015	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD net asset / liability	(66.828.960)	66.828.960
2- Hedged USD (-)	65.157.811	(65.157.811)
3- USD net effect (1 +2)	(1.671.149)	1.671.149
Change in Euro against TL by 10%		
4- Euro net asset / liability	(2.255.586)	2.255.586
5- Hedged Euro (-)	5.084.160	(5.084.160)
6- Euro net effect (4+5)	2.828.574	(2.828.574)
Change in other currencies against TL by 10%		
7- Other currencies net asset / liability	181.459	(181.459)
8- Hedged other currencies (-)	-	-
9- Other currencies net effect (7+8)	181.459	(181.459)
TOTAL (3 + 6 +9)	**1.338.884**	**(1.338.884)**

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(b) Market Risk (cont’d)

Forward contracts

	Parity		Foreign currency		Contract value		Fair value	
Outstanding	2016	2015	2016	2015	2016	2015	2016	2015
forward contracts	TL		Euro / US Dollar		TL		TL	
TL Selling /USD Buying								
Less than 3 months	3,4791	2,9134	105.000.000	36.400.000	367.812.000	106.048.040	2.405.383	921.288
Between 3 - 6 months	-	3,0750	-	31.200.000	-	95.939.060	-	(1.157.322)
More than 6 months	-	-	-	-	-	-	-	-
TL Selling /Euro Buying								
Less than 3 months	3,7990	3,1797	7.000.000	16.000.000	26.593.000	19.887.704	(623.700)	(33.600)
							1.781.683	**(269.634)**

	Parity		Foreign currency		Contract value		Fair value	
Outstanding	2016	2015	2016	2015	2016	2015	2016	2015
forward contracts	Euro / US Dollar		Euro		USD		TL	
Option								
Euro Selling / USD Buying								
Between 3 - 6 months	-	1,1000	-	25.000.000	-	27.500.000	-	2.518.231
More than 6 months	-	1,1000	-	25.000.000	-	27.500.000	-	3.227.266
							-	**5.745.497**

The detail information on foreign currency denominated borrowings and cross currency swap transactions is given in disclosures of derivative financial insturements (Note-5).

(c) Funding Risk

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. The borrowings of the Company are from financially strong various financial institutions.

(d) Credit Risk

Credit risk arises from deposits with banks, as well as credit exposures to customers, including outstanding receivables. Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. The Company management covers these risks by limiting the aggregate risk from any individual counter party and if necessary by obtaining guarantee.

The Company uses internal credit control procedure, credit rating system and internal control policy for the credit risk management of receivables from customers. According to these procedures, the Company approves, increases or decreases individual customer credit limits for high balanced customers (excluding related parties). The credit limits are set by taking into account the financial position, past payment performance, the position of trade relations, growth potential and management style of the customers. These limits are annually revised and letter of guarantees, mortgages and other guarantees are received for the high risk customers.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Credit Risk (cont'd)

As of 31 December 2016, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments	**Receivables**						
	Trade Receivables		**Other Receivables**				
31 December 2016	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Derivative Financial Instruments**	**Other**
Maximum credit risk based on financial instruments as of reporting date	41.924.144	783.952.932	92.099	6.531.521	85.729.658	103.102.948	-
- Collateralized or secured with guarantees part of maximum credit risk		530.539.433	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	37.301.753	583.969.597	92.099	6.531.521	85.729.658	103.102.948	-
B. Net book value of past due but not impaired financial assets	4.622.391	199.983.335	-	-	-	-	-
- Collateralized or guaranteed part		57.914.773	-	-	-	-	-
C. Net book value of impaired financial assets							
- Gross amount of overdue part	-	38.242.577	-	-	-	-	-
- Impairment (-)	-	(38.242.577)	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
- Gross amount of not due part	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
D. Off-balance sheet items comprising credit risk							

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Credit Risk (cont'd)

As of 31 December 2015, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments	**Receivables**						
	Trade Receivables		**Other Receivables**				
31 December 2015	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Derivative Financial Instruments**	**Other**
Maximum credit risk based on financial instruments as of reporting date	34.509.332	728.101.172	587.407	3.152.483	60.708.859	1.319.688	-
- Collateralized or secured with guarantees part of maximum credit risk	-	563.544.916	-	-	-	-	-
A. Net book value of not due or not impaired financial assets	29.886.941	628.941.192	587.407	3.152.483	60.708.859	1.319.688	-
B. Net book value of past due but not impaired financial assets	4.622.391	99.159.980	-	-	-	-	-
- Collateralized or guaranteed part		23.313.355	-	-	-	-	-
C. Net book value of impaired financial assets							
- Gross amount of overdue part	-	9.046.007	-	-	-	-	-
- Impairment (-)	-	(9.046.007)	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
- Gross amount of not due part							
- Impairment (-)	-	-	-	-	-	-	-
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-
D. Off-balance sheet items comprising credit risk							

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

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

(d) Credit Risk (cont'd)

The Company assumes that its receivables from the related parties including the ones which are overdue bear no risk of collection since it takes into account that such receivables are to be collected from the companies and that all of such receivables had been collected in the previous periods.

The Company did not make any provisions for doubtful receivables since the overdue receivables are to be collected from the corporate customers who did not delay any collections in the previous periods, and even if they delayed, eventually managed to pay their debts. In addition, when the maturity composition of the receivables which are not impaired are analyzed, it is seen that a little time longer than three months has passed since the maturity date of most of them.

The aging table of the Company's overdue but not impaired trade receivables including due from related parties which takes into account the overdue terms is as follows:

	31 December 2016	31 December 2015
Between 0 - 1 months	49.303.098	39.389.019
Between 1 - 3 months	53.436.120	35.445.793
Between 3 - 12 months	101.866.508	28.947.559
	204.605.726	103.782.371

(e) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the debt/(total capital+net debt+non-controlling interest) ratio. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents.

As of 31 December 2016 and 2015 Net debt/equity+net debt rates are as follows:

	31 December 2016	31 December 2015
Capital risk management		
Total liabilities	2.266.082.085	1.478.444.225
Cash and cash equivalents	85.736.102	60.713.519
Net debt	2.180.345.983	1.417.730.706
Equity	570.186.060	657.599.820
Equity+Net debt	**2.750.532.043**	**2.075.330.526**
Net debt / (Equity+Net debt)	0,79	0,68

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

26. FINANCIAL INSTRUMENTS

Fair value of financial instruments

31 December 2016	Loans and receivables (including cash and cash equivalents)	Availiable for sale investments	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	85.736.102	-	-	85.736.102	3
Trade receivables	830.670.467	-	-	830.670.467	6
Receivables from related parties	42.016.243	-	-	42.016.243	6
Other receivables	6.531.521	-	-	6.531.521	7
Derivative financial assets	-	-	103.102.948	103.102.948	5
	964.954.333	**-**	**103.102.948**	**1.068.057.281**	
Financial liabilities					
Financial liabilities	-	2.053.369.603	-	2.053.369.603	4
Trade payables	-	218.723.492	-	218.723.492	6
Payables to related parties	-	141.726.772	-	141.726.772	6
Derivative financial liabilities	-	-	7.135.889	7.135.889	5
	-	**2.413.819.867**	**7.135.889**	**2.420.955.756**	

31 December 2015	Loans and receivables (including cash and cash equivalents)	Availiable for sale investments	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	60.713.519	-	-	60.713.519	3
Trade receivables	757.624.388	-	-	757.624.388	6
Receivables from related parties	35.096.739	-	-	35.096.739	6
Other receivables	3.152.483	-	-	3.152.483	7
Derivative financial assets	-	-	14.498.322	14.498.322	5
	856.587.129	**-**	**14.498.322**	**871.085.451**	
Financial liabilities					
Financial liabilities	-	1.261.086.929	-	1.261.086.929	4
Trade payables	-	159.049.796	-	159.049.796	6
Payables to related parties	-	111.532.579	-	111.532.579	6
Derivative financial liabilities	-	-	1.589.322	1.589.322	5
	-	**1.531.669.304**	**1.589.322**	**1.533.258.626**	

26. FINANCIAL INSTRUMENTS (Cont'd)

Fair value of financial instruments

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 market information 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 can realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Monetary liabilities

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Since, long term foreign currency loans generally have floating rate, air value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate (Note 4)

Fair value estimation:

Financial instruments measured at fair value in the balance sheet reclassified as flows:

Level 1: Quoted prices in markets for assets and liabilities

Level 2: Direct or indirect observable inputs for the assets or liabilities other than quoted prices in Market

Level 3: Inputs for the assets and liabilities where observable market data cannot be determined.

(Amounts expressed in Turkish Lira (”TL”) unless otherwise indicated.)

26. FINANCIAL INSTRUMENTS (Cont’d)

Derivative financial instruments

Financial Assets / Financial Liabilities	Fair Value		Fair value hierarchy	Valuation Technique	Significant unobservable inputs	Relationship of unobvservable inputs to fair value
	31 December 2016	**31 December 2015**				
Forward contracts	(1.295.700)	(269.634)	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate(observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-
Cross-currency swap	97.262.759	7.433.137	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate(observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-
Option	-	5.745.497	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate(observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-

27. EVENTS AFTER THE REPORTING PERIOD

As of 31 January 2017, the Company entered into cross currency and interest swap contracts in order to mitigate the floating interest rate and foreign currency risk of the USD 90 million borrowing which has been used on 12 December 2016 with a maturity of 7 years, no principal payment in first three years, and once in a six month interest installement of USLibor+1,90 rate. In accordance with the swap contract, the Company fixed the borrowing to TL 347.535.000, once in a six month interest installment over 13,9650% rate and the USD exchange rate to TL 3,8615.