EXECUTION OF EXCELLENCE

ANADOLU CAM SANAYİİ A.Ş. 2017 ANNUAL REPORT

ŞİŞECAM GLASS PACKAGING

Şişecam Glass Packaging, the 5th largest producer in Europe and the world, has a total production capacity of 2.3 million tons/year.

DYNAMIC PERFORMANCE

We continue to create value for all our stakeholders with the dynamic performance that we demonstrate against the opportunities and risks created by mobility in domestic and international markets.

We aim for an excellent performance with our wide range of products, efficient capacity management and our work focused on sustainable growth. In line with increasing demand, we are renewing our production instruments with the latest technologies and moving towards our global targets with domestic and international representations.

ANADOLU CAM SANAYİİ A.Ş. IN BRIEF

Anadolu Cam Sanayii A.Ş. produces designed glass packaging in various volumes and colours for the food, beverage, pharmaceuticals and cosmetics sectors. Şişecam Glass Packaging dates back to 1935 when the first production facility was established in Beykoz Paşabahçe. Glass packaging production has continued for almost 35 years at that facility, before moving to Topkapı Bottle Plant in 1969 due to the rapid growth of the beverage industry, the rising bottle demand of pharmaceuticals industry and increasing focus on glassware production at Paşabahçe Plant. Since then, glass packaging activities have entered a process of rapid and stable growth.

The company has acquired Anadolu Cam Sanayii A.Ş. in Mersin in 1976. This facility launched the use of NNPB (light bottle) production technology in 1988, as an important milestone of glass packaging production technology.

In 2000, all companies and facilities operating under Şişecam Glass Packaging merged into Anadolu Cam Sanayii A.Ş. With the inclusion of Bursa Yenişehir Plant in 2006 and Eskişehir Plant in 2013, to the production facilities in Turkey, Group has reinforced its leadership in the sector.

In line with its goal of being a regional leader and an international glass packaging manufacturer with at least half of its revenues from foreign operations, Anadolu Cam Sanayii A.Ş. started executing investments and collaborations in neighbouring countries. With this goal, the Company has acquired Mina Plant in Georgia in 1997 as its first investment outside Turkey. This was followed by Gorokhovets Plant in 2002, Pokrovsky Plant in 2004, Ufa Plant in 2005, Kirishi Plant in 2008 and Kuban Plant in 2009, in order to take advantage of the Russian market's dynamic structure. Finally, in 2011, the Company has acquired an existing glass packaging facility in Merefa, Ukraine, increasing the foreign production capacity to 1.3 million tons/year.

With a total 2.3 million tons/year production capacity, Anadolu Cam Sanayii A.Ş. is Turkey's largest, and the world's and Europe's 5th largest glass packaging manufacturer. The company has 10 manufacturing plants, three in Turkey, five in Russia, one in Georgia, one in Ukraine.

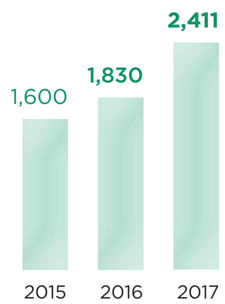
FINANCIAL INDICATORS

	2016		2017	
Financial Indicators	**(TRY M)**	**(USD M)**	**(TRY M)**	**(USD M)**
Total Assets	4,417	1,255	4,183	1,109
Equity	1,911	543	1,892	502
Sales	1,830	606	2,411	662
Gross Profit	457	151	671	184
EBIT	502	166	318	87
EBITDA(1)	747	248	614	168
Profit for the Period	465	154	184	50
Net Financial Liabilities	747	212	1,009	268

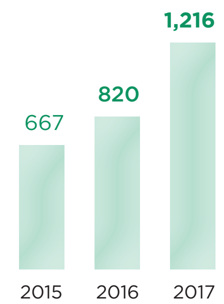
Financial Ratios	**2016**	**2017**
Current Asset/Short Term Liabilities	1.40	2.19
Equity/Total Liabilities	43%	45%
Net Financial Liabilities/Equity	39%	53%
Net Financial Liabilities/Total Shareholders' Equity and Liabilities	17%	24%
Gross Profit/Sales Revenue	25%	28%
EBITDA*/Sales Revenue	25%	25%
EBIT*/Sales Revenue	28%	13%
Net Financial Liabilities**/EBITDA*	1.00	1.64

* *In the EBITDA and EBIT calculations, Operating Profit before Financial Income / Expenses has been taken into consideration.*
** *Net Financial Liabilities is calculated by deducting other receivables from affiliated parties, cash and securities investments, from the total of short and long term borrowings and other payables to affiliated parties.*

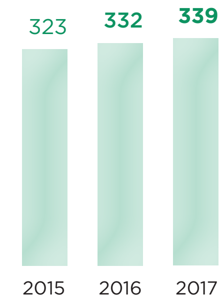
Sales Revenue
(TRY M)



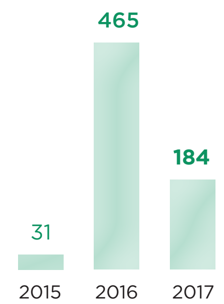
International Sales
(TRY M)



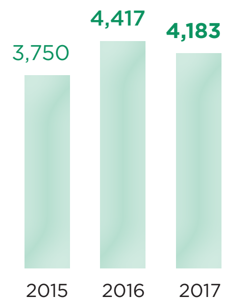
Investments
(TRY M)



Profit for the Period
(TRY M)

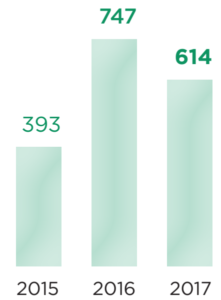


Total Assets
(TRY M)

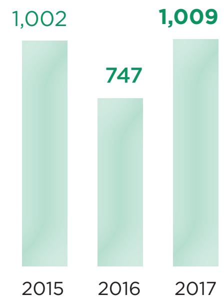


Equity
(TRY M)

EBITDA(1)
(TRY M)



Net Financial Liabilities
(TRY M)



Glass Production
(000 TONS)

Number of Employees

(1) *The profit per share in sales amounted TRY 342 M is included in the EBITDA value in 2016. The profit per share in sales is TRY 23 M in 2017.*

PRODUCTION FACILITIES

1.9 Million Tons Glass Packaging Production

4 Production Countries (Turkey, Georgia, Russia, Ukraine)


Turkey
Mersin Plant


Turkey
Yenişehir Plant - Bursa


Turkey
Eskişehir Plant


Russia
Ruscam - Kuban Plant


Russia
Ruscam - Kirishi Plant


Russia
Ruscam - Ufa Plant


Russia
Ruscam - Pokrovsky Plant


Russia
Ruscam - Gorokhovets Plant


Georgia
Mina - Ksani Plant


Ukraine
Merefa Plant

BOARD OF DIRECTORS


PROF. DR. AHMET KIRMAN
Chairman


ABDULLAH KILINÇ
Vice Chairman


SİBEL KOÇ KARACAOĞLU
Member


ZEYNEP HANSU UÇAR
Member


PROF. DR. HALİL ERCÜMENT ERDEM
Independent Member


FAİK BYRNS
Independent Member

PROF. DR. AHMET KIRMAN / *Chairman*
(59) Dr. Ahmet Kırman graduated from Ankara University, Faculty of Law. He went on to obtain his Master's degree in EU Competition Law and Ph.D. in Commercial Law from the same institution, becoming Associate Professor and then Professor of Financial Law. Dr. Kırman served as Faculty Member, Division Head, Head of the Finance Department and Institute Director at Ankara University, Faculty of Political Science. He was also a Faculty Member at Galatasaray University, Faculty of Law. Dr. Kırman started his professional career in 1981 as a judge for the Council of State. Subsequently, he joined Türkiye İş Bankası A.Ş. where he held various positions in banking and insurance. He served as Chairman of Türkiye İş Bankası A.Ş., Milli Reasürans T.A.Ş., Destek Reasürans A.Ş., and Petrol Ofisi A.Ş., and Board Member at several other major companies including Anadolu Sigorta A.Ş. Dr. Kırman has been the Chairman and Managing Director of Türkiye Şişe ve Cam Fabrikaları A.Ş. between the years 2006 and 2011, and Vice Chairman and CEO of Şişecam Group since 2011. Dr. Kırman is also the Chairman of Soda San. A.Ş., Trakya Cam San. A.Ş., Anadolu Cam San. A.Ş., Paşabahçe A.Ş. and several other Group companies. He has served on the Board of Directors at ICC Turkish National Committee, BTHE and IAV. In addition, Dr. Kırman was a member of TEPAV's Board of Trustees and Board of Directors and the Turkish Shooting and Hunting Federation's Board of Directors and Council of Legal Affairs. Dr. Kırman is author of 12 books along with numerous scholarly articles and invited speaker at numerous scientific as well as business meetings.

ABDULLAH KILINÇ / *Vice Chairman*
(51) Abdullah Kılınç graduated with a Bachelor's degree in Mechanical Engineering from Middle East Technical University in 1990 and completed the Advanced Management Program at Harvard Business School in 2013. Mr. Kılınç joined Anadolu Cam Sanayii A.Ş. as a Production Engineer at the Mersin Plant in 1992, where he later worked as Production Supervisor in 1995. He was appointed Assistant General Manager at Mina Ksani Glass Packaging Company in Georgia in 1999. Mr. Kılınç joined Anadolu Cam Sanayii A.Ş. in 2003 as Management and Sales HQ Business Development Manager. Subsequently, he served within the Glass Packaging Group as General Manager of the Ruscam Ufa Plant, Operations Director of Russia Operations, and Operations Director of the Group. Mr. Kılınç has been the President of Şişecam Glass Packaging (Turkey) since 2014.

SİBEL KOÇ KARACAOĞLU / *Member*[2]
(41) Sibel Koç Karacaoğlu graduated from Istanbul University, Faculty of Business Administration, Business Administration Department. In 1998, she started her business career as Assistant Financial Resources Specialist at Anadolu Cam Sanayii A.Ş. in the company's Management and Sales Center. After working as Financial Resources Specialist for Group companies, and Budget Specialist and Financial Control Specialist, she was appointed Budget and Financial Control Manager at Anadolu Cam Sanayii A.Ş. in 2014. Since October 2016, Ms. Karacaoğlu has served as CFO at Türkiye Cam Ambalaj Group. She holds the Independent Accountant and Financial Advisor (SMMM), Capital Markets Activities Level 3 and Corporate Governance Rating licenses.

ZEYNEP HANSU UÇAR / *Member*[2][3]
(46) Zeynep Hansu Uçar graduated from Middle East Technical University, Faculty of Economic and Administrative Sciences, Department of Business Administration. She started her professional career at İşbank in 1994 as an Assistant Investment Specialist in the Subsidiaries Division. She has held several managerial positions responsible for various group companies in the same department and since 2015, Ms. Uçar has been serving as Subsidiaries Division Head of İşbank. She has served as Board Member and Auditor at various Şişecam Group companies since 2010 and currently is a Board Member of Türkiye Şişe ve Cam Fabrikaları A.Ş., Trakya Cam Sanayii A.Ş., Anadolu Cam Sanayii A.Ş. and Paşabahçe Cam Sanayii A.Ş.. She is also Board Member of Türkiye Sınai Kalkınma Bankası A.Ş. since November 27, 2015 which is an İşbank subsidiary.

PROF. DR. HALİL ERCÜMENT ERDEM / *Independent Member*[1][2][3]
(56) Graduated from Dokuz Eylül University, Faculty of Law in 1984, Prof. Dr. H. Ercüment Erdem lectured in trade law and professional French, initially as a research assistant and then as an Associate Professor from 1984 to 1997, at Dokuz Eylül University, serving as lecturer and thesis supervisor in the postgraduate program at the same time. He completed postgraduate studies at Ankara University, Social Sciences Institute, Private Law, and doctorate studies at Fribourg University in Switzerland; in addition, he conducted research in American Law at Yale Law School. Since 1998, Dr. Erdem has provided consultancy services to domestic and foreign clients in various branches of private law, particularly Trade Law, at Erdem & Erdem Law Firm where he is a partner. He became an Associate Professor in Trade Law in 1997 and Professor in Trade Law in 2003. Between 1997 and 2011, he lectured in graduate, postgraduate and doctorate classes at Galatasaray University, Faculty of Law, initially as Associate Professor and then as Trade Law Professor. Prof. Dr. Erdem also took part in the administration of various postgraduate and doctorate theses. He still continues to lecture postgraduate and doctorate classes at Galatasaray University and lectures the master program at Fribourg University (Sweden).He has been a member of the Board of Directors at Yılport Holding A.Ş. since 2013. Prof. Dr. Erdem is the International Chamber of Trade International Trade Practices Commission's Co-Chairman, and Istanbul Bar Association member. He is a member of the International Chamber of Trade Arbitration Board, International Chamber of Trade Institution Council, International Bar Association, Banking and Trade Law Research Institute Supervisory Board and various professional organizations. Prof. Dr. Halil Ercüment Erdem has authored twelve books, 65 articles and four translations published on various dates.

FAİK BYRNS / *Independent Member*[1][3]
(67) Graduated from Portland State University, Political Science Department in 1973, Faik Byrns started his professional career in 1974, working as a flight officer in the US Navy, and sworn financial consultant, finance manager and senior executive at multinational companies, until 2004. Mr. Byrns currently serves as director of Anadolu Cam San. A.Ş. In 2010, Mr. Byrns authored a book on his personal experiences; he published his second book in 2015 on personal development and career success.

(1) *Audit Committee Members.*
(2) *Corporate Governance Committee Members.*
(3) *Early Risk Identification Committee Members.*

EXECUTIVES

TURKEY

Abdullah Kılınç	Head of Glass Packaging Group - Turkey
Doğan Murat Altınoğlu	Vice-President - Marketing and Sales
Mustafa Çetiner	Vice-President - Production
Sibel Koç Karacaoğlu	Finance Director
Ekrem Şensoy	Human Resources Director
Bülent Aydın	Strategic Planning Director
Uğurşan Keskin	Supply Chain Director
Oya Saçar	Quality Director

RUSSIA

Aydın Süha Önder	Head of Glass Packaging Group - Russian Federation
Vladimir Dolgov	Vice-President - Marketing and Sales - Russian Operations
Semih Büyükkapu	Vice-President - Production - Russian Operations
Diana Kudzieva	Finance Director - Russian Operations
Alla Perets	Human Resources Director - Russian Operations
Hakan Çopur	Supply Chain Director - Russian Operations

CHAIRMAN'S MESSAGE

Having a total production capacity of 2.3 million tons/year, Şişecam Glass Packaging continued its profitable growth by increasing its total sales by 32% in TRY with capacity increases in the activity period of 2017.

ŞİŞECAM GLASS PACKAGING HAS CONTINUED TO BE A RELIABLE SUPPLIER IN ALL THE SECTORS IT SERVES, WITH BROAD PRODUCT RANGE, PRODUCTION FLEXIBILITY, AND EFFECTIVE CAPACITY MANAGEMENT AT PRODUCTION FACILITIES, IN 2017.

Esteemed Shareholders,

Anadolu Cam Sanayii A.Ş. has completed 2017 with a successful financial and operational performance, conducting activities as a solution partner of customers with creative processes by offering designed products and services, and adding value to people and the environment, according to its vision of being a global glass packaging company.

Our Company among the top five producers of glass packaging sector worldwide, maintaining strengths in geographies where we are present, in 2017, a year of vibrant global developments and domestic market dynamics, with firm steps towards the targets of sustainable profitable growth and operational excellence. Focusing on global targets, and increased capacity, our Company continued to generate value for all stakeholders, achieving a record sales of approximately 1 million tons in Turkish operations, and reaching the highest operational profitability and sales revenue in terms of local currency in Russian operations in 2017.

Anadolu Cam Sanayii A.Ş. has continued to be a reliable supplier in all the sectors it serves, with broad product range, production flexibility, and effective capacity management at production facilities, in 2017.

Our Company has effectively taken the opportunities in growing global glass packaging market, achieving a successful financial performance in 2017.

Growth in glass packaging market in highly populated countries, particularly China and India, has been above the average growth worldwide, while strategic takeovers and collaborations in America and Western European countries have kept the dynamism in global glass packaging market in 2017.

Anadolu Cam Sanayii A.Ş. sets its strategy according to global targets, and has effectively benefited this dynamism, through its modernization, capacity increase, automation and digitalization investments, and had a successful financial performance. 50% of our total sales is from international activities.

Being the market leader in geographies where we are present, Anadolu Cam Sanayii A.Ş. has spent TRY 339 million for investments in 2017, towards the sustainable and profitable growth targets.

Anadolu Cam Sanayii A.Ş. has kept on with capacity increase investments in 2017, and commissioned the third furnace with 90 thousand ton/year capacity at Mersin Plant, which is renewed with state-of-the-art technology according to Industry 4.0 strategy, with TRY 120 million investment. This investment aims at increasing our export effectiveness every year, thanks to our domestic production capacity as well as the logistical advantage of Mersin port.

Our company has also planned another important investment in Eskişehir Plant in year 2017. The new furnace to be equipped with state-of-the-art technology according to Industry 4.0, with an annual production capacity of 150 thousand tons, is planned to be launched in the second half of 2018, with an investment of approximately TRY 240 million. This investment is a reflection of our investment policies based on sustainable growth and high performance, and will increase our Company's total glass packaging production capacity to 2.5 million tons per year.

CHAIRMAN’S MESSAGE

In 2017, Şişecam Glass Packaging has continued to reflect its innovativeness and creativity fed by its global vision

IN LINE WITH OUR EFFECTIVE NATURAL RESOURCE UTILIZATION STRATEGY, OUR COMPANY INCREASED THE AMOUNT AND QUALITY OF RECYCLED GLASS CULLET USAGE AT PRODUCTION FACILITIES, AND PROCURED 172 THOUSAND TONS OF RECYCLED GLASS IN 2017.

According to our continuous development principle, Anadolu Cam Sanayii A.Ş. has invested a total of TRY 339 million in 2017, and focused on making our competitive edges sustainable; and continuously worked on effective capacity utilization, competitive cost management, supply chain excellence, lean production and Industry 4.0.

Anadolu Cam Sanayii A.Ş. has set its Sustainability Strategy according to United Nations Sustainable Development Targets.

In line with our sustainability strategy, the Company supports United Nations Sustainable Development Targets, and informs our stakeholders on the developments in this area, through sustainability reports. With the sustainability approach implemented in all business processes, Anadolu Cam Sanayii A.Ş. prioritizes creating added value for financial continuity, reducing the environmental impact caused by activities, and generating permanent values for stakeholders.

Accordingly, our Company has had important achievements in utilizing resources and cost efficiency of production processes, by effectively conducting Lean 6 Sigma, 5S and Kaizen projects; and has saved TRY 25 million in Turkey and TRY 27 million in foreign operations.

In line with our effective natural resource utilization strategy, our Company increased the amount and quality of recycled glass cullet usage at production facilities, and procured 172 thousand tons of recycled glass in 2017. Within the framework of our social responsibility approach, Anadolu Cam Sanayii A.Ş. has conducted activities to increase the glass recycling rate in Turkey to the European levels, and continues with the activities to create public awareness on separate collection glass packaging wastes at the source, and develop glass packaging waste collection infrastructure, and modernize and increase of the capacities of the recycling facilities, in collaboration with local governments and licensed companies.

With advanced engineering knowledge and established experience, Şişecam Design Center has worked on 261 product projects in 2017.

In 2017, Anadolu Cam Sanayii A.Ş. has continued to reflect its innovativeness and creativity fed by its global vision, in all the business processes, and to make a difference, with designed products manufactured for reputable brands, domestically and internationally. Having created several awarded designs to date, Şişecam Design Center has worked on 261 product projects in 2017, with its deep-seated experience in industrial design.

In 2018, Anadolu Cam Sanayii A.Ş. aims at maintaining focus on operational excellence and sustainably profitable growth in global glass packaging market where competition is becoming tougher.

In the period ahead, we will continue to make sustainable our competitive edges and invest in Industry 4.0 compatibility with new technologies, in line with our sustainable growth approach focusing on operational excellence, as the leader glass packaging company in all geographies where we are present.
I’d like to take this opportunity to thank our devoted employees who are our biggest strength in achieving our goals, and valuable shareholders, customers, suppliers, and all stakeholders who support us in all our activities.

Best regards,

PROF. DR. AHMET KIRMAN
Chairman

AN OVERVIEW OF 2017

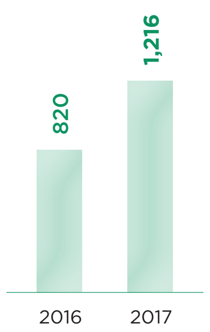
Thanks to the precautionary packages taken for economic stability, Turkey's economy showed strong growth performance in 2017.

32%

INCREASE IN SALES INCOME

SUSTAINABLE PROFITABLE GROWTH STRATEGY

International Sales
TRY Million



After its recovery year 2016, global economy started 2017, with political and geopolitical uncertainties, but has maintained modest growth accelerated. In addition to developed countries such as the US and EU countries, emerging countries have also become more synchronized in growth. Despite the global recovery in economic activity, economic, geopolitical and political risks remain. While developed countries take action against negative effects of low inflation, faster-than expected global financial tightening (reduction in money supply, interest rate hikes) make the developing economies' need for reform more urgent and priority.

While global growth gives positive signals in the short-term, central banks' steps towards normalization, countries' increasing protective and populist approaches, China's attempts to relieve the debt burden, and increasing terrorist incidents limit the short-term recovery in the medium term.

Eurozone region is recovering consistently and economic activity continues to strengthen. The ECB (European Central Bank) confirmed the forecast for the recovery in economic activity by raising its 2017 and 2018 growth forecasts for the Eurozone.

With the completion of the first phase of the negotiations on the Brexit between the UK and the EU, BoE (the Bank of England) stated that the UK is less likely to exit from the EU and that this may increase economic confidence in the coming period.

Despite the positive performance in the US economic activity in the last quarter, inflation indicators has been still relatively weak. It is unclear how the tax cuts introduced by the tax reform scheme that are legally enacted in the country are likely to affect economic activity and monetary policy.

Thanks to the precautionary packages taken for economic stability, Turkey's economy started to recover. With the revival in domestic consumption and the contribution of public financial and credit incentives, it showed strong growth performance in 2017.

Hosting the largest-capacity international investment of Glass Packaging Group, Russia is among the top 10 economies of the world, according to the dollar-based purchasing power parity in 2017. While political and economic crises that arise from the political deadlocks and sanctions starting with the US and EU in 2014, have caused Russian economy to shrink; the country has started an economic recovery in 2017. Rouble had been devalued sharply with the effect of economic contraction, but gained some value in 2016 and 2017, and remains stable currently.

Oil and natural gas derivatives comprises 50% of the total revenue budget and 59% of the export of Russia. The drop in oil prices starting in mid-2014 until early 2015 has been one of the most important factors in economic contraction and devaluation of currency in Russia.

Global developments and their effects on glass packaging market

In 2017, in the global packaging market and the sectors that we serve to, investments in capacity increases, consolidation activities and particularly automation and digitalization continued. Globally glass packaging market continues to grow with the effect of R&D activities, developments in glass packaging production technologies, increased health awareness in emerging countries and increasing per-capita glass packaging consumption.

Eastern Europe and Asia Pacific regions and high-populated countries such as India and China have over-performed the worldwide glass packaging growth in 2017. Strategic acquisitions have increased the dynamism in glass packaging market in the zone in global glass packaging market, while America and Western European zones continue to be saturated.

Commodity products (bottles produced for beer and spirits sectors and jars produced for food sector) have grown faster particularly in Asia Pacific Region, while the consumption in Europe is concentrated on innovative products.

Slowdown in Russian economy, pressures applied by EU countries and the US, and actions taken by the government to reduce alcohol consumption, have caused the country's glass packaging market to shrink, keeping the glass packaging growth below the world average.

This positive performance of Turkey's economy exhibiting the strongest growth performance of recent years is also reflected in the glass packaging sector as well as to all sectors. After Turkey's glass packaging market high growth in 2016, has continued to take shape due to the recovery in domestic demand in 2017. In Turkey's glass packaging market shows a dynamic change, the capacities of the players continued to shape by the direction of market's high potential.

ACHIEVEMENTS IN 2017

Anadolu Cam Sanayii A.Ş. has continued to grow in 2017, in a year of global developments and domestic market dynamics, increased competition in domestic market and production capacities. Group has had a year of increased emphasis on immaterial assets in addition to sustainable profitable growth approach, with innovative strategies targeting globalization. Anadolu Cam Sanayii A.Ş. has always attributed utmost importance on the value offered to the customer, and made a record sales approximately 1 million tons in its Turkey operations in 2017.

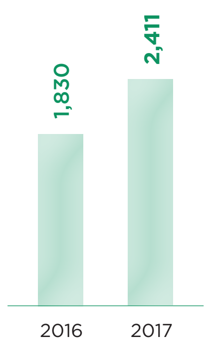
In 2017, Şişecam Glass Packaging has kept increasing its export targets to become a global company. Anadolu Cam reached a historical record level in export sales in 2016, thanks to new marketing and sales strategies, and has kept its export sales at 13% level of total sales in 2017, in line with the sustainable export strategy.

Having continued capacity increases with investments in Turkish market, Anadolu Cam has completed cold repair of furnace No: 20 at Mersin Plant and commissioned the furnace with the additional capacity created, in 2017.

In 2017, Anadolu Cam Sanayii A.Ş.'s sales has increased 6% in quantity. Company's net revenue has reached TRY 2,411 million, where approximately 50% of sales revenue is from foreign operations.

LEADER GLASS PACKAGING MANUFACTURER

Sales Income
TRY Million



Execution of excellence in details

AN OVERVIEW OF 2017

2.3
MILLION
TONS/YEAR

TOTAL PRODUCTION CAPACITY

50%

THE SHARE OF INTERNATIONAL SALES IN TOTAL SALES

Facilities and capacities
Anadolu Cam continues its operations in four countries; Turkey, Russia, Ukraine and Georgia, with a total production capacity of 2.3 million tons/year.

Activities in Turkey
Anadolu Cam Sanayii A.Ş. conducts its production activities in Turkey at 10 furnaces in three facilities located in Mersin, Bursa and Eskişehir. The Company plans to commission the furnace D in Eskişehir, increasing the number of its total furnaces to 11 in 2018.

Eskişehir Plant has started operations in 2013, and with the furnace D investment to be realized in 2018, its capacity will reach to 150 thousand tons/year. Eskişehir Plant is the only glass packaging production facility for pharmaceuticals in Turkey with "Clean Room" application production standards, and its printing facility offers diversification and competitive advantage in the market by offering decorated products to clients.

Mineral water, while sector continues to be the leader in Anadolu Cam Sanayii A.Ş.'s sales, together with food and alcoholic beverages sectors' sales, constitutes approximately 68% of total sales. Having shifted its market focus on mineral water production to other sectors, Anadolu Cam Sanayii A.Ş. has strengthened its sector breakdown of sales with a more balanced sales program.

In 2017, focus has been on matters such as increasing the endurance of glass packaging, lightening the products, reducing the process inputs and wastes of production, using renewable energy, and increasing the recycling of glass.

Activities outside Turkey
At Georgia Mina facility, Anadolu Cam Sanayii A.Ş.'s first foreign investment, 2nd furnace with 30 thousand tons/year capacity has been commissioned in 2014, strengthening Company's position in the market. Mina facility remains as the market leader in Georgia, being the only glass packaging manufacturer. The facility conducts activities with its product mix targeting the mineral water, wine and non-alcoholic beverages sector.

In Russia, another operating region of the Company, glass packaging demand has decreased by 22% between 2011 and 2017. Main reasons for the decreased demand are the drop in purchasing power as a result of economic crises, and the government's actions to reduce the consumption of alcoholic beverages, such as increased taxes, advertisement and sale prohibitions. In future years, it is expected that the glass packaging demand will improve mildly.

The decrease in demand was followed by similar decrease in production capacity and quantity. Since 2011, 13 glass production facilities have ceased activities. In mid-2013, one of the Company's production facilities, Pokrovsky with a capacity of 200 thousand tons/year, suspended its activities according to the target of "maintaining the right balance of production, sales and inventory".

Despite the adverse conditions in the country, Company has strengthened its position as market leader glass packaging manufacturer in 2017, has achieved the highest operational profitability and sales revenue in the local currency. Company, is ahead of competitors in the market, with its financial stability, production experience and quality, business development capability and managerial force. In 2018, it aims to maintain its market share and increase profitability, by making investments that quickly pay itself, and focusing on customer satisfaction.

Şişecam Glass Packaging, the 5th largest glass packaging manufacturer in Europe and the world, has achieved record sales of approximately 1 million tons in its Turkey operations in 2017.

Execution of excellence in operations

Drop in demand in Russian domestic market and the exchange rate advantage in recent years have oriented Company towards exportation, and sales to countries other than Commonwealth of Independent States have more than fourfold since 2012. In addition, Company assesses the opportunities to increase its domestic market share in Russian domestic market and the Commonwealth of Independent States (CIS).

In December 2014, Company's facility operating in Ukraine has suspended production, due to economic and political uncertainty and negativities as well as the expiry of existing furnace life. Company will continue to support Ukraine market with operations in other zones until establishment of political stability.

TRY 339 million of investment expenditure
In 2017, a total of TRY 339 million modernization and improvement investment was successfully made in Turkey, Russia and Georgia. Due to gradually increasing competition in glass packaging market, focus has remained to be on competitive cost, supply chain excellence, plain production and high automation etc. matters. In addition, Company has expedited various development and cost reduction works, particularly energy savings, in all factories, and as a result of these projects, savings achieved was approximately TRY 25 million in Turkey and TRY 27 million in foreign operations.

PRODUCT DESIGN WORKS

Having a significant position in glass packaging production in the world and in Turkey with its innovative and creative stance, Anadolu Cam Sanayii A.Ş. supports its customers with Şişecam Design Center since 2006.

Şişecam Design Center meets the diverse glass packaging demands of consumers and brands with awarded designs. With industrial design, advanced engineering know-how and deep-seated experience, Şişecam Design Center has worked on 261 product projects in 2017.

University – Industry Cooperation Project
Already having university and industry projects with 11 universities in 10 years, Anadolu Cam Sanayii AŞ has added another new project in 2017 via Karabük University. Group's project with Karabük University was conducted by Şişecam Design Center; and a catalogue has been prepared in memory of the project.

ŞİŞECAM DESIGN CENTER WORKED ON 261 PRODUCT PROJECT IN 2017.

AN OVERVIEW OF 2017

Şişecam Glass Packaging procured 172 thousand tons of recycled glass in order to minimize the consumption of resources target in 2017.

COMPANY'S CORPORATE WEBSITE HAS BEEN AWARDED "SUPERIORITY AWARD" IN "PROFESSIONAL SERVICE ON WEB PAGES" IN THE 23RD ANNUAL "COMMUNICATOR AWARDS" CATEGORY, THE MOST PRESTIGIOUS INTERNATIONAL AWARD PROGRAM IN MARKETING AND COMMUNICATIONS.

Superiority Award to the corporate website
Company's corporate website has been awarded "Superiority Award" in "Professional Service on Web Pages" in the 23rd annual "Communicator Awards" category, the most prestigious international award program in marketing and communications.

Works of Adding Glass to Life
Within the activities of increasing consumer awareness regarding glass packaging, in addition to its corporate website, the Company relaunched its web platform hayatacamkat.com which is online since 2012 with the renewed interface.

With the re-launch campaign, total number of followers on websites and social platforms has approached 70 thousand towards the year-end.

With the renewed interface, hayatacamkat.com has been a finalist, in the corporate blog category of Golden Spider Web Competition, Turkey's first and only independent web award, among with strong brands.

WITH THE RE-LAUNCH CAMPAIGN, TOTAL NUMBER OF FOLLOWERS ON ADDING GLASS TO LIFE WEBSITE AND SOCIAL PLATFORMS HAS APPROACHED 70 THOUSAND TOWARDS THE YEAR-END.

"Refika's Kitchen Recipes" on "Adding Glass to Life"
Within the project Adding Glass to Life, videos have been shot for Chef Refika Birgül's practical recipes with glass bottles and jars. Total 11 videos with recipes in glass packaging, posted on hayatacamkat.com website and social media channels, have received great interest and admiration.

SIGNIFICANT EVENTS

A year full of exhibitions
As a pioneer and leader manufacturer in Turkey's glass packaging sector, Anadolu Cam Sanayii A.Ş. has proudly participated in three exhibitions in 2017:

- Fourth annual pharmaceuticals exhibition CPhI Istanbul on 8-10 March
- Seventh annual Olivtech exhibition in İzmir on 26-29 April
- 23th annual Euroasia Packaging exhibition in Istanbul on 25-28 October

ENVIRONMENTAL APPLICATIONS

Anadolu Cam Sanayii A.Ş. is aware of its responsibility to protect the environment, and believes that we should leave the future generations a habitable world. The Company integrates this approach, which is among the basic principles of strategic management, into all processes. Anadolu Cam Sanayii A.Ş. aims at conducting all environment protection activities with an Environment Management System approach, in accordance with the legislation and according to sustainability principles.

Anadolu Cam Sanayii A.Ş. assesses the environmental impacts arising from its own activities, as well as its suppliers' environmental impact. In this context, 25 suppliers have been subjected to a centrally planned audit, jointly by three factories of Anadolu Cam Sanayii A.Ş. in Turkey in 2017.

Operating in a highly energy-intensive sector, Anadolu Cam Sanayii A.Ş. sees reduction of energy consumption and increasing energy efficiency among the prioritized subjects. Reduction of total sera gas emission and wastes and protection of natural resources are among other emphasized matters.

In the last quarter of 2017, Anadolu Cam Sanayii A.Ş.'s factories have been merged into one legal entity, and a common Environmental Management Unit has been established to fulfil the liabilities under the environment legislation.

Various educations about environment legislation, waste management and environmental management system applications have been arranged for 2.136 employee and subcontractors to increase awareness.

In addition to requirements under the legislation, Anadolu Cam Sanayii A.Ş. has prepared and implemented projects to prevent wastes at the source, as the first priority in waste hierarchy. In this context, the Company has reduced chemical consumption amount and treatment sludge as a result of the process, at the industrial waste water treatment facility of Eskişehir Plant, and also succeeded to increase the efficiency of industrial waste water treatment facility at Mersin Plant.

Within the scope of waste reduction works at the factories, Şişecam Science and Technology Center conducts "Project for Reduction of NOx emission and Fuel Consumption through Primary Measures". The project is initially started at Eskişehir Plant, and is planned to be implemented at Yenişehir and Mersin plants as well.

Lean 6 Sigma, 5S and Kaizen applications are carried out effectively at Company's plants.

Studies for use of cullet
With the concept that glass is the most natural and healthy packaging material, Anadolu Cam Sanayii A.Ş. conducts all its activities with the understanding of eco-friendliness and sustainability. The Company has increases the use of recycled glass (cullet) amount and quality at production facilities, and in order to minimize the consumption of resources, 172 thousand tons of recycled glass has been procured in 2017.

Execution of excellence in production

AN OVERVIEW OF 2017

Achieving operational excellence with innovations and improvements in the management of processes for Şişecam Glass Packaging will be one of the most important focus areas for the year 2018.

INCREASING PRODUCTION EFFICIENCY IN EVERY AREA WILL BE PROVIDED WITH THE INDUSTRY 4.0 COMPATIBILITY.

EXPECTATIONS AND OBJECTIVES FOR 2018

In response to the changing dynamics in global and Turkish glass packaging market, Anadolu Cam Sanayii A.Ş. will maintain its market leader position in Turkey while creating sustainable profit and value, without pausing the efforts in 2018 for becoming a global player.

As a leader glass packaging company, Anadolu Cam Sanayii A.Ş. will focus on developing competitiveness both in domestic and foreign markets, in line with our respect for the people, the nature and the environment, and while performing activities to increase glass packaging consumption.

With high rate of automation at advanced production network and production facilities, "Smart Factories" will be created, ensuring the development of "Learning Enterprise" structure among the facilities, and increasing production efficiency in every area (with Industry 4.0 compatibility). Anadolu Cam Sanayii A.Ş. combines its technological superiority with innovative and authentic perspective, and will continue to play an important role in the future of all stakeholders, particularly our employees and customers, as was the case in the past.

Achieving operational excellence with improvements and innovations in management of processes will be one of the focus areas of the Company in 2018.

HUMAN RESOURCES

As of 2017 year-end, Anadolu Cam Sanayii A.Ş. employs 610 white-collar and 1,111 blue-collar in domestic operations; and 756 white-collar and 1,716 blue-collar in foreign operations, totalling 4,193 employees.

Şişecam Group conducts human resources applications in line with corporate culture and values, according to international norms and the local legislations of the countries of operations, and the Company's goals and strategies, to contribute in continuous improvement and creation of sustainable competitive edge.

In accordance with Şişecam Group's corporate values, all human resources applications, particularly hiring, training and development, performance management, assessment and remuneration systems, recognition, appreciation and rewarding, career management and back-up systems are being conducted with consideration to the benefits of employer and employee.

All hiring processes at Şişecam Group are being managed without discrimination or privilege, by considering the competencies required for the job and the candidate's potential. Hiring processes and are assessed using scientifically-based tools with proven validity and reliability. With the broad range of employer brand management, Şişecam's broad fields of activity, working opportunities and development opportunities are described to students and new-graduate candidates. Long term project internship application, implementing the projects to benefit Şişecam and students jointly, enables students to become parts of Şişecam Group and to gain experience before starting their work life. In addition, presentations and interviews are being conducted at university campuses.

Training and development activities are being conducted at Şişecam Group to support the employees' position-based competencies, professional qualifications, individual learning and development needs, and prepare them for new positions.

Training and development activities are conducted Şişecam Academy, which is restructured with innovative methods and investments.

Şişecam Group rewards projects that make a difference and positively affect the employees' work processes and outcomes. Ideas that generate benefit, in line with the Group's strategy and goals, are assessed with Suggestion Development System. Within the scope of Recognition and appreciation applications, employees are being remembered on their special days, and appreciated by the Company for their exemplar behaviour and success. Şişecam Group aims at keeping the employee satisfaction at top level in all activities. Thus, human resources processes are continuously reviewed, to provide improvements.

INDUSTRIAL RELATIONS / OCCUPATIONAL HEALTH AND SAFETY

Anadolu Cam Sanayii A.Ş. arranges trainings for employees, on the legal liabilities under the Occupational Health and Safety Law. In addition, applications are developed and events are arranged for spreading the Occupational Health and Safety culture. At the domestic and foreign affiliates, the industrial relationships process is being conducted within the framework of collective agreement and relationships in accordance with the law and the legislation, considering the dialog with the authorized domestic and foreign labour unions at the workplace, mutual understanding, protection of labour peace, and production continuity principles.

25th Period Group Collective Agreement executed for two years with Kristal-İş Union, including Mersin Plant and Yenişehir Plant, and 2nd Period Collective Agreement executed for three years with Kristal-İş Union for Eskişehir Plant will be effective until 31.12.2018.

ALL HIRING PROCESSES AT ŞİŞECAM GROUP ARE BEING MANAGED WITHOUT DISCRIMINATION OR PRIVILEGE, BY CONSIDERING THE COMPETENCIES REQUIRED FOR THE JOB AND THE CANDIDATE'S POTENTIAL.

Execution of excellence in technology

AN OVERVIEW OF 2017

THE COMPANY RESPECTS DIVERSITY AND DIFFERENCES AMONG EMPLOYEES, WITHOUT DISTINCTION OF RACE, RELIGION, LANGUAGE AND GENDER.

Anadolu Cam Sanayii A.Ş. makes no discrimination of race, religion, language or gender among the employees, and respects diversity and differences, according to our corporate values. All processes are being conducted according to the "Personal Data Protection Law" that regulates the principles and procedures applicable to real and legal persons processing personal data, and their liabilities, in order to protect the people's fundamental rights and liberties, particularly their personal privacy. Anadolu Cam Sanayii A.Ş. acts in compliance with Şişecam Ethical Principles in all business processes manner.

RISK MANAGEMENT AND INTERNAL AUDIT ACTIVITIES

The company's risk management and internal audit activities are carried out under the responsibility of the "Risk Early Detection Committee" and the "Audit Committee", which are organized as a sub-committee of the Board of Directors. Committee meetings are held periodically in line with a predetermined agenda and decisions and proposals taken at meetings are recorded and regularly presented to the Board of Directors. The Board of Directors follows the risk management and internal audit activities through the committees and makes necessary guidance.

Financial crises, intensified intergovernmental conflicts, security problems triggered by geopolitical factors, as well as technological developments often referred to as Industry 4.0, dramatic consequences of climate change and social problems have made the world a place different from the past, posing political, economic, technological and environmental risks.

The fact that global risks are beginning to affect the lives of people, companies and governments in new and unusual ways, as well as the fact that a significant portion of the risks cannot be covered by the content, has differentiated the viewpoint of risks all over the world and has greatly increased the importance of risk management as a discipline. In this context, as in previous years, the effectiveness of risk management and internal audit processes was constantly monitored in 2017, and the two functions that constitute important elements of corporate governance were managed more effectively with a wider perspective. Within this framework, current and potential risks are addressed with a proactive approach and audit activities are carried out with a risk-oriented perspective.

The internal audit and risk management functions should be designed to ensure that the functions of internal audit and risk management are carried out in the course of the work carried out to establish an institutional structure, to provide the necessary safeguards to the stakeholders, to protect the tangible and intangible assets, resources and environment of the company, to minimize the losses arising from uncertainties, communication is kept at the highest level and it is aimed to support the decision making process and increase management efficiency.

Şişecam Glass Packaging conducts its risk management activities with a holistic and proactive approach, and these activities are conducted on the basis of corporate risk management applications.

Execution of excellence in quality

Risk Management
Şişecam Group conducts its risk management activities with a holistic and proactive approach, and these activities are conducted on the basis of corporate risk management applications. All financial and non-financial risks arising from the activities are continuously reviewed and assessed. Thus, it is aimed at identifying the strategies for risk management and take necessary measures.

Internal Audit
Long-standing and corporate internal audit activities at the Group aims at assisting in healthy development of the Company, and ensuring unity and integrity of applications, and performing effective, constructive and efficient controls to ensure that activities are conducted in accordance with the legislation, and taking corrective measures on a timely basis. Internal audit works conducted within the scope of annual regular audit program, as well as the creation of the audit program, utilizes the results of risk management activities, to implement "risk-driven audit" applications.

ANADOLU CAM SANAYİİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH
OF CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 2017 –
31 DECEMBER 2017

(ORIGINALLY ISSUED IN TURKISH)

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(Convenience translation of the auditors' report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of
Anadolu Cam Sanayii Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

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

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

2) Basis for Opinion

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

3) Key Audit Matters

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

Key Audit Matter	How key audit matter addressed in the audit
Auditor's Rotation and Audit of Opening Balance	
Initial audit engagements involve a number of considerations not encountered in recurring audits. Additional planning activities and assessments necessary to establish an appropriate audit strategy and plan shall include: - Gaining an initial understanding of the Group and its core businesses, including its control environment and information systems to determine audit risks, and develop audit plans, - Gathering sufficient audit evidence regarding the opening balances, adequacy and accuracy of accounting policies, and communicating with the previous auditor to perform file review, - Maintaining communication with the previous auditor	Prior to undertaking audit responsibilities for the Group on December 31, 2017, we developed a transition plan that includes the following items starting from May 2017: - Communicating with the previous auditor to perform file review, to discuss significant audit and accounting matters, and to clarify identified audit differences for all subsidiaries of the Group, - Holding meetings with the auditors and management of the subsidiaries, - Arranging periodic meetings with the management to further understand existing risks, internal control mechanisms and audit findings, - Participating in closing meetings with all subsidiary audit teams via conference calls or in person.
Deferred Tax Assets Related to Investment Incentives	
As of December 31, 2017, the Group has corporate tax advantages pertaining to investment expenditures made within the scope of investment incentive certificates. As of 31 December 2017, TL 143,814 thousand deferred tax assets were recognized within the scope of these investment incentive certificates. As detailed in Note 35, based on the regulatory changes of the Council of Ministers decree regarding incentives and due to the assumptions presented in Note 27, a focus on the audit procedures for this area has been granted.	To examine the management's assumptions and the effect of the issued decree of the Council of Ministers, tax experts from an organization associated with our audit firm were included in the process. Assessment of related deferred tax assets is presented for the review and evaluation of the tax experts. In addition, the compliance of the disclosures included in the financial statements with TAS has been evaluated.
Deferred tax asset related to unused tax loss carry forwards	
The Board of Directors has an estimation of the recoverability of the deferred tax asset indicated in the financial statements in respect of previous tax losses, considering the taxable profits in further financial years and the periods in which previous year losses can be claimed in various countries. Based on this estimate, deferred tax assets amounting to TL 113,955 thousand related to the tax losses have been recorded. There is uncertainty about the estimation of the future taxable profit that determines whether deferred tax assets will be recognized. The assessment of the measurement and recoverability of deferred income assets is a key audit matters for our audit as the assessment process is required to reasoning but it is based on estimates and assumptions. Disclosures regarding the deferred tax assets are explained in Note 35.	Assumptions and estimates made by the Board of Directors based on future years ' budgets and business plans and their past experiences regarding the possibility of generating sufficient taxable profit. Our audit procedures include the evaluation of these assumptions and estimates based on our knowledge and experience regarding the application of the relevant tax legislation. The consistency of the basic estimates has been assessed and procedures have been followed to ensure that the Group companies' tax losses are properly applied in deferred tax accounting regarding to the tax practices in various countries and that the financial statement disclosures are presented complete and accurate. The compliance of the disclosures in the consolidated financial statements with the TAS has also been evaluated.

Provisions for Employee Benefits

As of December 31, 2017, the Group's employee benefits related to termination and vacation pay amount to TL 56,081 thousand and TL 4,659 thousand, respectively. The Group utilizes various assumptions such as discount rate, inflation rate, real salary increase rate, probability of voluntary termination to calculate the provisions for employee benefits. The disclosures on provisions for employee benefits are provided in Note 24.	As part of the audit procedures, in addition to assessing assumptions on discount rate, inflation rate, real salary increase rate, and the probability of voluntary termination, the employee list used in conjunction with the calculations of employee benefits is also evaluated. As part of the performed procedures, a test for the validity of the management's assumptions is performed. An evaluation of the compliance of the disclosures included in the financial statements with TAS has also been performed.

4) Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on March 6, 2017.

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

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

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

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

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

In an independent audit, the responsibilities of us independent auditors are as follows:

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 26 February 2018.
2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January-31 December 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Zeynep Okuyan Özdemir.

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

Zeynep Okuyan Özdemir, SMMM

February 26, 2018
İstanbul, Turkey

ANADOLU CAM SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

ASSETS	Notes	31 December 2017	31 December 2016
Current Assets			
Cash and cash equivalents	6	569,028	807,537
Financial investments	7	12,747	9,677
Trade receivables	10, 37	557,679	386,601
- Trade receivables due from related parties	*37*	*17,770*	*6,725*
- Trade receivables due from nonrelated parties	*10*	*539,909*	*379,876*
Other receivables	11, 37	6,972	329,808
- Other receivables due from related parties	*37*	*239*	*322,891*
- Other receivables due from nonrelated parties	*11*	*6,733*	*6,917*
Derivative financial assets	12	1,209	831
Inventories	13	326,072	351,482
Prepayments	14	36,206	31,380
Current tax assets	35	7,130	5,201
Other current assets	26	4,598	29,212
Total Current Assets		**1,521,641**	**1,951,729**
Non-current Assets			
Financial investments	7	243,441	186,618
Other receivables	11	295	281
Investments accounted for using equity method	16	16,648	36,436
Property, plant and equipment	18	2,191,530	2,045,877
Intangible assets and goodwill	19, 20	4,080	3,673
- Goodwill	*20*	*3,483*	*3,068*
- Other intangible assets	*19*	*597*	*605*
Prepayments	14	20,864	9,766
Deferred tax assets	35	184,565	182,489
Total non-current Assets		**2,661,423**	**2,465,140**
TOTAL ASSETS		**4,183,064**	**4,416,869**

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

CONVENIENCE TRANSLATION OF THE AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

ANADOLU CAM SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

LIABILITIES	Notes	31 December 2017	31 December 2016
Current Liabilities			
Current borrowings	8	320,346	421,704
Current portion of non-current borrowings	8	511,174	307,440
Trade payables	10, 37	273,114	202,676
- Trade payables to related parties	*37*	*79,284*	*65,644*
- Trade payables to nonrelated parties	*10*	*193,830*	*137,032*
Employee benefit obligations	24	2,403	2,052
Other payables	11, 37	99,778	364,782
- Other payables to related parties	*37*	*47,040*	*325,658*
- Other payables nonrelated parties	*11*	*52,738*	*39,124*
Derivative financial liabilities	12	20,252	40,772
Deferred income	14	14,790	9,141
Current tax liabilities	35	-	17,969
Current provisions	22, 24	22,876	12,189
Other current liabilities	26	13,250	13,676
Total Current Liabilities		**1,277,983**	**1,392,401**
Non-current Liabilities			
Long-term borrowings	8	955,612	1,018,753
Other payables	11	-	37,099
Non-current provisions	24	56,081	41,997
Deferred tax liabilities	35	1,125	15,895
Total Non-Current Liabilities		**1,012,818**	**1,113,744**
Total Liabilities		**2,290,801**	**2,506,145**
EQUITY			
Equity Attributable to Owners of Parent	**27**	**1,892,263**	**1,802,743**
Issued capital		750,000	444,000
Inflation adjustments on capital		1	1
Other accumulated comprehensive income (loss) that will not be reclassified to profit or loss		493,963	474,437
- Gains (losses) on revaluation and remeasurement		*493,963*	*474,437*
- Increases (Decreases) on revaluation of property, plant and equipment		*498,628*	*473,098*
- Gains (Losses) on remeasurements of defined benefit plans		*(4,665)*	*1,339*
Other accumulated comprehensive income (loss) that will be reclassified to profit or loss		(102,406)	(57,073)
- Exchange differences on translation		*(102,261)*	*(56,011)*
- Gains (Losses) on Hedge		*(145)*	*(1,062)*
Restricted reserves appropriated from profits		157,348	103,449
Prior years' profits or losses		412,040	381,071
Current period net profit or loss		181,317	456,858
Non-Controlling Interests	**27**	**-**	**107,981**
Total Equity		**1,892,263**	**1,910,724**
TOTAL LIABILITIES AND EQUITY		**4,183,064**	**4,416,869**

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

ANADOLU CAM SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Notes	1 January - 31 December 2017	1 January - 31 December 2016
Revenue	28	2,410,837	1,830,044
Cost of sales	28	(1,740,194)	(1,373,397)
Gross profit (loss)		**670,643**	**456,647**
General administrative expenses	29,30	(177,155)	(165,643)
Marketing expenses	29,30	(245,940)	(185,528)
Research and development expenses	29,30	(1,763)	(10,205)
Other income from operating activities	31	72,845	61,311
Other expenses from operating activities	31	(70,995)	(45,868)
Profit (Loss) from operating activities		**247,635**	**110,714**
Investment activity income	32	67,857	388,185
Investment activity expenses	32	(5,465)	(7,588)
Share of profit (loss) from investments accounted for using equity method	16	8,146	10,575
Profit (Loss) before financing income (expense)		**318,173**	**501,886**
Finance income	33	282,725	473,188
Finance costs	33	(417,620)	(475,222)
Profit (loss) from continuing operations, before tax		**183,278**	**499,852**
Tax (expense) income, continuing Operations		**594**	**(34,862)**
- Current period tax (expense) income	35	(16,030)	(51,267)
- Deferred tax (expense) income	35	16,624	16,405
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**183,872**	**464,990**
Attributable to :			
Non-controlling interests	27	2,555	8,132
Owners of Parent	**27**	**181,317**	**456,858**
Earnings Per Share	**36**	**0.2418**	**0.6091**

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

ANADOLU CAM SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Notes	1 January - 31 December 2017	1 January - 31 December 2016
Profit (Loss)	**27**	**183,872**	**464,990**
Other comprehensive income that will not be reclassified to profit or loss	**27**	**10,051**	**64,432**
Gains (losses) on revaluation of property, plant and equipment		31,032	74,659
Gains (losses) on remeasurements of defined benefit plans		(7,674)	1,034
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss		(22)	40
Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss		(13,285)	(11,301)
Other comprehensive income that will be reclassified to profit or loss	**27**	**(45,333)**	**(359,349)**
Exchange differences on translation		(46,250)	(62,610)
Gains (losses) on remeasuring or reclassification adjustments on available-for-sale financial assets		-	(306,771)
Other comprehensive income (loss) related with cash flow hedges		1,146	(6,633)
Taxes relating to components of other comprehensive income that will be reclassified to profit or loss		(229)	16,665
Other comprehensive income (loss)		**(35,282)**	**(294,917)**
Total comprehensive income (loss)		**148,590**	**170,073**
Attributable to:		**148,590**	**170,073**
- Non-controlling interest		2,555	8,173
- Owners of parent		**146,035**	**161,900**
Earnings per share	**36**	**0.1947**	**0.2159**

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

CONVENIENCE TRANSLATION OF THE AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

ANADOLU CAM SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
AS OF 31 DECEMBER 2017 AND 2016

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

	Paid-in Capital	Adjustments to Share Capital	Adjustments on Cross Capital and Investment Transactions (-)	Other Comprehensive Income not to be reclassified to profit or loss	Other Comprehensive Income to be reclassified to profit or loss	Restricted Reserves	Retained Earnings	Net Profit for the Period	Attributable to Equity Holders of the Parent	Non Controlling Interest	Equity
Balance at 1 January 2016	**444,000**	**1**	**-**	**410,010**	**287,735**	**92,217**	**355,249**	**51,602**	**1,640,814**	**105,883**	**1,746,697**
Transfers	-	-	-	-	-	11,232	40,370	(51,602)	-	-	-
Total comprehensive income(loss)	-	-	-	64,391	(359,349)	-	-	456,858	161,900	8,173	170,073
Dividends paid	-	-	-	-	-	-	-	-	-	(6,000)	(6,000)
Transactions with non-controlling shareholders	-	-	-	36	(3)	-	(4)	-	29	(75)	(46)
Increase (decrease) through other changes, equity	-	-	-	-	14,544	-	(14,544)	-	-	-	-
Balance at 31 December 2016	**444,000**	**1**	**-**	**474,437**	**(57,073)**	**103,449**	**381,071**	**456,858**	**1,802,743**	**107,981**	**1,910,724**

	Paid-in Capital	Adjustments to Share Capital	Adjustments on Cross Capital and Investment Transactions (-)	Other Comprehensive Income not to be reclassified to profit or loss	Other Comprehensive Income to be reclassified to profit or loss	Restricted Reserves	Retained Earnings	Net Profit for the Period	Attributable to Equity Holders of the Parent	Non Controlling Interest	Equity
Balance at 1 January 2017	**444,000**	**1**	**-**	**474,437**	**(57,073)**	**103,449**	**381,071**	**456,858**	**1,802,743**	**107,981**	**1,910,724**
Transfers	-	-	-	-	-	53,899	402,959	(456,858)	-	-	-
Total comprehensive income(loss)	-	-	-	10,051	(45,333)	-	-	181,317	146,035	2,555	148,590
Issue of equity	306,000						(306,000)	-	-	-	-
Dividends paid	-	-	-	-	-	-	(60,295)	-	(60,295)	-	(60,295)
Transactions with non-controlling Shareholders	-	-	-	9,475	-	-	(5,695)	-	3,780	(110,536)	(106,756)
Balance at 31 December 2017	**750,000**	**1**	**-**	**493,963**	**(102,406)**	**157,348**	**412,040**	**181,317**	**1,892,263**	**-**	**1,892,263**

Disclosures regarding the changes in equity is explained in Note 27.

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

CONVENIENCE TRANSLATION OF THE AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

ANADOLU CAM SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Notes	1 January - 31 December 2017	1 January - 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES		**376,218**	**99,301**
Profit (Loss)	**27**	**183,872**	**464,990**
Adjustments to Reconcile Profit (Loss)		**428,030**	**(106,854)**
Adjustments for depreciation and amortisation expense	18, 19	296,465	244,767
Adjustments for impairment loss (reversal of impairment loss)	10, 11 ,13, 26	19,833	9,895
Adjustments for provisions	22, 24	23,557	16,636
Adjustments for dividend (income) expenses	32	-	(6,835)
Adjustments for interest (income) expenses	8, 31, 33	144,402	87,222
Adjustments for unrealised foreign exchange losses (gains)	31, 33	13,069	(107,300)
Adjustments for fair value losses (gains)	7	(29,646)	(26,579)
Adjustments for undistributed profits of investments accounted for using equity method	16	(8,146)	(10,575)
Adjustments for tax (income) expenses	35	(594)	34,862
Adjustments for losses (gains) on disposal of non-current assets	31, 32	(914)	(5,499)
Adjustments for (income) expense caused by sale or changes in share of associates, joint ventures and financial investments	16, 32	(31,832)	(341,684)
Other adjustments to reconcile profit (loss)	7, 26	1,836	(1,764)
Changes in Working Capital		**(12,226)**	**(105,331)**
Adjustments for decrease (increase) in trade accounts receivable	10, 27, 31, 37	(196,980)	(83,846)
Adjustments for decrease (increase) in other receivables related with operations	11, 37	322,836	(313,337)
Decrease (Increase) in derivative financial assets	12, 33	381	101,382
Adjustments for decrease (increase) in inventories	13	10,977	(44,427)
Adjustments for increase (decrease) in trade accounts payable	10, 37	70,518	65,160
Adjustments for increase (decrease) in other operating payables	11, 14, 24, 37	(259,005)	192,245
Other adjust.for other increase (decrease) in working capital	7, 14, 15, 26, 35	39,047	(22,508)
Cash Flows from (used in) Operations		**599,676**	**252,805**
Interest paid	8, 31, 33, 37	(187,615)	(143,974)
Interest received	31, 33, 37	11,959	23,194
Payments related with provisions for employee benefits	24	(6,460)	(5,423)
Income taxes refund (paid)	35	(41,342)	(27,301)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(414,414)**	**(36,747)**
Cash outflows the from purchase of additional shares of subsidiaries	27	(106,756)	(46)
Cash inflows caused by share sales or capital decrease of associates And joint ventures	16,32	50,404	-
Cash receipts from sales of equity or debt instruments of other entities	7	78,553	368,604
Cash payment to acquire equity or debt instrument of other entities	7	(120,363)	(196,295)
Proceeds from sales of property, plant, equipment and intangible assets	18, 19, 32	13,700	21,550
Purchase of property, plant, equipment and intangible assets	8, 18, 19	(338,875)	(331,622)
Cash advance and loans made to other parties	14	(455,561)	(112,398)
Cash receipts from repayment of advances and loans made to other parties	14	444,779	159,520
Dividend received	16, 26, 32	9,345	13,877
Interest received	6, 7, 33	47,473	30,127
Other inflows / (outflow) of cash	7, 10, 11, 26	(37,113)	9,936

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

ANADOLU CAM SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Notes	1 January - 31 December 2017	1 January - 31 December 2016
C. CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(267,754)**	**(148,236)**
Proceeds from borrowings	8	861,481	681,534
Repayment of borrowings	8	(1,068,940)	(823,770)
Dividends paid	27	(60,295)	(6,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		**(305,950)**	**(85,682)**
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**84,852**	**198,725**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(221,098)**	**113,043**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**6**	**788,789**	**675,746**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**6**	**567,691**	**788,789**

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

ANADOLU CAM SANAYİİ A.Ş.

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

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

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Anadolu Cam Sanayii A.Ş. and its subsidiaries (the "Group") consists of Anadolu Cam Sanayii A.Ş. (the "Company") and its nine subsidiaries and one associate. The Company was established in Turkey in 1969 and started its operations in 1973. In 1976, the Company joined the group of Türkiye İş Bankası and Türkiye Şişe ve Cam Fabrikaları A.Ş ("Şişecam Holding").

The Group's activities consist of glass packaging manufacturing and sales. From the Turkey perspective, production takes place in Mersin, Bursa/Yenişehir and Eskişehir factories. All marketing and selling activities of the Company are managed by its "Sales and Management Centre". Its export sales are managed by Şişecam Dış Ticaret A.Ş. The Company's shares are traded on Borsa İstanbul A.Ş. ("BIST"), formerly named as Istanbul Stock Exchange ("ISE"), since 1986. Türkiye Şişe ve Cam Fabrikaları A.Ş. holds 77.10% of the shares in the Company and has control in the management as of the date of this financial statements.

The Head Office and Shareholder Structure of the Company

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

The Company is registered in Turkey and its contact information is presented below:

İçmeler Mah. D-100 Karayolu Cad. No: 44/A 34947 Tuzla / İstanbul / Türkiye

Telefon : + 90 (212) 206 50 50
Faks : + 90 (212) 206 57 57
http://www.sisecamglasspackaging.com

The Company Trade Registry Information

Registered Trade Office: Istanbul Registry of Commerce Office
Registered no: 103040
Central registration system no: 0–8127–3186–65213508

Personnel Structure of the Group

	31 December 2017	31 December 2016
Personnel paid on a monthly basis	1,366	1,350
Personnel paid on a hourly basis	2,827	2,918
Total	**4,193**	**4,268**

There is no personnel included in total are from accounted for under equity method (31 December 2016: 85 Persons).

Companies included in consolidation:

The Company consolidates its subsidiaries stated below on a line-by-line basis. Associate is accounted for using the equity accounting method in the consolidated financial statements.

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

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Subsidiaries:

Title of Entity	Nature of Business	Country of Registration
Anadolu Cam Yenişehir Sanayi A.Ş. (1), (3)	Glass packaging production and sales	Turkey
Anadolu Cam Eskişehir Sanayi A.Ş. (2), (3)	Glass packaging production and sales	Turkey
OOO Ruscam(4)	Glass packaging production and sales	Russia
OOO Ruscam Glass (5)	Glass packaging production and sales	Russia
OOO Ruscam Glass Packaging Holding	Glass packaging production and sales	Russia
OOO Energosystems	Rent of industrial products	Russia
OOO Ruscam Management Company	Finance and investment company	Russia
JSC Mina	Glass packaging production and sales	Georgia
CJSC Brewery Pivdenna	Glass packaging production and sales	Ukraine
Merefa Glass Company Ltd.	Glass packaging production and sales	Ukraine
Anadolu Cam Investment B.V.	Finance and investment company	Netherlands
Balsand B.V.	Finance and investment company	Netherlands
AC Glass Holding B.V.	Finance and investment company	Netherlands

	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Anadolu Cam Yenişehir Sanayi A.Ş. (1), (3)	-	-	85.00	85.00
Anadolu Cam Eskişehir Sanayi A.Ş. (2), (3)	-	-	85.00	85.00
OOO Ruscam (4)	-	-	100.00	100.00
OOO Ruscam Glass (5)	-	-	100.00	100.00
OOO Ruscam Glass Packaging Holding	100.00	100.00	100.00	100.00
OOO Energosystems	100.00	100.00	100.00	100.00
OOO Ruscam Management Company	100.00	100.00	100.00	100.00
JSC Mina	100.00	100.00	100.00	100.00
CJSC Brewery Pivdenna	100.00	100.00	100.00	100.00
Merefa Glass Company Ltd.	100.00	100.00	100.00	100.00
Anadolu Cam Investment B.V.	100.00	100.00	100.00	100.00
Balsand B.V.	100.00	100.00	100.00	100.00
AC Glass Holding B.V.	100.00	100.00	100.00	100.00

(1) 15% shares of Anadolu Cam Yenişehir Sanayi A.Ş. acquired from T. Şişe ve Cam Fabrikaları A.Ş. at 29 March 2017.
(2) 15% shares of Anadolu Cam Eskişehir Sanayi A.Ş. acquired from T. Şişe ve Cam Fabrikaları A.Ş. at 29 March 2017.
(3) The Company's application to Capital Market Board about the facilitated merger process of the acquisition of Anadolu Cam Yenişehir Sanayi A.Ş. and Anadolu Cam Eskişehir Sanayi A.Ş., where the Company has the capital and 100 percent of voting rights, has approved and announced through the Bulletin of the Capital Markets Board, which is published on August 11, 2017. Merger procedure has registered on August 31, 2017. Starting from September 1, 2017, these companies is countinuing its operations in the factories under the legal title of Anadolu Cam Sanayii A.Ş..
(4) As of August 9, 2017, OOO Ruscam, which is a subsidiary of company, merged under OOO Ruscam Glass Packaging Holding.
(5) As of December 18, 2017 ,OOO Rucam Glass, which is a subsidiary of company, merged under OOO Ruscam Glass Packaging Holding.

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Joint Venture:

	Nature of Business	Country of Registration
Omco İstanbul Kalıp San. ve Tic. A.Ş.(*)	Glass moulds production and sales	Turkey

	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Omco İstanbul Kalıp San.ve Tic.A.Ş.(*)	-	-	50.00	50.00

Associates:

	Nature of Business	Country of Registration
Camiş Elektrik Üretim A.Ş.	Electricity production and sales	Turkey

	31 December 2017		31 December 2016	
	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Camiş Elektrik Üretim A.Ş.	26.09	26.09	26.09	26.09

(*) Upon the approval of the Competition Board, the transfer of 50% of the shares in Omco İstanbul Kalıp San. ve Tic. A.Ş. to Omco International N.V. (nonrelated party), the other shareholder of the Company, has been completed on June 12, 2017 (Note 16 and Note 27).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC") (together will be referred as "TAS/TFRS"). The accompanying consolidated financial statements are prepared in accordance with resolution No. 30 TAS taxonomy published by POAASA on 2 June 2016.

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

Presentation and Functional Currency

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

Preparation of Financial Statements in Hyperinflationary Periods

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

Going Concern

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

Comparatives and Restatement of Prior Periods' Financial Statements

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

In this context; since the financial assets reached to a significant amount, the presentation was prepared in thousand Turkish Lira and the previous period financial information presented in Turkish Lira has been rounded to the nearest thousand in terms of being comparable to the current period.

Since the Group is not be able to invoice the freight costs and similar expenses related to the sales contracts in accordance with the maturity date and written amount in the sales contracts, the related costs are accounted in the "Marketing Expenses" directly in the operating expenses without netting the revenue. Therefore, Group have made the necessary classifications in previous consolidated financial statements in accordance with the changes in presentation of the current period financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

	Previously Reported 1 January - 31 December 2016	Reclassified	Revised 1 January - 31 December 2017
Revenue	1,767,001	63,043	1,830,044
Cost of Sales	(1,373,397)		(1,373,397)
Gross profit (loss)	**393,604**	**63,043**	**456,647**
General administrative expenses	(165,643)		(165,643)
Marketing expenses	(122,485)	(63,043)	(185,528)
Research and development expenses	(10,205)		(10,205)
Other income from operating activities	61,311		61,311
Other expenses from operating activities	(45,868)		(45,868)

Financial Statements of Foreign Subsidiaries

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

Foreign currencies and exchange rates of the countries where the Group's foreign operations take place are summarized below:

	31 December 2017		31 December 2016	
Currency	Period End	Period Average	Period End	Period Average
US Dollars	3.77190	3.64446	3.51920	3.01809
Euro	4.51550	4.11588	3.70990	3.33755
Russian Rubles	0.06507	0.06210	0.05732	0.04506
Georgian Lari	1.45510	1.45276	1.32961	1.27522
Ukrainian Hryvnia	0.13439	0.13704	0.12943	0.11814

Consolidation Principles

The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards applying uniform accounting policies and presentation. The results of subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Subsidiaries

Control is obtained by controlling over the activities of an entity's financial and operating policies in order to benefit from those activities.

Subsidiaries are companies over which the parent company controls the financial and operating policies for the benefit of the parent company, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Note 1 sets out all subsidiaries included in the scope of consolidation and show their ownership and effective interests as of 31 December 2017 and 31 December 2016.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The result of operations of subsidiaries are included or excluded in these consolidated financial statements profit/ loss and other comprehensive income subsequent to the date of acquisition or date of sale respectively. The expenses related to acquisitions are accounted for under profit/loss statement once occurred.

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

The non-controlling interests' shares in the consolidated subsidiaries' net assets are separately disclosed in the equity of the Group. The non-controlling interests represent the sum of the shares issued during the initial business combinations and the non-controlling interests' shares in the equity changes from the date of business combination.

When the losses applicable to the non-controlling portion exceed the non-controlling interest in the equity of the subsidiary, the excess loss and the further losses applicable to the non-controlling are charged against the non-controlling interest.

Joint Ventures

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

CONVENIENCE TRANSLATION OF THE AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH
ANADOLU CAM SANAYİİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017
(AMOUNTS ARE EXPRESSED IN THOUSAND TURKISH LIRA ("TRY") UNLESS OTHERWISE INDICATED.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Associates

Associates are companies in which the Group has an interest which is more than 20% and less than 50% of the voting rights and over which a significant influence is exercised. The equity method is used for accounting of associates.

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

Available-for-Sale Investments

Available-for-sale investments, in which the Group has controlling interests equal to or above 20%, or over which are either immaterial or where a significant influence is not exercised by the Group, that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are carried at cost less any provision for impairment. The Group did not have any assets held for sale which are carried at cost as of 31 December 2017.

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

2.2 Statement of Compliance with TAS

The Group prepared the accompanying consolidated financial statements as of 31 December 2017 in accordance with the Communiqué Serial II. No 14,1 and the related announcements. The accompanying consolidated financial statements and explanory notes were disclosed in compliant with the reporting formats recommended by CMB compulsory explanation.

2.3 Significant Changes in the Accounting Policies

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

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

2.4 Restatement and Errors in the Accounting Policies and Estimates

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The Group has applied new standards, amendments and interpretations to existing TAS/ TFRS standards published by POA and TASC that are effective as at 1 January 2017 and are relevant to the Group's operations. There are no relevant amendments or interpretations for the Group which have been enforced as of 1 January 2017 and in period ends to 31 December 2017.

a. The Standards issued as of December 31, 2017 but not enacted and not early adopted:

The new standards, interpretations and amendments published in the consolidated financial statements as of the approval date of the financial statements but not yet effective for the current reporting period and not early adopted by the Group are as follows. Unless otherwise stated, the Group will make necessary changes in the Consolidated Financial Statements and footnotes after the new standards and interpretations have been enacted.

TFRS 15 Revenue from Contracts with Customers

In September 2016, the POA issued TFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is 1 January 2018, with early adoption permitted.

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

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

TFRS 9 Financial Instruments

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

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

a. The Standards issued as of December 31, 2017 but not enacted and not early adopted:

TFRS 4 Insurance Contracts (Amendments)

In December 2017, the POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a. give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—TAS 39.

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

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

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation that published by Public Oversight Accounting and Auditing Standarts Authority as of December 19, 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

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

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

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

a. The Standards issued as of December 31, 2017 but not enacted and not early adopted:

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

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

TAS 28 Investments in Associates and Joint Ventures (Amendments)

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

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

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

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

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

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

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

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

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

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

a. The Standards issued as of December 31, 2017 but not enacted and not early adopted:

Annual Improvements to TFRS - 2014-2016 Cycle

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

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

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

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

b. The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) as of 31 December 2017:

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

Annual Improvements 2010-2012 as follows:

IFRS 13 Fair Value Measurement

Short-term trade receivables and payables with no interest, as explained in the Decision Reasons, can be shown in the invoice amount when the discount effect is insignificant. Changes will be applied immediately.

IFRS 16 Leases

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

b. The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) as of 31 December 2017:

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

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

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

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

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

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

b. The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) as of 31 December 2017:

Annual Improvements – 2015–2017 Cycle

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

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

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

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

2.6 Summary of Significant Accounting Policies

Revenue recognition

Revenues are recognized on an accrual basis at the fair values of consideration received or receivable incurred or to be incurred. Net sales represent the invoiced value of trading goods and services given, less sales discounts and returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized in the period on an accrual basis as operating income (Notes 28 and 31).

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

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

2.6 Summary of Significant Accounting Policies (Continued)

Sales of Goods

The Group's sales consist of flat glass, glass ware, glass fiber and glass packaging that cover all the major areas of glass production, as well as soda and chrome. Revenue obtained from the sales of the goods is accounted for when the conditions below are met:

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

Interest Income

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

Dividend Income

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

Inventories

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

Property, Plant and Equipment

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

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

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.6 Summary of Significant Accounting Policies

Property, Plant and Equipment

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

	Useful life
Land improvements	8-50 years
Buildings	10-50 years
Machinery and equipment	3-30 years
Motor vehicles	3-15 years
Furniture and fixtures	2-20 years
Other tangible assets	4-15 years

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

Costs of property, plant and equipment are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of income during the financial period in which they were incurred.

Gain or losses on disposal of property, plant and equipment are included in the related income or expense from investing activities line item and are determined as the difference between the carrying value and amounts received.

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

Intangible Assets

Intangible Assets Acquired

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

Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 - 5 years).

Costs associated with developing or maintaining computer software programs are recognized in the comprehensive income statement as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Software development costs include employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years) (Note 19).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.6 Summary of Significant Accounting Policies

Intangible Assets

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they meet the definition of an intangible asset and their fair value can be measured reliably. Cost of such intangible assets is the fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets acquired separately (Note 19).

Derivative Financial Instruments

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements and fair value difference of these derivatives are accounted for under consolidated income statements. Derivatives of the Group which qualified for hedge accounting under specific rules are measured using the methods stated as below:

Cash Flow Hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group. Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognized under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gains or losses previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Impairment of Assets

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.6 Summary of Significant Accounting Policies

Leases

a) The Group as the lessee

Financial leasing

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

Operating leases

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

b) The Group as the lessor:

Operating leases

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

Borrowing Costs

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

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Foreign exchange differences relating to borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalized. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.6 Summary of Significant Accounting Policies

Related Parties

In the presence of one of the following criteria, the party is deemed to be associated with the Company:

a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Offsetting

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

Financial Assets

Classification

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

Receivables

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.6 Summary of Significant Accounting Policies

Available-for-Sale Financial Assets

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

Held to maturity financial assets

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

Recognition and Measurement

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

Loans and receivables are carried at amortized cost using the effective interest method.

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.6 Summary of Significant Accounting Policies

Trade receivables

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

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the reversal of the provision is credited to other operating income.

Interest income/expenses and foreign exchange gain/losses arising from trading activities are accounted for under "Other Income / Expenses from Operating Activities" in the consolidated statement of profit and loss (Note 10 and Note 31).

Group collects some of its receivables through factoring. Amoung the receivables subject to factoring transaction, the amount that the factoring company takes responsibility of collection risk is discounted from the related receivable account. The amount with ongoing collection risk continue to be recorded in the consolidated financial statements. The prepayment received from the factoring company for these receivables are shown as debts from the factoring transactions under the "Borrowings" account in the consolidated financial statements. (Note 10, Note 33).

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (Note 6). Bank deposits with original maturities of more than three months and shorter than 1 year are classified under short-term financial investments (Note 7).

Financial Liabilities

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

Financial liabilities are classified as either equity instruments or other financial liabilities.

Other financial liabilities

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

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

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.6 Summary of Significant Accounting Policies

Trade Payables

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

Business Combinations and Goodwill

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

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquired business and in addition, any costs directly attributable to the business combination. The cost of the business combination at the date of the acquisition is adjusted if a business combination contract includes clauses that enable adjustments to the cost of business combination depending on events after acquisition date, and the adjustment is measurable more probable than not. Costs of the acquisition are recognized in the related period. Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquire. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

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

Transactions with Non-controlling Interests

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

Foreign Currency Transactions

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.6 Summary of Significant Accounting Policies

Foreign Currency Transactions

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

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

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

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

Earnings per Share

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

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

Subsequent Events

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

Provisions, Contingent Assets and Liabilities

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.6 Summary of Significant Accounting Policies

Provisions, Contingent Assets and Liabilities

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

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

Segment Reporting

The Group does not have operating departments used by the management to evaluate its performance and to determine the distribution of resources. Management assesses performance geographically according to the regions of Turkey, Russia, Ukraine, Georgia, and the Netherlands. When evaluating the segments' performance, the chief operating decision-maker, who is Group Management, is utilizing gross profit in the financial statements (Note 5).

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

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its profit or loss is 10% or more of the combined profit or loss or its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity (Note 35). In such case, the tax is recognized in shareholders' equity.

The current period tax on income is calculated for the Group's subsidiaries, associates and joint ventures considering the tax laws that are applicable in the countries where they operate.

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.6 Summary of Significant Accounting Policies

Current and deferred income tax

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

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

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

Employee Benefits

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

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

Statement of Cash Flows

The Group prepares statements of cash flows as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows include those from operating activities, working capital, investing activities and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

2.7 Significant Accounting Estimates and Assumptions

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

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.7 Significant Accounting Estimates and Assumptions

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TAS/TFRS and their statutory financial statements. The Group have deferred tax assets which from might occur discounted financial losses in subsequent periods and discounted temporary differences. The fully or partially recoverable amount of deferred tax assets are estimated under available circumstances. The future income projections, current period losses, unused losses and expiration dates of other tax assets and tax planning strategies that can be used when necessary are considered during the evaluation of estimations.

As a result of the assessment of Group Management, a deferred income tax asset amounting to TRY 113,955 thousand (31 December 2016: TRY 136,270 thousand) results from temporary differences as of 31 December 2017 that are arising from unused carry forward tax losses and can be used as long as the tax allowances continue. The Group is entitled with corporate tax allowances (in accordance with Corporate Tax Law No. 5520, article 32/A). As of 30 June 2017, the amount of corporate tax allowances related to temporary differences and that can be utilized during the period of corporate tax allowance right is TRY 143,814 thousand (31 December 2016: TRY 95,577 thousand) (Note 35).

At the Board of Directors meeting held on 30 December 2015, the Group management decided to change its accounting policy related to measurement of land and buildings subject to the period starting from 30 September 2015 from cost method to fair value method in accordance with TAS 16. This change in the accounting policy was effective from 31 December 2015 and applied in the all Group Companies.

Land and buildings are stated at revalued amounts in accordance with TAS 16 revaluation method. Fair values in the financial statements dated 31 December 2017 and 31 December 2016 are based on the valuation reports prepared by independent valuation companies.

As there were recent similar buying/ selling transactions nearby, revaluations of land were based on the method of reference comparison whereas if there were recent similar buying/ selling transactions nearby revaluations of buildings were based on of reference comparison if not the method of cost approach. In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.

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

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

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

Increases on revaluation of property, plant and equipment for use are accounted under "Gains (losses) on revaluation and remeasurement" recognized in shareholders' equity; Decreases on revaluation of property, plant and equipment for use are accounted under "Expense from investing activities" recognized in the profit or loss.

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3. BUSINESS COMBINATIONS

There is no business combination between 1 January and 31 December 2017 within the scope of TFRS 3 "Business Combinations" standard (2016: None).

4. INTEREST IN OTHER ENTITIES

The disclosures related to Company's subsidiaries' and associate's names, affiliated country and ownership rates presented in Note 1.

The Group, presents the disclosures related to the changes in ownership rates that do not result in control ceases in the subsidiaries in Note 27.

5. SEGMENT REPORTING

Geographical segments

1 January - 31 December 2017	Turkey	Russia, Ukraine and Georgia	Netherlands	Consolidation adjustments	Consolidated
Revenue from third parties	1,391,259	1,019,578	-	-	2,410,837
Revenue from Group companies	892	13,127	-	(14,019)	-
Total net sales (*)	**1,392,151**	**1,032,705**	**-**	**(14,019)**	**2,410,837**
Cost of sales (-)	(993,842)	(759,027)	-	12,675	(1,740,194)
Gross profit	**398,309**	**273,678**	**-**	**(1,344)**	**670,643**
Operating expenses (-)	(222,468)	(200,143)	(5,736)	3,489	(424,858)
Other operating income	51,741	14,888	-	6,216	72,845
Other operating expenses (-)	(31,582)	(23,836)	-	(15,577)	(70,995)
Operating profit/(loss)	**196,000**	**64,587**	**(5,736)**	**(7,216)**	**247,635**
Income from investing activities	62,099	5,758	-	-	67,857
Expense from investing activities (-)	(50)	(5,415)	-	-	(5,465)
Income from investments accounted for using equity method	8,146	-	-	-	8,146
Operating profit before financial income and expense	**266,195**	**64,930**	**(5,736)**	**(7,216)**	**318,173**
Financial income	159,319	132,027	3,208	(11,829)	282,725
Financial expense (-)	(147,058)	(277,784)	(10,843)	18,065	(417,620)
Profit/(loss) before tax from continued operations	**278,456**	**(80,827)**	**(13,371)**	**(980)**	**183,278**
Tax income/(expense) for the period	14,445	(13,974)	-	123	594
Profit/(Loss) for the period	**292,901**	**(94,801)**	**(13,371)**	**(857)**	**183,872**
Purchases of tangible and intangible assets	231,561	107,314	-	-	338,875
Depreciation and amortization charges	(148,293)	(148,172)	-	-	(296,465)
Earnings before interest, taxes, depreciation and amortization (EBITDA)(**)	**414,488**	**213,102**	**(5,736)**	**(7,216)**	**614,638**
Statement of financial position (31 December 2017)					
Total assets	3,541,137	1,542,889	2,029,619	(2,930,581)	4,183,064
- Investments accounted for under equity method	*16,648*	-	-	-	*16,648*
- Deferred tax assets	*95,444*	*88,998*	-	*123*	*184,565*
Total liabilities	803,795	1,316,277	266,386	(95,657)	2,290,801
- Deferred tax liabilities	-	*1,125*	-	-	*1,125*

(*) Net sales according to the geographical regions are represented based on the countries where the companies are operating in.

(**) Ebitda: Ebitda was not defined by TAS. Due to represent and better understanding of operation performance for decision makers, ebitda is defined as; profit before tax, interest and amortization expenses by the Group.

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5. SEGMENT REPORTING

Geographical segments

1 January - 31 December 2016	Turkey	Russia, Ukraine and Georgia	Netherlands	Consolidation adjustments	Consolidated
Revenue from third parties	1,160,590	669,454	-	-	1,830,044
Revenue from Group companies	2,100	13,099	-	(15,199)	-
Total net sales (*)	**1,162,690**	**682,553**	**-**	**(15,199)**	**1,830,044**
Cost of sales (-)	(852,751)	(531,791)	-	11,145	(1,373,397)
Gross profit	**309,939**	**150,762**	**-**	**(4,054)**	**456,647**
Operating expenses (-)	(229,785)	(143,503)	(4,312)	16,224	(361,376)
Other operating income	44,485	12,120	-	4,706	61,311
Other operating expenses (-)	(14,766)	(13,649)	(501)	(16,952)	(45,868)
Operating profit/(loss)	**109,873**	**5,730**	**(4,813)**	**(76)**	**110,714**
Income from investing activities	379,534	8,651	-	-	388,185
Expense from investing activities (-)	(632)	(6,956)	-	-	(7,588)
Income from investments accounted for using equity method	10,575	-	-	-	10,575
Operating profit before financial income and expense	**499,350**	**7,425**	**(4,813)**	**(76)**	**501,886**
Financial income	235,518	243,775	3,930	(10,035)	473,188
Financial expense (-)	(176,121)	(301,757)	(5,470)	8,126	(475,222)
Profit/(loss) before tax from continued operations	**558,747**	**(50,557)**	**(6,353)**	**(1,985)**	**499,852**
Tax income/(expense) for the period	(38,699)	3,625	-	212	(34,862)
Profit/(Loss) for the period	**520,048**	**(46,932)**	**(6,353)**	**(1,773)**	**464,990**
Purchases of tangible and intangible assets	169,271	162,351	-	-	331,622
Depreciation and amortization charges	(137,730)	(107,037)	-	-	(244,767)
Earnings before interest, taxes, depreciation and amortization (EBITDA)(**)	**637,080**	**114,462**	**(4,813)**	**(76)**	**746,653**
Statement of financial position (31 December 2016)					
Total assets	4,267,292	1,489,390	1,401,764	(2,741,577)	4,416,869
- Investments accounted for under equity method	*36,436*	-	-	-	*36,436*
- Deferred tax assets	*85,457*	*96,820*	-	*212*	*182,489*
Total liabilities	1,338,398	1,389,984	257,204	(479,441)	2,506,145
- Deferred tax liabilities	*4,711*	*11,184*	-	-	*15,895*

(*) Net sales according to the geographical regions are represented based on the countries where the companies are operating in.
(**) Ebitda: Ebitda was not defined by TAS. Due to represent and better understanding of operation performance for decision makers, ebitda is defined as; profit before tax, interest and amortization expenses by the Group.

6. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash on hand	6	16
Cash at banks	569,022	807,521
- "Demand deposits"	*27,154*	*20,017*
- Time deposits (with maturities of three months or less) (*)	*541,868*	*787,504*
	569,028	**807,537**

(*) Time deposits does not contains restricted cash (31 December 2016: TRY 16,324 thousand).

Time deposits

Currency	Interest Rate (%)	Maturity	31 December 2017	31 December 2016
US Dollars	1.2 - 2.9	2018	341,427	440,288
Euro	0.9 - 1.2	2018	71,302	115,478
Turkish Lira	8.9 - 14.8	2018	129,139	229,181
TRY equivalent of other curriencies	-	-	-	2,557
			541,868	**787,504**

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

	31 December 2017	31 December 2016
Cash and cash equivalents	569,028	807,537
Less: Interest accrual	(1,337)	(2,424)
Less: Restricted cash	-	(16,324)
	567,691	**788,789**

7. FINANCIAL ASSETS

Short-term financial assets	31 December 2017	30 December 2016
Held to maturity financial assets (*)	12,747	9,677
Total short term financial assets	**12,747**	**9,677**

(*) Short term portion of the semi-annualy yielding long term financial asset denominated in US Dollars.

Long-term financial investments

Asset held for sale	31 December 2017	30 December 2016
Held to maturity financial assets	243,441	186,618
Total long term financial assets	**243,441**	**186,618**

7. FINANCIAL ASSETS

Movements of available for sale financial assets during the period are as below:

	2017	2016
1 January	-	347,742
Sales of financial assets held for sale	-	(372,580)
Change in fair value (*)	-	24,838
31 December	**-**	**-**

(*) The shares of Soda Sanayii A.Ş. are publicly traded on Borsa İstanbul A.Ş. and their fair values are disclosed. All of the shares of Soda Sanayii A.Ş. were sold to investors in domestic and foreign markets in 2016. Increasing for the fair value under equity is none during the period (31 December 2016: TRY 24,838 thousand).

Movements of financial assets held to maturity during the period of 31 December 2017 and 2016 are as below:

	2017	2016
1 January	196,295	-
Received during the period	120,363	171,859
Valuation difference	29,646	26,579
Sales during the period	(2,953)	-
Collected interest	(11,563)	(2,143)
Collected principal	(75,600)	-
31 December	**256,188**	**196,295**

Held to maturity financial assets

Marketable security issuer	31 December 2017	31 December 2016
Türkiye İş Bankası A.Ş.	58,368	47,023
Türkiye Halk Bankası A.Ş.	43,142	39,983
Turkcell İletişim Hizmetleri A.Ş.	25,036	23,417
Türkiye Sınai Kalkınma Bankası A.Ş.	28,454	21,734
Arçelik A.Ş.	21,771	20,269
Türkiye Garanti Bankası A.Ş.	21,829	20,367
Türkiye Vakıflar Bankası T.A.O	24,641	9,548
Yapı ve Kredi Bankası A.Ş.	15,676	3,804
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	7,801	7,187
Ziraat Bankası A.Ş.	7,269	-
Türk Eximbank	1,447	-
Finansbank A.Ş.	754	-
Türk Telekomünikasyon A.Ş.	-	2,963
	256,188	**196,295**

Fixed yield securities held to maturity were accounted for by using effective interest rate with amortized costs.

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7. FINANCIAL ASSETS (Continued)

Aforementioned bond nature marketable securities are denominated in US Dollar and it is fixed rate payment with 6-month interval.

Financial assets held until maturity have an active market and the values according to market prices (dirty prices) is as follows:

Marketable security issuer	31 December 2017	31 December 2016
Türkiye İş Bankası A.Ş.	59,280	45,400
Türkiye Halk Bankası A.Ş.	42,291	38,562
Turkcell İletişim Hizmetleri A.Ş.	26,272	22,203
Türkiye Sınai Kalkınma Bankası A.Ş.	28,644	20,798
Arçelik A.Ş.	22,353	19,609
Türkiye Garanti Bankası A.Ş.	22,318	19,718
Türkiye Vakıflar Bankası T.A.O	25,077	9,572
Yapı ve Kredi Bankası A.Ş.	15,915	3,830
Anadolu Efes Biracılık ve Malt Sanayii A.Ş.	8,167	6,943
Ziraat Bankası A.Ş.	7,290	-
Türk Eximbank	1,545	-
Finansbank A.Ş.	746	-
Türk Telekomünikasyon A.Ş.	-	2,776
	259,898	**189,411**

The expiry dates of financial assets held to maturity are as follow:

Collection period	31 December 2017	31 December 2016
Less than 3 months	1,841	1,487
3 – 12 months	10,906	8,190
1 – 5 years	203,850	122,478
More than 5 years	39,591	64,140
	256,188	**196,295**

8. FINANCIAL LIABILITIES

Current financial liabilities	31 December 2017	31 December 2016
Short-term borrowings	320,346	421,704
Current portion of long-term borrowings	**31 December 2017**	**31 December 2016**
Current portion of long-term borrowings and interest accruals	509,706	306,245
Bonds issued through Şişecam Holding (*)	1,760	1,482
Discount differences and comissions of bonds issued through Şişecam Holding	(292)	(287)
Total short-term portion of long-term borrowings	**511,174**	**307,440**
Total current financial liabilities	**831,520**	**729,144**

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8. FINANCIAL LIABILITIES

Non-current financial liabilities	31 December 2017	31 December 2016
Long-term borrowings	578,824	667,515
Bonds issued through Şişecam Holding (*)	377,190	351,920
Discount differences and comissions of bonds issued through Şişecam Holding	(402)	(682)
Total non-current financial liabilities	**955,612**	**1,018,753**
Total financial liabilities	**1,787,132**	**1,747,897**

(*) In May 9, 2013, T. Şişe ve Cam Fabrikaları A.Ş. issued fixed interest bonds with a nominal value of USD 500,000 thousand and maturity dated May 2020 representing a 7 year term. Interest rate of the bond was determined as 4.25%. The capital payment of the bond will be made at the maturity date. USD 100,000 thousand provided from this bond issue was transferred to Group with the same condition and the Group is guarantor for the portion transferred to itself regarding the principle, interest and other payments.

As of the date of the statement of financial position, risk of changes in interest rates on loans and contractual repricing dates are as follows:

Repricing periods for loans	31 December 2017	31 December 2016
Less than 3 months	99,466	141,276
3 - 12 months	730,586	613,205
1 - 5 years	563,945	620,586
More than 5 years	14,879	20,397
	1,408,876	**1,395,464**

The interest rate for the issued bonds amounting to TRY 378,256 thousand is 4.25% (Effective interest rate 4.415%) and the coupon interest payments would be paid semi-annually in equal installments (31 December 2016: TRY 352,433 thousand).

The Group does not have any financial leases (2016: None).

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

8. FINANCIAL LIABILITIES

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

31 December 2017

Currencies	Maturity	Interest (%) (*)	Short-term	Long-term
US Dollars	2018–2022	3.1 – 4.1	6,635	396,518
Euro	2018–2026	0.9 – 4.2	497,688	260,893
Russian Rouble ("RUR")	2018–2020	8.9-12.5	281,519	284,036
Ukrainian Hryvnia ("UAH")	2018–2021	15.5-16.5	45,451	14,165
Turkish Lira and other	2018	-	227	-
			831,520	**955,612**

(*) The weighted average interest rate for Euro is Euribor + 2.19%, for US Dollar is Libor + 2.80%. (Average effective annual interest rate for Euro is 2.41%, for US Dollar is 3.51%, for RUR is 11.30%, and for UAH is 15.80%.)

31 December 2016

Currencies	Maturity	Interest (%) (*)	Short-term	Long-term
Russian Rouble ("RUR")	2017	9.9-16.0	433,916	189,402
Euro	2022	1.1-3.5	261,940	435,397
US Dollars	2017	3.6 – 4.3	6,040	374,248
Ukrainian Hryvnia ("UAH")	2021	16.3 – 22.5	27,245	19,706
Turkish Lira and other	2017	-	3	-
			729,144	**1,018,753**

(*) The weighted average interest rate for Euro is Euribor + 2.29%, for US Dollar is Libor + 2.80%, for RUR is Mosprime+2.30. (Average effective annual interest rate for Euro is 2.29%, for US Dollar is 4.20%, for RUR is 12.24%, and for UAH is 19.59%.)

The redemption schedule of the financial liabilities is as follows:

	31 December 2017	31 December 2016
Less than 1 year	831,520	729,144
1 - 2 years	189,267	458,899
2 - 3 years	351,902	158,120
3 - 4 years	393,293	370,118
4 - 5 years	9,065	14,333
More than 5 years	12,085	17,283
	1,787,132	**1,747,897**

8. FINANCIAL LIABILITIES

Financial borrowings between 1 January - 31 December 2017 are summarized below:

Bank Borrowings	Principal	Interest	Commission	Total
1 January	1,392,266	7,171	(3,973)	1,395,464
Currency translation differences	159,630	584	(131)	160,083
Foreign exchange (gains) / losses	59,924	-	-	59,924
Additions during the period	865,338	128,142	(3,857)	989,623
Paid during the period	(1,068,940)	(131,750)	4,472	(1,196,218)
31 December 2017	**1,408,218**	**4,147**	**(3,489)**	**1,408,876**

Bonds issued	Principal	Interest	Discount on Bonds	Commission	Total
1 January	351,920	1,482	(690)	(279)	352,433
Foreign exchange (gains) / losses	25,270	-	-	-	25,270
Additions during the period	-	16,031	-	-	16,031
Paid during the period	-	(15,753)	195	80	(15,478)
31 December 2017	**377,190**	**1,760**	**(495)**	**(199)**	**378,256**

Financial borrowings between 1 January - 31 December 2016 are summarized below:

Bank Borrowings	Principal	Interest	Commission	Total
1 January	1,239,775	8,963	(4,574)	1,244,164
Currency translation differences	356,880	2,111	(362)	358,629
Foreign exchange (gains) / losses	(62,493)	-	-	(62,493)
Additions during the period	681,874	94,451	(340)	775,985
Paid during the period	(823,770)	(98,354)	1,303	(920,821)
31 December 2016	**1,392,266**	**7,171**	**(3,973)**	**1,395,464**

Bonds issued	Principal	Interest	Discount on Bonds	Commission	Total
1 January	290,760	1,065	(877)	(361)	290,587
Foreign exchange (gains) / losses	61,160	-	-	-	61,160
Additions during the period	-	13,322	-	-	13,322
Paid during the period	-	(12,905)	187	82	(12,636)
31 December 2016	**351,920**	**1,482**	**(690)**	**(279)**	**352,433**

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9. OTHER FINANCIAL LIABILITIES

None (31 December 2016: None).

10. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

Current trade receivable	31 December 2017	31 December 2016
Trade receivables	495,904	381,312
Notes receivables	55,377	5,362
Rediscount on trade receivable (-)	(4,689)	(1,669)
Due from related parties (Note 37)	17,770	6,725
Other trade receivables	514	286
Allowance for doubtful receivables (-)	(7,197)	(5,415)
	557,679	**386,601**

During the period, the Group has collected trade receivable with the amount TRY of 26,464 thousand (RUR 406,705 thousand) through factoring. As of 31 December 2017, the amount of TRY 24,331 thousand of mentioned receivable has been collected. The amount of TRY 162 thousand (RUB 2,616 thousand) is recognized in finance expense due to the factoring transaction (Note 33).

Sales terms for the Group's domestic sales based on the main product lines are as follows:

The Group has been selling its products in advance since 1 November 2009. For customers not paying in advance, a monthly interest of 1.25% for payment terms up to 121 days, and a monthly interest rate of 2% is applied for payments exceeding 121 days.

The average term for the domestic sales is 64 days (2016:64 days).

The average term for the foreign sales is 73 days (2016:66 days).

The Group has recognized provision for doubtful receivables. Allowance for doubtful receivables is determined by referring to past default experience. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted to the reporting date.

The Group has no significant concentration on credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, the management believes that no further credit provision is required in excess of the allowance for doubtful receivables.

10. TRADE RECEIVABLES AND PAYABLES (Continued)

Allowance for doubtful receivables for the periods December 31, 2017 and 2016:

	2017	2016
1 January	(5,415)	(3,183)
Charge for the period	(1,972)	(2,215)
Currency translation differences	(353)	(659)
Reversals	543	642
31 December	**(7,197)**	**(5,415)**

The Group has obtained the following collaterals for trade receivables:

	31 December 2017	31 December 2016
Letter of guarantees	51,080	45,132
Mortgages	5,565	5,565
Direct debiting system ("DDS")	25,700	16,999
Eximbank domestic credit insurance	99,964	76,853
Promissory notes and bills	-	365
	182,309	**144,914**

As of 31 December 2017, TRY 39,170 thousand (31 December 2016: TRY 49,051thousand) of trade receivables was due but not impaired. This is related to several independent customers with no recent history of default. The aging analysis of overdue but not impaired trade receivables is as follows:

	31 December 2017	31 December 2016
1-30 days	20,867	40,929
1-3 months	3,849	4,709
3-12 months	2,199	2,561
1-5 years	5,139	852
Total overdue receivables	**32,054**	**49,051**
The part under guarantee with collateral, etc	**11,051**	**15,838**

Trade Payables

Current trade payables	31 December 2017	31 December 2016
Trade payables	195,025	137,372
Due to related parties (Note 37)	79,284	65,644
Other trade payables	64	83
Rediscount of payables (-)	(1,259)	(423)
	273,114	**202,676**

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11. OTHER RECEIVABLES AND PAYABLES

Other current receivables	31 December 2017	31 December 2016
Due from tax authorities	4,967	4,135
Other receivables	830	2,055
Deposits and guarantees given	781	492
Other doubtful receivables	546	-
Due from related parties (Note 37)	239	322,891
Due from personnel	155	235
Provision for other doubtful receivables	(546)	-
	6,972	**329,808**

Movement of provision for doubtful other receivables are follows:

	31 December 2017	31 December 2016
1 January	-	-
Charge for the period	(521)	-
Currency translation differences	(25)	-
	(546)	**-**

Other non-current receivables	31 December 2017	31 December 2016
Deposits and guarantees given	295	281
Due from tax authority	9,667	9,667
Allowance for other doubtful receivables (-)	(9,667)	(9,667)
	295	**281**

There is no movement for allowance for other doubtful receivables. (1 January - 31 December 2016: None)

Other current payables	31 December 2017	31 December 2016
Due to related parties (Note 37)	47,040	325,658
Deposits and guarantees received	7,294	7,097
Payable to purchase additional shares in subsidiaries (*)	45,155	29,679
Other payables	289	2,348
	99,778	**364,782**

Other non-current payables	31 December 2017	31 December 2016
Payable to purchase additional shares in subsidiaries (*)	-	37,099
	-	**37,099**

(*) In accordance with the restructuring of our companies operating in Russia, it has been decided that the shares of Sudel Invest S.a.r.l. at a rate of 24.075% in the portfolio of the subsidiaries Anadolu Cam Investment B.V. and 49% in the portfolio of Balsand B.V. are acquired by AC Glass Holding B.V. established in Netherlands. In accordance with this decision, the share transfer of Sudel Invest S.a.r.l. was completed on 10 July 2015. Remaining part amounting to EUR 10,000 thousand of the maturity of payable attributable to share purchase amounting to EUR 66,000 thousand is as follows: (December 31, 2016: EUR 18,000 thousand)

11. OTHER RECEIVABLES AND PAYABLES

Payment period	31 December 2017	31 December 2016
3 – 12 months	45,155	29,679
1 – 5 years	-	37,099
	45,155	**66,778**

Also; amount of EUR 4,000 thousand counselling agreement is signed due to marketing securitiy operations. Due to this agreement amount of EUR 1,000 thousand is paid in 2015, amount of EUR 1,000 thousand is paid in 2016, amount of EUR 1,000 thousand is paid in 2017. Total amount of EUR 3,000 thousand payment is made and the rest amount of EUR 1,000 thousand will be paid in 2018 in return of service charge.

12. DERIVATIVE INSTRUMENTS

The Group entered into a loan agreement with Rabobank in 10 June 2016 and fixed the interest rates of variable interest rate loans that were denominated in Euro along the maturity with the purpose of making the liability position of the companies located in Russia and operating under glass packaging segment compatible with their asset position in terms currency and hedging the companies against the possible increases in interest rates.

Hedging instruments include, interest rates swaps converting floating rate of Libor+2.50% to fixed rate of 12.71% with 3-month intervals for a Euro denominated borrowing of EUR 75,000 thousand with 2 year term and cross currency swaps converting Euro denominated capital and interest payables into Russian Ruble denominated ones.

The Group entered into a loan agreement with HSBC London in 27 November 2013 and fixed the interest rates of variable interest rate loans that were denominated in US Dollar along the maturity with the purpose of making the liability position of the companies located in Russia and operating under glass packaging segment compatible with their asset position in terms currency and hedging the companies against the possible increases in interest rates.

Hedging instruments include, interest rates swaps converting floating rate of Libor+2.55% to fixed rate of 9.30% with 3-month intervals for a USD denominated borrowing of USD 70,000 thousand with 3 year term and cross currency swaps converting USD denominated capital and interest payables into Russian Ruble denominated ones. All of swap agreement was realized as of 31 December 2016.

The Group signed the following agreements within the scope of its forward transactions for the period 1 January-31 December 2017.

- A foreign currency swap agreement between ZAO Citibank and Group dated 11 July 2017, including the purchase of Rouble by the sales of EUR 9,500 thousand that will be due on 26 April 2018. As of 31 December 2017, the amount of EUR 4,500 thousand of the agreement have been realized.

- A foreign currency swap agreement between ZAO Citibank and Group dated 10 November 2017, including the purchase of Rouble by the sales of EUR 9,500 thousand that will be due on 30 October 2018.

The Group signed the following agreements within the scope of its forward transactions for the period 1 January-31 December 2016.

- A foreign currency swap agreement between ZAO Citibank and Group dated 17 November 2016, including the purchase of Rouble by the sales of EUR 2,000 thousand that will be due on 31 March 2017.

- A foreign currency swap agreement between ZAO Citibank and Group dated 17 November 2016, including the purchase of Rouble by the sales of USD 6,000 thousand and the sales of EUR 5,000 thousand that will be due on 27 December 2016.

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12. DERIVATIVE INSTRUMENTS (Continued)

- A foreign currency swap agreement between HSBC and Group dated 29 June 2016 including the purchase of Turkish Lira by the sales of EUR 12,500 thousand and the purchase of Rouble by the sales of USD 2,000 thousand that will be due on 30 December 2016.

As of 31 December 2016, the amount of EUR 17,500 thousand and USD 8,000 thousand have been realized. As of 31 December 2017, the amount of EUR 2,000 thousand have been realized.

The movements related to derivative instruments are as follows:

	31 December 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Swap transactions	-	20,252	-	40,772
Forward transactions	1,209	-	831	-
	1,209	**20,252**	**831**	**40,772**

The movements related to derivative instruments are as follows:

Net Assets / (Liabilities)	2017	2016
1 January	(39,941)	87,829
Currency translation differences	(4,081)	3,094
Cash inflows/(outflows) due to realized foreign exchange gain/loss	(2,166)	(86,766)
Foreign exchange gain/(loss) charged to statement of profit or loss (*)	25,967	(36,126)
Fair value changes charged to equity	1,146	(6,633)
Interest expense/income charged to statement of profit or loss	32	(1,339)
31 December	**(19,043)**	**(39,941)**

(*) Foreign exchange gain of TRY 25,967 thousand which recognized in profit or loss for the period between 1 January - 31 December 2017 is consisting of the amount of TRY 1,786 thousand from other income from operating activities and the amount of TRY 24,181 thousand from finance income. (Foreign exchange loss of TRY (36,126) thousand which recognized in profit or loss for the period between1 January - 31 December 2016 is consisting of the amount of TRY (3,930) thousand from other income from operating activities and the amount of TRY (40,056) thousand from finance expense.) (Note 31, Note 33)

13. INVENTORIES

	31 December 2017	31 December 2016
Raw materials	123,919	118,569
Semi-finished goods	1,722	2,793
Finished goods	199,755	227,697
Trade goods	84	1,853
Other inventories	17,986	9,298
Provision for impairment of inventory (-)	(17,394)	(8,728)
	326,072	**351,482**

13. INVENTORIES

As the end of December 31, 2017 and 2016 the movement of provision for impairment of inventory is as follows:

	2017	2016
1 January	(8,728)	(1,773)
Provisions for the period	5,767	1,363
Additions	(13,943)	(7,680)
Exchange differences on translation	(490)	(638)
31 December	**(17,394)**	**(8,728)**

14. PREPAID EXPENSES AND DEFERRED INCOME

Prepaid expenses

Short-term prepaid expenses	31 December 2017	31 December 2016
Advances given for inventories	35,662	31,234
Prepaid expenses	544	146
	36,206	**31,380**

Long-term prepaid expenses	31 December 2017	31 December 2016
Advances given for tangible and intangible assets	19,957	7,509
Prepaid expenses	907	2,257
	20,864	**9,766**

The movements of advances given for tangible and intangible assets is as follows:

	2017	2016
1 January	7,509	49,258
Advances given in the period	455,561	112,398
Exchange differences on translation	316	3,503
Paid during the period	(443,429)	(157,650)
31 December	**19,957**	**7,509**

Deferred Income

Short-term deferred income	31 December 2017	31 December 2016
Advances received	14,790	9,141
	14,790	**9,141**

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15. CONSTRUCTION CONTRACTS

None (2016: None).

16. JOINT VENTURES AND ASSOCIATES

Net asset values presented in the statement of financial position of the associates and joint ventures are as follows:

	31 December 2017	31 December 2016
Camiş Elektrik Üretim A.Ş.	16,648	16,686
Omco İstanbul Kalıp San. ve Tic. A.Ş.	-	19,750
	16,648	**36,436**

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

	2017	2016
1 January	36,436	32,871
Net Income/Expense from associates and joint ventures	8,146	10,575
Dividend income from associates and joint ventures	(9,345)	(7,042)
Income/expense from the sale of joint venture	(18,572)	-
Gains (Losses) on remeasurements of defined benefit plans	(17)	32
31 December	**16,648**	**36,436**

The summary of the financial statements of associates and joint ventures is as follows:

Omco İstanbul Kalıp San. ve Tic. A.Ş.

	12 June 2017	31 December 2016
Current assets	43,339	44,004
Non-current assets	8,064	8,628
Total assets	**51,403**	**52,632**
Current liabilities	10,254	8,918
Non-current liabilities	4,005	4,213
Total liabilities	**14,259**	**13,131**
Net assets	**37,144**	**39,501**
Group share (%)		
- Direct and indirect ownership rate (%)	50.00	50.00
- Effective ownership rate (%)	50.00	50.00
Group share in net assets	**18,572**	**19,750**

16. JOINT VENTURES AND ASSOCIATES

	1 January - 12 June 2017	1 January - 31 December 2016
Revenue	37,147	70,915
Profit from continuing operations	**12,158**	**16,573**
Other comprehensive income	-	59
Total comprehensive income	**12,158**	**16,632**
The Group share in profit from continuing operations	**6,079**	**8,286**
Dividend distribution from retained earnings	**14,515**	**11,474**
The Group share in dividend distributed	**7,257**	**5,737**
Sales price (in exchange for EUR 12,800 thousand)	**50,404**	**-**
Sales Profit	**31,832**	**-**

The Group has been used equity method for accounting its joint venture since June 30, 2001. The Company sold all of its Group's shares amounting to € 12,800 thousand (12 June 2017: TRY 50,403 thousand) to Omco International NV, the other partner from outside the Group with a 50% share, at 12 June 2017. From the date of sale, the Group excludes the joint venture within the scope of consolidation.

Camiş Elektrik Üretim A.Ş.

	31 December 2017	31 December 2016
Current assets	70,418	63,695
Non-current assets	6,387	8,554
Total assets	**76,805**	**72,249**
Current liabilities	11,819	7,354
Non-current liabilities	1,179	942
Total liabilities	**12,998**	**8,296**
Net assets	**63,807**	**63,953**
Group share (%)		
Direct and indirect ownership rate (%)	26.09	26.09
Effective ownership rate (%)	26.09	26.09
Group share in net assets	**16,648**	**16,686**

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16. JOINT VENTURES AND ASSOCIATES

	1 January - 31 December 2017	1 January - 31 December 2016
Revenue	54,118	49,972
Profit from continuing operations	**7,921**	**8,774**
Other comprehensive income	-	-
Total comprehensive income	**7,921**	**8,774**
The Group share in profit from continuing operations	**2,067**	**2,289**
Dividend distribution from retained earnings	**8,000**	**5,000**
The Group share in dividend distributed	**2,088**	**1,305**

17. INVESTMENT PROPERTIES

None (2016: None).

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18. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
1 January 2017	**306,702**	**85,012**	**731,363**	**2,138,132**	**9,363**	**99,931**	**401,326**	**69,262**	**3,841,091**
Currency translation difference	2,828	10,367	62,537	122,561	870	1,725	19,535	5,664	226,087
Transfers	-	6,522	75	37,013	16	(43,547)	(79)	-	-
Additions	6	-	48	1,199	181	254	-	336,718	338,406
Disposals	-	-	-	(47,550)	(645)	(2,252)	(31,603)	(2)	(82,052)
Transfers from construction in progress (*)	12,020	3,377	26,613	226,165	543	7,046	96,178	(371,942)	-
31 December 2017	**321,556**	**105,278**	**820,636**	**2,477,520**	**10,328**	**63,157**	**485,357**	**39,700**	**4,323,532**
Accumulated depreciation and impairment									
1 January 2017	**71**	**65,217**	**52,977**	**1,317,002**	**8,166**	**66,623**	**285,158**	**-**	**1,795,214**
Currency translation difference	3	7,931	6,775	75,516	733	1,505	13,686	-	106,149
Transfers	-	(428)	4	28,163	16	(27,691)	(64)	-	-
Charge for the period (**)	-	3,691	39,673	166,696	609	5,310	80,008	-	295,987
Disposals	-	-	-	(45,410)	(607)	(2,187)	(21,062)	-	(69,266)
Allowance	-	-	-	3,918	-	-	-	-	3,918
31 December 2017	**74**	**76,411**	**99,429**	**1,545,885**	**8,917**	**43,560**	**357,726**	**-**	**2,132,002**
Net book value as of 31 December 2017	**321,482**	**28,867**	**721,207**	**931,635**	**1,411**	**19,597**	**127,631**	**39,700**	**2,191,530**
Net book value as of 31 December 2016	**306,631**	**19,795**	**678,386**	**821,130**	**1,197**	**33,308**	**116,168**	**69,262**	**2,045,877**

(*) Additions does not include finance expenses capitalized (Note 8).
(**) Allocation of charge for the period is disclosed in Note 28 and Note 30.

As of 31 December 2015, the land and buildings were accounted by net method of the revaluation model according to the results of expertise report dated 31 December 2015.

The Group does not have any mortgages over land and buildings which are provided to a financial institution (31 December 2016: None).

18. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
1 January 2016	**297,285**	**61,809**	**598,539**	**1,726,677**	**7,501**	**76,833**	**295,087**	**41,987**	**3,105,718**
Currency translation difference	6,112	21,320	128,488	241,286	1,917	17,367	42,448	26,848	485,786
Transfers	-	(554)		-	-	-	-		(554)
Additions	-	1,264	269	43,117	264	576	19,918	265,894	331,302
Disposals	-	(52)	-	(50,627)	(425)	(1,812)	(28,236)	(9)	(81,161)
Transfers from construction in progress (*)	3,305	1,225	4,067	177,679	106	6,967	72,109	(265,458)	-
31 December 2016	**306,702**	**85,012**	**731,363**	**2,138,132**	**9,363**	**99,931**	**401,326**	**69,262**	**3,841,091**
Accumulated depreciation and impairment									
1 January 2016	**61**	**44,656**	**12,658**	**1,071,641**	**6,448**	**50,878**	**207,679**	**-**	**1,394,021**
Currency translation difference	10	17,590	9,622	152,393	1,608	11,775	29,529	-	222,527
Transfers	-	(554)	-	-	-	-	-	-	(554)
Charge for the period (**)	-	3,544	30,697	139,352	482	5,745	64,510	-	244,330
Disposals	-	(19)	-	(46,384)	(372)	(1,775)	(16,560)	-	(65,110)
31 December 2016	**71**	**65,217**	**52,977**	**1,317,002**	**8,166**	**66,623**	**285,158**	**-**	**1,795,214**
Net book value as of 31 December 2016	**306,631**	**19,795**	**678,386**	**821,130**	**1,197**	**33,308**	**116,168**	**69,262**	**2,045,877**
Net book value as of 31 December 2016	**297,225**	**17,152**	**585,880**	**655,037**	**1,053**	**25,955**	**87,408**	**41,987**	**1,711,697**

(*) Additions does not include finance expenses capitalized (Note 8).
(**) Allocation of charge for the period is disclosed in Note 28 and Note 30.

As of 31 December 2015, the land and buildings were accounted by net method of the revaluation model according to the results of expertise, dated 31 December 2015.

The Group does not have any mortgages over land and buildings which are provided to a financial institution. (31 December 2015: None)

19. INTANGIBLE ASSETS

Cost:

1 January 2017	**6,629**
Currency translation differences	184
Additions	469
Disposals	(269)
31 December 2017	**7,013**

Accumulated amortization:

1 January 2017	**6,024**
Currency translation differences	183
Charge for the period (*)	478
Disposals	(269)
31 December 2017	**6,416**
Net book value as of 31 December 2017	**597**
Net book value as of 31 December 2016	**605**

Cost:

1 January 2016	**6,008**
Currency translation differences	301
Additions	320
Disposals	-
31 December 2016	**6,629**

Accumulated amortization:

1 January 2016	**5,289**
Currency translation differences	298
Charge for the period (*)	437
Disposals	-
31 December 2016	**6,024**
Net book value as of 31 December 2016	**605**
Net book value as of 31 December 2015	**719**

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

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20. GOODWILL

The movement of the changes in goodwill is as follows:

	2017	2016
1 January	3,068	2,120
Currency translation differences	415	948
31 December	**3,483**	**3,068**

21. GOVERNMENT GRANTS

In the current period TRY 276 thousand is provided as government grant by Energy and Natural Resources Ministry, Generel Directorate of Renewable Energy, Energy Efficiency Coordination Committee's decision dated 4/12/2014 with Decision no: 2014/3. The context of the decision is providing government grants to efficiency enhancing projects. (2016: None).

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	31 December 2017	31 December 2016
Litigation provisions	10,498	1,680
Accrued expenses	7,719	6,694
Provisions for employee benefits (Note 24)	4,659	3,815
	22,876	**12,189**

The total amount of the lawsuits as of 31 December 2017 filed and continuing against is approximately TRY 14,632 thousand (31 December 2016: TRY 5,442 thousand). The Group is claimant or defendant in several lawsuits resulting from its ordinary activities during the period. The Group Management assesses that the probability of an outflow of resources due to lawsuits amounting to TRY 4,134 thousand is remote based on the opinions from the independent legal and tax attorneys as of 31 December 2017 (31 December 2016: TRY 3,762 thousand).

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

			31 December 2017		
The CPMs given by the Group	**TRY equivalent**	**US Dollar**	**Euro**	**RUR**	**TRY**
A. CPM's given in the name of its own legal personality	2,465	-	-	-	2,465
B. CPM's given on behalf of the fully consolidated companies	928,680	8,446	79,962	8,233,500	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-	-
i. Total amount of CPM's given on behalf of the majority shareholder (*)	-	-	-	-	-
ii. Total amount of CPM's given on behalf of other group companies which are not in scope of B and C	-	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total	**931,145**	**8,446**	**79,962**	**8,233,500**	**2,465**

As of 31 December 2017 there is no CPM provided by the Group.

			31 December 2016		
The CPMs given by the Group	**TRY equivalent**	**US Dollar**	**Euro**	**RUR**	**TRY**
A. CPM's given in the name of its own legal personality	2,780	-	-	-	2,780
B. CPM's given on behalf of the fully consolidated companies	998,175	7,796	163,804	6,333,571	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-	-
i.Total amount of CPM's given on behalf of the majority shareholder (*)	-	-	-	-	-
ii. Total amount of CPM's given on behalf of other group companies which are not in scope of B and C	-	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total	**1,000,955**	**7,796**	**163,804**	**6,333,571**	**2,780**

As of 31 December 2016 there is no CPM provided by the Group.

(*) Certain portion of the financing needs of the Group are provided by the main shareholders Türkiye Şişe ve Cam Fabrikaları A.Ş. and the same conditions is also being used by the Group subsidiaries. In this context, Şişecam issued funds abroad on 9 May 2013 with the history of 7-year term and has a total of 500,000 thousand USD bonds in nominal value; the amount of 100,000 thousand was provided by the Group to Anadolu Cam San. A.Ş., much of the funding amount for the principal, interest and other payments Group have details on Note 8, Financial Liabilities.. The Group does not have any CPMs provided to third parties at 31 December 2017 and 31 December 2016.

23. COMMITMENTS

As per the agreements signed between the Group and Şişecam Enerji A.Ş., Boru Hatları ve Petrol Taşıma A.Ş. ("BOTAŞ") and Eskişehir Organize Sanayii Bölge Müdürlüğü, there is natural gas purchasing commitment 192,177,231 sm^3 between the dates 1 January 2018 - 31 December 2018 (31 December 2016: 139,510,770 sm^3).

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24. EMPLOYEE BENEFITS

Short-term liabilities for employee benefits

	31 December 2017	31 December 2016
Payables to personnel	2,403	2,052

Short-term provisions for employee benefits	31 December 2017	31 December 2016
Unused vacation provision	4,659	3,815

Long-term provision for employee benefits

Provision for employment termination benefit

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Also, employees entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2242 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506. Some transitional provisions related with retirement prerequisites have been removed due to the amendments in the relevant law on 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TRY 4,732.48 for each period of service as of 31 December 2017 (31 December 2016: TRY 4,297.21). TRY 5,001.75 which is effective from 1 January 2018, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2016: TRY 4,426.16 will be valid from the date of 1 January 2017).

Liability of employment termination benefits is not subject to any funding as there is not an obligation.

Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans.

The following actuarial assumptions are used in the calculation of the total liability. Remeausurement differences are accounted in the other comprehensive income under "Revaluation Funds".

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2017 and 31 December 2016 the provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the balance sheet date were calculated by assuming an annual inflation rate of 6.40% (31 December 2016: 6.00%) and a discount rate of 11.39% (31 December 2016: 11.50%), the real discount rate is approximately 4.69% (31 December 2016: 5.19%). The anticipated rate of forfeitures that occurred on voluntary turnovers is considered. The probability of the workers retirement rate as of the date of 31 December 2017 is 98.65 % (31 December 2016: 98.68%).

24. EMPLOYEE BENEFITS (Continued)

As of December 31, 2017 and 2016 the movement of the employment termination benefits is as follows:

	2017	2016
1 January	41,997	39,670
Service costs	8,040	6,891
Interest costs	4,830	1,893
Actuarial loss / (gain)	7,674	(1,034)
Payments made during the period	(6,460)	(5,423)
31 December	**56,081**	**41,997**

25. IMPAIRMENT OF ASSETS

	31 December 2017	31 December 2016
Allowance for other non-current doubtful receivables (Note 11)	10,213	9,667
Provision for impairment on inventories (Note 13)	17,394	8,728
Provision for trade receivables (Note 10)	7,197	5,415
Provision for impairment on tangible assets (Note 18)	3,918	-
	38,722	**23,810**

26. OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2017	31 December 2016
Deferred Value Added Taxes ("VAT")	1,887	24,690
Deductible VAT on export sales	2,693	2,759
Other	18	1,763
	4,598	**29,212**

Other non-current assets

Other non-current liabilities	31 December 2017	31 December 2016
Taxes and funds payables	4,594	7,210
Social security premiums payable	8,368	6,236
VAT and other payables	270	229
Other	18	1
	13,250	**13,676**

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27. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

a) Capital/Treasury Shares

The approved and paid-in share capital of the Company consists of 75,000,000,000 shares issued on bearer with a nominal value of Kr 1 (One Kr) each (Kr represents 1/100 of TRY).

	31 December 2017	31 December 2016
Registered capital ceiling	2,000,000	1,000,000
Approved and paid-in capital	750,000	444,000

	31 December 2017		31 December 2016	
	Amount	**Share**	**Amount**	**Share**
Shareholders	**TRY**	**(%)**	**TRY**	**(%)**
T. Şişe ve Cam Fabrikaları A.Ş.	578,218	77.10	348,246	78.43
Camiş Madencilik A.Ş.	-	-	59	0.01
Other (*)	171,782	22.90	95,695	21.56
Nominal capital	**750,000**	**100.00**	**444,000**	**100.00**
Distinction from share capital adjustment	1	-	1	-
Adjustment on share capital	**750,001**	**100.00**	**444,001**	**100.00**

(*) Other includes the publicly traded portion.

Ultimate shareholders of the Company, indirectly, are as follows:

	31 December 2017		31 December 2016	
	Amount	**Share**	**Amount**	**Share**
Shareholders	TRY	(%)	TRY	(%)
T. İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı	198,867	26.52	120,244	27.08
Atatürk Hisseleri (Cumhuriyet Halk Partisi)	106,405	14.19	64,096	14.44
Other (*)	444,728	59.30	259,660	58.48
Nominal capital	**750,000**	**100.00**	**444,000**	**100.00**

(*) Composed of other shareholders and the publicly traded portion of T.İş Bankası A.Ş. shares.

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27. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

b) Share premium

It determines the difference between the nominal price and the sales price of the shares publicly traded. It is TRY 35 as of 31 December 2017 (31 December 2016: TRY 35).

c) Other comprehensive income that will not be reclassified to profit or loss

	31 December 2017	31 December 2016
Gain/loss fund on revaluation and remeasurement	498,628	473,098
- Revaluation funds on land and buildings	*498,628*	*473,098*
Defined benefit plans remeasurement differences	(4,665)	1,339
	493,963	**474,437**

Revaluation funds

The Group has revalued the land and buildings in accordance with "Financial Reporting in Hyperinflationary Economies" in year end 2004 and revalued the purchases after this date by cost method.

As of 31 December 2015, The Group decided to reevaluate the land and buildings in accordance with revaluation method in order to present with fair value, gain on revaluation is accounted for under equity by considering impact of deferred tax and non-controlling interest.

The movement of remeasurement differences has been presented in other comprehensive income statement and statements of changes in equity.

	2017	2016
1 January	473,098	409,489
Exchange differences on translation	31,032	74,659
Effect of deferred tax	(14,825)	(11,086)
- Effect of change on tax ratio	*(12,872)*	-
- Effect of gain/loss translation	*(1,953)*	*(11,086)*
Effect of the purchasing additional share in subsidiaries	9,323	36
31 December	**498,628**	**473,098**

Remeasurement differences

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

27. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The movement of the provision for employee termination benefits remeasurement differences are as follows:

	2017	2016
1 January	1,339	522
During the period	(7,674)	1,099
Effect of change in non- controlling interests	152	(153)
Effect of deferred tax	1,540	(220)
Charged to equity	(22)	91
31 December	**(4,665)**	**1,339**

d) Other comprehensive income that will be reclassified to profit or loss

	31 December 2017	31 December 2016
Exchange differences on translation	(102,261)	(56,011)
Hedging reserves	(145)	(1,062)
	(102,406)	**(57,073)**

Currency translation differences

It consists of the conversion of subsidiaries' functional currencies to the reporting currency which is recognized under equity.

Currency translation difference is not allocated to non-controlling interest (31 December 2016: None).

Hedging

It consists of the effect of changes in the fair value of risks associated in relation to cash flow hedging instruments.

Movement for cash flow hedging for the period is as follows:

	2017	2016
1 January	(1,062)	(10,299)
Effective portion of cash flow hedge accounted under equity	1,146	(6,633)
Effect of deferred tax	(229)	1,326
Increase/decrease due to other adjustments (*)	-	14,544
31 December	**(145)**	**(1,062)**

(*) It refers to the classification between hedging fund and retained earnings. Concerning this classification, it does not cause any change in total shareholders' equity and in non-controlling interests.

Revaluation fund on financial assets

The revaluation fund on financial assets arises from the measurement of available-for-sale financial assets at their fair value. In case of disposal of assets carried at fair value, the cumulative gain or loss related to that assets previously recognized in equity is included in the profit or loss for the period. Gains and losses arising from changes in fair value are recognized directly in equity, until the asset is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

27. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The movement of the revaluation fund on financial assets is as follows:

	2017	2016
1 January	-	291,434
Change in fair value	-	57,109
Effect of deferred tax	-	(2,855)
Sales effect of financial asset	-	(345,688)
31 December	**-**	**-**

e) Restricted Reserves

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

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

Entities publicly traded make their dividend distributions within the framework set forth in the standards and notifications published by Capital Markets Board.

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

Restricted reserves attributable to equity holders of the Parent	31 December 2017	31 December 2016
Legal reserves	138,791	84,892
Statutory reserves	18,557	18,557
	157,348	**103,449**

f) Retained Earnings

The Group's extraordinary reserves presented in the retained earnings that amounting to TRY 412,039 thousand (31 December 2016: TRY 381,071 thousand) is TRY 796,350 thousand (31 December 2016: TRY 586,049 thousand).

Profit Distribution

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

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f) Retained Earnings

Reserves subject to dividend distribution

The Company's net distributable profit statutory accounts and the amount of reserves subject to dividend distribution as of balance sheet date are listed as below. Provision for taxes in the net profit for the period was calculated based on estimations since the amount had not been certain as of the report date.

	31 December 2017	31 December 2016
Net profit for the period	254,523	467,724
Special fund within the scope of Corporate Tax Law no: 5/1-e	(34,647)	(233,715)
Retained earning after the merge	(97,703)	-
I. legal reserves	(12,726)	(3,908)
Distributable profit for the period	**109,447**	**230,101**
Extraordinary reserves	109,447	230,101

g) Non-controlling Interest

Shares attributable to third parties in including the approved and paid-in capital of the consolidated subsidiaries and joint ventures which are not fully owned, are separately accounted for as "Non-controlling Interests" in the consolidated financial statements by a reduction of related equity components. Shares attributable to third parties in the net profit or loss for the period of the consolidated subsidiaries and joint ventures, which are not fully owned are separately accounted for as non-controlling interests in the dist ribution of period profit / (loss) section of the consolidated statement of income.

There is no capital contribution of the non-controlling interests for the period between 1 January and 31 December 2017.

Share tradings made with subsidaires and joint ventures on 1 January – 31 December 2017 period in the scope of reconstructring Group Companies:

- As of August 9, 2017, the approval from local authorities is taken for the merge of OOO Ruscam, which is a subsidiary of Anadolu Cam Sanayii A.Ş. and OOO Ruscam Glass Packaging Holding.
- As of December 18, 2017, the approval from local authorities is taken for the merge of OOO Ruscam Glass, which is a subsidiary of Anadolu Cam Sanayii A.Ş. and OOO Ruscam Glass Packaging Holding.
- On 29 March 2017, Anadolu Cam Sanayii A.Ş. acquired the 15% of the non-controlling shares of its subsidiary, Anadolu Cam Yenişehir Sanayi A.Ş., with an amount of TRY 70,271,250 in cash. Company value is TRY 468,475 thousand (per share price is TRY 5.93) according to KPMG Akis Bağımsız Denetim ve and Serbest Muhasebeci Mali Müşavirlik A.Ş.'s valuation report.
- On 29 March 2017, Anadolu Cam Sanayii A.Ş. acquired the 15% of the non-controlling shares of its subsidiary, Anadolu Cam Eskişehir Sanayi A.Ş., with an amount of TRY 36,483,900 in cash. Company value is TRY 243,226 thousand (per share price is TRY 0.84) according to KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.'s valuation report.
- The Company's application to Capital Market Board about the facilitated merger process of the acquisition of Anadolu Cam Yenişehir Sanayi A.Ş. and Anadolu Cam Eskişehir Sanayi A.Ş., where the Company has the capital and 100 percent of voting rights, has approved and announced through the Bulletin of the Capital Markets Board, which is published on August 11, 2017. Merger procedure has registered on August 31, 2017. Starting from September 1, 2017, these companies is countinuing its operations in the factories under the legal title of Anadolu Cam Sanayii A.Ş..

27. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

g) Non-controlling Interest

- The Company sold its shares of Omco Istanbul Mold Industry and Trade Co., Ltd. with a nominal value by TRY 1,935 thousand (at a rate of 50%) on 12 June 2017 to Omco International N.V with an amount of EUR 12,800 thousand (TRY 50,404 thousand) in cash. It has been decided that the gain on transaction would be considered within the scope of Corporate Tax Law no: 5/1-e.

Share tradings made with non- controlling interest on 1 January – 31 December 2016 period in the scope of reconstructring Group Companies:

There is no capital contribution of the non-controlling interests for the period between 1 January and 31 December 2016.

- On 17 March 2016, Anadolu Cam Sanayii A.Ş. acquired the 0.14% of the non-controlling shares of one of our subsidiaries, JSC Mina, at a nominal value of GEL 24 thousand with an amount of USD 16 thousand in cash.

- The Company sold its shares of Soda San. A.Ş. with a nominal value by TRY 64,000 thousand (at a rate of 9.70%) on 17 March 2016 to domestic and foreign qualified investors in stock exchange market at a price by TRY 4.50 via special order. It has been decided that the gain on transaction would be considered within the scope of Corporate Tax Law no: 5/1-e. The transaction costs are TRY 3,146,080.

- The Company. sold its shares of Soda San. A.Ş. with a nominal value by TRY 18,796 thousand (at a rate of 2.85%) on 31 May 2016 to domestic and foreign qualified investors in stock exchange market at a price by TRY 4.50 via special order. It has been decided that the gain on transaction would be considered within the scope of Corporate Tax Law no: 5/1-e. The transaction costs are TRY 830 thousand.

The values of net revenue from the transactions made with the non-controlling interests as of the transaction date are as follows:

	31 December 2017	31 December 2016
Equity of the parents	3,780	29
Non-controlling items	(110,536)	(75)
Paid amount	**(106,756)**	**(46)**

28. REVENUE AND COST OF SALES

Sales	1 January - 31 December 2017	1 January - 31 December 2016
Revenue	2,551,601	1,954,607
Other income	60	829
Sales discount	(133,959)	(119,239)
Sales returns	(3,822)	(6,000)
Other sales discounts	(3,043)	(153)
	2,410,837	**1,830,044**

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28. REVENUE AND COST OF SALES

Cost of sales	1 January - 31 December 2017	1 January - 31 December 2016
Direct materials	(577,514)	(456,854)
Direct labor	(124,659)	(98,777)
Manufacturing overheads	(713,014)	(590,806)
Depreciation and amortization	(280,903)	(231,660)
Change in work-in-progress	(1,071)	(1,163)
Change in finished goods	(27,942)	13,258
Cost of goods sold	**(1,725,103)**	**(1,366,002)**
Cost of trade goods sold	(14,186)	(5,283)
Cost of service given	(892)	(2,100)
Other costs	(13)	(12)
	(1,740,194)	**(1,373,397)**

29. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2017	1 January - 31 December 2016
General administrative expenses	(177,155)	(165,643)
Marketing expenses	(245,940)	(185,528)
Research and development expenses	(1,763)	(10,205)
	(424,858)	**(361,376)**

30. OPERATING EXPENSES BY NATURE

	1 January - 31 December 2017	1 January - 31 December 2016
Outsourced services	(185,692)	(159,233)
Salaries and wages	(101,013)	(91,969)
Miscellaneous expenses	(101,161)	(79,597)
Tax expenses	(16,583)	(14,524)
Depreciation and amortization	(15,562)	(13,107)
Indirect material costs	(4,847)	(2,946)
	(424,858)	**(361,376)**

31. OTHER OPERATING INCOME AND EXPENSES

Other operating income	1 January - 31 December 2017	1 January - 31 December 2016
Financial income from other operating activities	42,586	34,372
Compensation income	5,920	1,730
Gain on sales of raw materials	5,597	4,593
Gain on sales of scrap items	5,358	4,070
Other Income from operating activities	5,103	3,466
Rent income	4,888	6,468
Gain on foreign exchange differences on derivative instruments	1,786	3,930
Incapacity payments	570	281
Reversal of provisions	543	1,601
Service Income	494	800
	72,845	**61,311**

Other operating expenses	1 January - 31 December 2017	1 January - 31 December 2016
Financial expenses from other operating activities	(35,704)	(14,745)
Provision expenses	(10,319)	(12,529)
Loss on sales of raw materials	(4,508)	(5,470)
Penalties	(2,110)	(198)
Compensation expense	(2,503)	(197)
Service expenses	(1,621)	(1,177)
Litigation provision	(8,437)	(1,680)
Comission expenses	(940)	(833)
Loss from previous period	(401)	-
Amount paid for tax amnesty(*)	-	(1,261)
Amount of lawsuits due to tax amnesty(**)	-	(3,493)
Other	(4,452)	(4,285)
	(70,995)	**(45,868)**

(*) The Law No.6736 Regarding the Restructuring of Certain Debts (Amnesty Law) was approved by the Grand National Assembly on August 3th, 2016 and has entered into force as of August 19th, 2016 by being promulgated on the Official Gazette. According to the new regulation, the Group will not undergo any tax inspection nor will they be subject to any tax assessment from the perspective of the income tax legislation for the concerning periods. Therefore the high amount risk eliminated by the application of the law.
(**) In 2016, TRY 3,493 thousand, which is in the assesment process of the litigation covered by tax amnesty, has been abandoned.

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32. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities	1 January - 31 December 2017	1 January - 31 December 2016
Financial investments to be held until maturity(*)	29,646	26,579
Gain on sales of tangible assets	6,379	13,087
Gain on sales of joint venture	31,832	-
Dividend income	-	6,835
Gain on sales of financial assets held for sale	-	341,684
	67,857	**388,185**

Expenses from investing activities	1 January - 31 December 2017	1 January - 31 December 2016
Loss on sales of tangible assets	(5,465)	(7,588)
	(5,465)	**(7,588)**

(*) Group holds bonds as held to maturity financial assets in a work model aim collecting the cash flows of financial assets.

Interest has been collected from the securities that is fixed income financial assets held to maturity during the period are as follows.

Marketable Securities Issuer	1 January - 31 December 2017	1 January - 31 December 2016
Türkiye İş Bankası A.Ş.	2,796	913
Türkiye Halk Bankası A.Ş.	1,953	-
Türkiye Sınai Kalkınma Bankası A.Ş.	1,281	95
Turkcell İletişim Hizmetleri A.Ş.	1,344	-
Türkiye Garanti Bankası A.Ş.	1,073	248
Arçelik A.Ş.	1,042	338
Türkiye Vakıflar Bankası T.A.O.	988	-
Yapı ve Kredi Bankası A.Ş.	498	-
Ziraat Bankası A.Ş.	219	-
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	271	-
Türk Eximbank	79	-
Finansbank A.Ş.	19	-
Türk Telekomünikasyon A.Ş.	-	549
	11,563	**2,143**

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32. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Gain/(Losses) from valuation of financial assets held to maturity regarding securities as follows:

Marketable Securities Issuer	1 January - 31 December 2017	1 January - 31 December 2016
Türkiye İş Bankası A.Ş.	6,556	6,512
Türkiye Vakıflar Bankası T.A.O.	2,492	240
Türkiye Halk Bankası A.Ş.	5,113	5,997
Türkiye Sınai Kalkınma Bankası A.Ş.	3,114	3,164
Turkcell İletişim Hizmetleri A.Ş.	2,963	2,968
Arçelik A.Ş.	2,544	2,798
Türkiye Garanti Bankası A.Ş.	2,535	2,739
Yapı ve Kredi Bankası A.Ş.	1,358	26
İş Yatırım Menkul Değerler A.Ş.	1,483	-
Ziraat Bankası A.Ş.	480	-
Anadolu Efes Biracılık Ve Malt Sanayii A.Ş.	885	1,128
Türk Eximbank	69	-
Finansbank A.Ş.	64	-
Türk Telekomünikasyon A.Ş.	(10)	1,007
	29,646	**26,579**

33. FINANCIAL INCOME AND EXPENSES

Finance income	1 January - 31 December 2017	1 January - 31 December 2016
Interest income	46,814	54,705
- Time deposits	*34,823*	*31,501*
- Interest income from related party	*11,959*	*23,194*
- Derivative instruments	*32*	*10*
Gain on foreign exchange differences	235,911	418,483
- Derivative instruments	*52,039*	*94,935*
- Cash and cash equvalents	*98,210*	*136,062*
- Bank borrowings	*51,100*	*146,517*
- Other receivables and payables	*10,142*	*12,979*
- Bond issued	*24,420*	*27,990*
	282,725	**473,188**

33. FINANCIAL INCOME AND EXPENSES (Continued)

Finance cost	1 January - 31 December 2017	1 January - 31 December 2016
Interest expenses	(189,195)	(143,408)
- Bank borrowings	*(132,614)*	*(95,754)*
- Bond issued	*(16,306)*	*(13,591)*
- Interest expenses from related parties	*(40,113)*	*(32,714)*
- Factoring expenses	*(162)*	*-*
- Derivative instruments	*-*	*(1,349)*
Loss on foreign exchange Differences	(228,425)	(331,814)
- Other receivables and payables	*(10,898)*	*(13,195)*
- Bank borrowings	*(111,023)*	*(84,024)*
- Bond issued	*(49,690)*	*(89,150)*
- Cash and cash equivalents	*(28,956)*	*(10,454)*
- Derivative instruments	*(27,858)*	*(134,991)*
	(417,620)	**(475,222)**

Financial income / expense (Net)	1 January - 31 December 2017	1 January - 31 December 2016
Interest income / expense	(142,381)	(88,703)
- Bank deposits and borrowings	*(97,791)*	*(64,253)*
- Interest income/expense from related parties	*(28,154)*	*(9,520)*
- Bond issued	*(16,306)*	*(13,591)*
- Derivative instruments	*32*	*(1,339)*
- Factoring expenses	*(162)*	*-*
Gain/Loss on foreign exchange differences	7,486	86,669
- Cash and cash equavalents	*69,254*	*125,608*
- Bank borrowings	*(59,923)*	*62,493*
- Other receivables and payables	*(756)*	*(216)*
- Bond issued	*(25,270)*	*(61,160)*
- Derivative instruments	*24,181*	*(40,056)*
	(134,895)	**(2,034)**

34. ASSETS HELD FOR SALE

None. (2016: None.).

35. TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Deferred Tax Assets and Liabilities

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

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

	31 December 2017	31 December 2016
Deferred tax assets	184,565	182,489
Deferred tax liabilities (-)	(1,125)	(15,895)
Deferred tax assets (net)	**183,440**	**166,594**

Temporary differences	31 December 2017	31 December 2016
Useful life and valuation differences on tangible and intangible assets	468,991	445,563
Corporate tax allowances	(653,698)	(477,884)
Carry forward tax losses	(716,451)	(691,709)
Provision for carry forward tax losses(*)	146,677	-
Provision for employment termination benefits	(56,081)	(41,997)
Revaluation of inventory	(15,928)	(9,729)
Derivative instruments	(19,043)	(39,941)
Other	(32,759)	(27,454)
	(878,292)	**(843,151)**

	31 December 2017	31 December 2016
Useful life and valuation differences on tangible and intangible assets	(99,883)	(89,024)
Corporate tax allowances	143,814	95,577
Carry forward tax losses	140,357	136,270
Provision for carry forward tax losses(*)	(26,402)	-
Provision for employment termination benefits	11,216	8,399
Revaluation of inventory	3,433	1,942
Derivative instruments	3,809	7,988
Other	7,096	5,442
Deferred tax asset (Net)	**183,440**	**166,594**

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35. TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Deferred Tax Assets and Liabilities

(*) An impairment provision is recognized for the amount of TRY (26,402) thousand corresponding to the taxable transferred previous year losses amounting to TRY 146,677 thousand that agreed to not able to be used as of 2017 for subsidiary in Ukraine.

Detail of losses that are not subject to deferred tax and are recognized provision are as follows:

	Prior year losses		Provision	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Indefinite	146,677	-	(26,402)	-

The expiry dates of carry forward tax losses that are utilized are as follows:

	31 December 2017	31 December 2016
Within 1 year	-	3,933
Within 2 years	-	57,501
Within 3 years	-	34,876
Within 4 years	-	18,923
Within 5 years	-	1,889
No expiry date	716,451	574,587
	716,451	**691,709**

Carry forward tax losses can be utilized against corporate income taxes for a period of 5 years in Turkey whereas indefinite in Russia and Ukraine. (As of 30 November 2016, carry forward tax losses can be utilized indefinite in Russia.) However, current period losses cannot be used to offset previous year profits.

The amount of carry forward tax losses that are not subject to deferred tax calculation is TRY 325,125 thousand (2016: TRY 155,851 thousand).

Corporation income tax law has amended in Georgia and it is only subject to bonus share. The companies are not subject to corporate tax except dividend distribution.

Movements of deferred tax assets and liabilities are as follows:

	2017	2016
1 January	166,594	106,244
Currency translation differences	13,736	38,581
Charged to the statement of profit or loss	16,624	16,405
Charged to equity	(13,514)	5,364
31 December	**183,440**	**166,594**

Corporate Tax

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

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

35. TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Corporate Tax

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

In Turkey, corporate tax rate applied is 20% (2016: 20%).

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

Country	Tax rate (%)
Georgia	15.0
Russia	20.0
Ukraine	18.0
The Netherlands (*)	20.0-25.0

(*) The Netherlands is subject to 20% tax on profits up to EUR 200,000 and on 25% tax on excess.

In accordance with the regulation numbered 7061, published in Official Gazette on November 28, 2017, "Law Regarding Amendments on Certain Tax Laws and Other Laws" and tax rate of 20% that stated in the first paragraph of Article 32 of the Law on Corporations Tax No 5520 has been added temporarily as 22 % for corporate income related to 2018, 2019 and 2020 taxation periods. Also with the same regulation and stated in 5520 numbered Law No. 5, 75% of exemption from corporate tax rate the profits arising from the sale of real estates (immovables) which is in assets for at least two full years has been changed to 50%.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 - 25 April following the close of the accounting year to which they relate (Companies with special accounting periods file their tax returns between 1- 25 of the fourth month subsequent to the fiscal year end). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. This rate was changed to 15% for all Companies as of 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

An advance taxation of 19.8% has to be made on the investment allowance amount benefited basing on the investment incentive certificates received before 24 April 2003. Out of the investment expenses without incentive certificate made after this date, 40% of the ones directly related to the companies' production activities can be deducted from the taxable revenue. Any advance tax deduction is not made from the investment expenses without investment incentive.

Corporate Tax Allowance Practice

Corporate tax allowances can be taken for regional implementation of investments and large scale investments in accordance with Decision No: 2012/3305 of the Government Subsidies for Investments, and the framework of 5520 Corporate Income Tax Law No. 32/A. These allowances are used to reduce tax payable until the investment amount as calculated based on an incentive rate in the incentive certificate is reached. An allowance for VAT and custom tax can be utilized in accordance with incentive certificates in line with the same decision.

35. TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

The current year tax asset is TRY 7,130 thousand (31 December 2016 is TRY 5,201 thousand).

	31 December 2017	31 December 2016
Current tax provision	16,242	51,281
Prepaid taxes and funds (-)	(23,372)	(38,513)
Prepaid income tax liability / (asset)	**(7,130)**	**12,768**

	1 January - 31 December 2017	1 January - 31 December 2016
Corporate tax provision	(16,242)	(51,281)
Currency translation differences	212	14
Deferred tax income	16,624	16,405
Tax provision in the statement of profit or loss	**594**	**(34,862)**

Reconciliation of provision for tax

Profit before taxation and non-controlling interest	183,278	499,852
Effective tax rate	20%	20%
Calculated Tax	**(36,656)**	**(99,970)**

Tax reconciliation	1 January - 31 December 2017	1 January - 31 December 2016
Corporate tax allowances	64,162	15,679
Dividends and other non-taxable income	11,982	19,167
The effect of the foreign companies using different effective tax rate	(194)	(854)
Carry forward tax losses	16,514	31,302
Derivative instruments	(3,927)	28,274
Currency translation differences	(9,629)	(22,993)
Provision for carry forward tax losses	26,402	-
Illegitamate expenses	(15,256)	(5,467)
Tax provision in the statement of profit or loss	**594**	**(34,862)**

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36. EARNINGS PER SHARE

	1 January - 31 December 2017	1 January - 31 December 2016
Average number of shares existing during the period (1/1000 value)	75,000,000	75,000,000
Net profit for the period attributable to equity holders of the parent	181,317	456,858
Earnings per share	**0.2418**	**0.6091**
Total comprehensive income attributable to equity holders of the parent	146,035	161,900
Earnings per share obtained from total comprehensive income	**0.1947**	**0.2159**

On July 25, 2017, the Company increased its comprising issued capital from TRY 444,000 thousand to TRY 750,000 thousand by giving its shareholders an internal share of TRY 306,000 thousand ("Bonus Share"). The increased number of shares as a result of the issued Bonus Shares is adjusted in the calculation of earnigs per share based on the weighted average of the number of ordinary shares in the current period and in the all other presented periods in accordance with TAS 33 "Earnings per Share". Accordingly, the weighted average number of shares used in calculation of earnings per share for the period January 1 - September 30, 2016 is calculated by taking into consideration the bonus shares issued.

37. RELATED PARTY DISCLOSURES

Türkiye Şişe ve Cam Fabrikaları A.Ş. is the main shareholder of the Group and retains the control of the Group. All significant transactions and balances between the Group and its subsidiaries are eliminated in consolidation and not disclosed in this Note. The details of transactions between the Group and other related parties are disclosed below.

Deposits from related parties:	**31 December 2017**	**31 December 2016**
T. İş Bankası A.Ş.		
- Time deposits	507,294	759,896
- Demand deposits	9,773	2,402
	517,067	**762,298**
İşbank AG		
- Demand deposits	54	98
	54	**98**

Financial liabilities:	**31 December 2017**	**31 December 2016**
Bonds issued through Şişecam Holding (*)	378,256	352,433

(*) T. Şişe ve Cam Fabrikaları A.Ş. issued fixed interest bond whose nominal value is USD 500,000 thousand as of 9 May 2013 and maturity date is May 2020 with 7 year term. Interest rate of these bonds is determined as 4.25%. The capital payment of bond will be made at maturity date. USD 100,000 thousand provided from this bond issue was transferred to Group with the same condition and Group is guarantor for the portion transferred to Group regarding to principle, interest and similar payments.

37. RELATED PARTY DISCLOSURES

Held to maturity financial investments:

	31 December 2017	31 December 2016
T. İş Bankası A.Ş.	58,368	47,023
Türkiye Sınai Kalkınma Bankası A.Ş.	28,454	21,734
	86,822	**68,757**

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

Security issuer	**ISIN code**	**Coupon interest rate (%)**	**31 December 2017 Nominal amount (USD)**	**31 December 2016 Nominal amount (USD)**
T. İş Bankası A.Ş.	XS1390320981	5.375	6,393	6,393
T. İş Bankası A.Ş.	XS1079527211	5.000	5,080	4,380
T. İş Bankası A.Ş.	XS1508390090	5.500	3,600	2,600
T. İş Bankası A.Ş.	XS1578203462	6.125	220	-
T. İş Bankası A.Ş.	XS1117601796	5.375	160	-
			15,453	**13,373**
Türkiye Sınai Kalkınma Bankası A.Ş.	XS1412393172	4.875	5,759	5,005
Türkiye Sınai Kalkınma Bankası A.Ş.	XS1219733752	5.125	1,800	1,200
			7,559	**6,205**
			23,012	**19,578**

Trade receivables	**31 December 2017**	**31 December 2016**
Şişecam Dış Ticaret A.Ş.	17,289	3,077
Paşabahçe Cam Sanayii ve Tic. A.Ş.	130	271
Trakya Glass Rus AO	126	-
Camiş Madencilik A.Ş.	124	-
Türkiye Şişe ve Cam Fabrikaları A.Ş.	72	2
OOO Posuda	14	7
Şişecam Enerji A.Ş.	10	2
Camiş Limited	-	2,883
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş.	-	451
Şişecam Otomotiv A.Ş.	-	17
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	-	10
Diğer Companies	5	5
	17,770	**6,725**

37. RELATED PARTY DISCLOSURES

Other receivables	31 December 2017	31 December 2016
Paşabahçe Cam Sanayii ve Tic. A.Ş.	154	594
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	38	55
Paşabahçe Mağazaları A.Ş.	34	56
Şişecam Otomotiv A.Ş.	13	-
Türkiye Şişe ve Cam Fabrikaları A.Ş.	-	322,186
	239	**322,891**

Trade payables	31 December 2017	31 December 2016
Türkiye Şişe ve Cam Fabrikaları A.Ş.	33,426	4,889
Şişecam Dış Ticaret A.Ş.	17,310	14,211
Soda Sanayii A.Ş.	7,687	16,574
Camiş Limited	7,357	11,713
Şişecam Enerji A.Ş.	4,234	9,601
Şişecam Çevre Sistemleri A.Ş.	3,959	-
Paşabahçe Cam Sanayii ve Tic. A.Ş.	3,895	4
Camiş Madencilik A.Ş.	1,147	-
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	111	82
İş Merkezleri Yönetim ve İletişim A.Ş.	69	-
OOO Posuda	47	120
Glass Corp S.A.	34	-
Camiş Ambalaj Sanayii A.Ş.	-	1,025
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	48
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş.	-	6,395
Camiş Egypt Mining Ltd. Co.	-	790
Şişecam Otomotiv A.Ş.	-	192
Others	8	-
	79,284	**65,644**

Other payables	31 December 2017	31 December 2016
Türkiye Şişe ve Cam Fabrikaları A.Ş.	29,845	304,136
Camiş Madencilik A.Ş.	5,973	5,215
Soda Sanayii A.Ş.	3,783	8,641
Şişecam Çevre Sistemleri A.Ş.	3,017	-
Şişecam Dış Ticaret A.Ş.	1,933	5,454
Çayırova Cam Sanayii A.Ş.	138	172
Şişecam Enerji A.Ş.	196	-
Trakya Cam Sanayii A.Ş.	5	216
Şişecam Elyaf Sanayii A.Ş.	3	-
Trakya Yenişehir Cam Sanayii A.Ş.	1	11
Denizli Cam Sanayii ve Tic. A.Ş.	-	53
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	-	79
Paşabahçe Cam Sanayii ve Tic. A.Ş.	-	65
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş.	-	136
Other (*)	2,146	1,480
	47,040	**325,658**

(*) Consisted of the accumulated dividend amount of the founding shareholders that is not demanded yet. (31 December 2017: TRY 2,146 thousand, 31 December 2016: TRY 1,471 thousand)

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37. RELATED PARTY DISCLOSURES

Sales to related parties	1 January - 31 December 2017	1 January - 31 December 2016
Paşabahçe Cam Sanayii ve Tic. A.Ş.	4,911	2,564
Paşabahçe Mağazaları A.Ş.	103	-
Türkiye Şişe ve Cam Fabrikaları A.Ş.	-	3
Trakya Cam Sanayii A.Ş.	-	1
	5,014	**2,568**

Purchases from related parties	1 January - 31 December 2017	1 January - 31 December 2016
Camiş Madencilik A.Ş.	56,944	48,698
Şişecam Enerji A.Ş.	34,971	60,350
Soda Sanayii A.Ş.	31,015	82,456
Şişecam Çevre Sistemleri A.Ş.	22,368	-
Camiş Egypt Mining Ltd. Co.	12,454	9,858
Şişecam Bulgaria EOOD	7,940	6,514
Paşabahçe Cam Sanayii ve Tic. A.Ş.	1,232	379
Şişecam Otomotiv A.Ş.	1,345	999
Trakya Cam Sanayii A.Ş.	710	429
Trakya Glass Rus AO	431	-
Trakya Yenişehir Cam Sanayii A.Ş.	281	618
Türkiye Şişe ve Cam Fabrikaları A.Ş.	401	340
OOO Posuda	76	-
Trakya Polatlı Cam Sanayii A.Ş.	75	-
Denizli Cam Sanayii ve Tic. A.Ş.	48	48
Glass Corp S.A.	29	-
Cam Elyaf Sanayii A.Ş.	5	6
Şişecam Dış Ticaret A.Ş.	1	2
Camiş Ambalaj Sanayii A.Ş.	-	12,630
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş.	-	27,738
	170,326	**251,065**

Interest income from related parties	1 January - 31 December 2017	1 January - 31 December 2016
T. İş Bankası A.Ş. ve İşbank AG	30,597	23,671
Türkiye Şişe ve Cam Fabrikaları A.Ş.	11,805	22,781
Paşabahçe Cam Sanayii ve Tic. A.Ş.	87	127
Camiş Elektrik Üretim A.Ş.	32	-
Şişecam Çevre Sistemleri A.Ş.	27	-
Paşabahçe Mağazaları A.Ş.	6	8
Şişecam Otomotiv A.Ş.	1	1
Denizli Cam Sanayii ve Tic. A.Ş.	1	2
Çayırova Cam Sanayii A.Ş.	-	-
Trakya Yenişehir Cam Sanayii A.Ş.	-	-
Trakya Cam Sanayii A.Ş.	-	197
Camiş Madencilik A.Ş.	-	6
Soda Sanayii A.Ş.	-	72
	42,556	**46,865**

37. RELATED PARTY DISCLOSURES

Interest expenses to related parties	1 January - 31 December 2017	1 January - 31 December 2016
Türkiye Şişe ve Cam Fabrikaları A.Ş.	37,277	29,254
Şişecam Dış Ticaret A.Ş.	993	323
Camiş Madencilik A.Ş.	850	993
Soda Sanayii A.Ş.	593	1,577
Şişecam Çevre Sistemleri A.Ş.	313	-
Şişecam Otomotiv A.Ş.	21	8
Paşabahçe Cam Sanayii ve Tic. A.Ş.	11	17
Trakya Cam Sanayii A.Ş.	23	46
Çayırova Cam Sanayii A.Ş.	14	71
Şişecam Enerji A.Ş.	11	98
Trakya Yenişehir Cam Sanayii A.Ş.	5	18
Denizli Cam Sanayii ve Tic. A.Ş.	1	-
Trakya Polatlı Cam Sanayii A.Ş.	1	12
Cam Elyaf Sanayii A.Ş.	-	18
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş.	-	6
Camiş Ambalaj Sanayii A.Ş.	-	273
T. İş Bankası A.Ş. ve İşbank AG	-	1,056
	40,113	**33,770**

Dividend income from related parties	1 January - 31 December 2017	1 January - 31 December 2016
Omco İstanbul Kalıp Sanayii ve Tic. A.Ş.	7,257	5,737
Camiş Elektrik Üretim A.Ş.	2,087	-
Soda Sanayii A.Ş.	-	6,835
	9,344	**12,572**

Other income from related parties	1 January - 31 December 2017	1 January - 31 December 2016
Paşabahçe Cam Sanayii ve Tic. A.Ş.	1,546	1,326
Paşabahçe Mağazaları A.Ş.	373	373
Şişecam Otomotiv A.Ş.	178	82
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	168	-
Türkiye Şişe ve Cam Fabrikaları A.Ş.	145	149
Trakya Glass Rus ZAO	102	4
OOO Posuda	70	58
Trakya Cam Sanayii A.Ş.	41	83
Denizli Cam Sanayii ve Tic. A.Ş.	29	-
Trakya Yenişehir Cam Sanayii A.Ş.	5	3
Automotive Glass Alliance Rus AO	2	-
Çayırova Cam Sanayii A.Ş.	1	-
Camiş Madencilik A.Ş.	1	25
Omco İstanbul Kalıp San. ve Tic. A.Ş.	-	748
	2,661	**2,851**

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37. RELATED PARTY DISCLOSURES

Other expenses to relates parties	1 January - 31 December 2017	1 January - 31 December 2016
Türkiye Şişe ve Cam Fabrikaları A.Ş.	47,712	41,140
Şişecam Çevre Sistemleri A.Ş.	2,362	-
Çayırova Cam Sanayii A.Ş.	1,475	1,572
İş Gayrimenkul Yatırım Ortaklığı A.Ş. (1)	1,171	1,950
Şişecam Dış Ticaret A.Ş.	977	803
İş Merkezleri Yönetim ve İşletim A.Ş. (2)	597	575
İş Yatırım Menkul Değerler A.Ş.	110	-
İş Portföy Yönetimi A.Ş.	143	216
Trakya Cam Sanayii A.Ş.	73	75
Paşabahçe Mağazaları A.Ş.	-	14
Anadolu Hayat Emeklilik Sigorta A.Ş.	-	202
Cam Elyaf Sanayii A.Ş.	-	9
OOO Posuda	-	20
Paşabahçe Cam Sanayii ve Tic. A.Ş.	13	49
	54,633	**46,625**

(1) TRY 1,148 thousand of the total amount consists of rent expenses of Şişecam Headquarters for the period of 1 January- 31 December 2017 (1 January – 31 December 2016: TRY 2,007 thousand).
(2) Amount comprises from the administrative and management expenses related with Şişecam Headquarters, where the Group is located.

Key management compensation benefits	1 January - 31 December 2017	1 January - 31 December 2016
Parent (Holding)	5,162	3,422
Consolidated entities	8,125	8,665
	13,287	**12,087**

Key management personnel is composed of top management, members of board of directors, general manager and vice general manager and factory directors. The Group did not provide key management with post-employment benefits, benefits due to outplacement, share-based payment and other long-term benefits for the period 1 January-31 December 2017 and 1 January-31 December 2016.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital Risk Management

The Group manages its capital to ensure that it will maintain its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings and other debts disclosed in Notes 8 and 10, cash and cash equivalents disclosed in Note 6 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 27.

The management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

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38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

a) Capital Risk Management

The Group controls its capital using the net debt / total equity ratio. This ratio is the calculated as net debt divided by total equity. Net debt is calculated as total liability (comprises of financial liabilities, leasing and trade payables as presented in the statement of financial position) less cash and cash equivalents and financial investments.

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

	31 December 2017	31 December 2016
Financial liabilities and trade payables	2,060,246	1,950,573
Less: Cash and cash equivalents	(569,028)	(807,537)
Less: Financial investments	(256,188)	(196,295)
Net debt	**1,235,030**	**946,741**
Total equity	**1,892,263**	**1,802,743**
Net debt / total equity ratio	**0.65**	**0.53**

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

b) Financial Risk Factors

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

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

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

b.1) Credit Risk Management

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

Trade receivables consist of many customers operating in various industries and locations. Credit risk of the receivables from counterparties is evaluated periodical.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

b) Financial Risk Factors

b.1) Credit Risk Management

		Trade receivables		Other receivables			
Maximum credit risk exposed as of statement of financial position date	**Related parties**	**Unrelated parties**	**Related parties**	**Unrelated parties**	**Cash and cash equivalents**	**Derivative instruments**	**Held to maturity financial assets**
Maximum credit risk exposed as of 31 December 2017 (*) (A+B+C+D+E)	**17,770**	**539,909**	**239**	**7,028**	**569,022**	**1,209**	**256,188**
- The part of maximum risk under guarantee with collaterals, etc.	-	(182,309)	-	-	-	-	-
A. Net value of financials assets that are neither past due nor impaired	17,770	507,855	239	7,028	569,022	1,209	256,188
- The part under guarantee with collaterals, etc	-	(171,258)	-	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	-	-	-	-	-	-
- The part under guarantee with collaterals, etc	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	32,054	-	-	-	-	-
- The part under guarantee with collaterals, etc	-	(11,051)	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	7,197	-	10,213	-	-	-
- Impairments	-	(7,197)	-	(10,213)	-	-	-
- The part under guarantee with collaterals, etc	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk.	-	-	-	-	-	-	-

(*) Factors that increase the credit reliability, such as; guarantees received, are not considered in the calculation.

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38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

b) Financial Risk Factors

b.1) Credit Risk Management

	Trade receivables		Other receivables				
Maximum credit risk exposed as of statement of financial position date	**Related parties**	**Unrelated parties**	**Related parties**	**Unrelated parties**	**Cash and cash equivalents**	**Derivative instruments**	**Held to maturity financial assets**
Maximum credit risk exposed as of 31 December 2016 (*) (A+B+C+D+E)	**6,725**	**379,876**	**322,891**	**7,198**	**807,521**	**831**	**196,295**
- The part of maximum risk under guarantee with collaterals, etc.	-	(144,914)	-	-	-	-	-
A. Net value of financials assets that are neither past due nor impaired	6,725	330,825	322,891	7,198	807,521	831	196,295
- The part under guarantee with collaterals, etc	-	(129,076)	-	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	-	-	-	-	-	-
- The part under guarantee with collaterals, etc	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	49,051	-	-	-	-	-
- The part under guarantee with collaterals, etc	-	(15,838)	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	5,415	-	9,667	-	-	-
- İmpairments	-	(5,415)	-	(9,667)	-	-	-
- The part under guarantee with collaterals, etc	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk.	-	-	-	-	-	-	-

(*) Factors that increase the credit reliability, such as; guarantees received, are not considered in the calculation.

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

b) Financial Risk Factors

b.1) Credit Risk Management

Guarantees received from the customers are as follows:

	31 December 2017	**31 December 2016**
Letters of guarantee	51,080	45,132
Mortgages	5,565	5,565
Direct debiting system (DDS)	25,700	16,999
Eximbank domestic credit insurance	99,964	76,853
Promissory notes and bills	-	365
	182,309	**144,914**

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

	31 December 2017	**31 December 2016**
1-30 days overdue	20,867	40,929
1-3 months overdue	3,849	4,709
3-12 months overdue	2,199	2,561
1-5 years overdue	5,139	852
Total overdue receivables	**32,054**	**49,051**
The part secured with guarantee (-)	**11,051**	**15,838**

b.2) Liquidity Risk Management

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

Liquidity risk tables

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

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

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38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

b) Financial Risk Factors

b.2) Liquidity Risk Management

Liquidity risk tables (Continued)

The following table details the maturities for the financial liabilities of the Group The tables show the undiscounted contractual casf outflows of the financial liability. The amount of interest payable to be paid of financial liabilities are included in the table.

31 December 2017						
Non-derivative Financial liabilities	**Carrying Value**	**Total Cash accordance with contracts (I+II+III+IV)**	**Outflows in Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Bank borrowings	1,408,876	1,504,331	102,410	781,922	609,970	10,029
Bonds issued	378,256	415,588	-	16,031	399,557	-
Trade payables	193,830	195,089	163,480	29,523	2,086	-
Due to related parties	126,324	126,449	25,104	60,115	41,230	-
Other financial liabilities	52,738	52,737	1,071	51,666	-	-
	2,160,024	**2,294,194**	**292,065**	**939,257**	**1,052,843**	**10,029**

Derivative Financial liabilities	**Carrying Value**	**Total Cash accordance with contracts (I+II+III+IV)**	**Outflows in Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Cash inflows	1,209	1,209	-	1,209	-	-
Cash outflows	(20,252)	(20,252)	-	(20,252)	-	-
	(19,043)	**(19,043)**	**-**	**(19,043)**	**-**	**-**

31 December 2016						
Non-derivative Financial liabilities	**Carrying Value**	**Total Cash accordance with contracts (I+II+III+IV)**	**Outflows in Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Bank borrowings	1,395,464	1,507,299	187,690	468,359	838,134	13,116
Bonds issued	352,432	404,864	-	14,957	389,907	-
Trade payables	137,032	137,455	131,584	5,094	777	-
Due to related parties	391,302	541,766	422,663	80,981	1,228	36,894
Other financial liabilities	76,223	76,226	9,440	29,687	37,099	-
	2,352,453	**2,667,610**	**751,377**	**599,078**	**1,267,145**	**50,010**

Derivative Financial liabilities	**Carrying Value**	**Total Cash accordance with contracts (I+II+III+IV)**	**Outflows in Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Cash inflows	831	831	831	-	-	-
Cash outflows	(40,772)	(40,772)	-	(40,772)	-	-
	(39,941)	**(39,941)**	**831**	**(40,772)**	**-**	**-**

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

b) Financial Risk Factors

b.3) Market Risk Management

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

b.3.1) Foreign currency risk management

The transactions denominated in foreign currencies are subject to foreign currency risk. The Group considers the currencies not included in the functional currencies of the countries, in which its subsidiaries and associates operate, as foreign currency.

The breakdown of the Group's foreign currency denominated monetary and non-monetary assets and liabilities as of the balance sheet date are as follows:

		Foreign Currency Position as of 31 December 2017			
		TRY Equivalent	**US Dollar**	**Euro**	**Other**
1.	Trade receivables	95,408	9,575	10,573	11,552
2a.	Monetary financial assets (cash and cash equivalents included)	684,760	159,400	16,525	8,898
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	9,275	433	1,459	1,053
4.	**Current Assets (1+2+3)**	**789,443**	**169,408**	**28,557**	**21,503**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Others	16,950	8	3,633	516
8.	**Non-current Assets (5+6+7)**	**16,950**	**8**	**3,633**	**516**
9.	**Total Assets (4+8)**	**806,393**	**169,416**	**32,190**	**22,019**
10.	Trade payables	26,477	826	4,885	1,304
11.	Financial liabilities	504,353	1,836	110,160	-
12a.	Other monetary liabilities	25,428	5,064	1,036	1,652
12b.	Other non-monetary liabilities	-	-	-	-
13.	**Current Liabilities (10+11+12)**	**556,258**	**7,726**	**116,081**	**2,956**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	479,571	105,231	18,304	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	**Non-current Liabilities (14+15+16)**	**479,571**	**105,231**	**18,304**	**-**
18.	**Total Liabilities (13+17)**	**1,035,829**	**112,957**	**134,385**	**2,956**
19.	Net asset position of off balance sheet / derivative instruments(19a - 19b)	293,508	-	65,000	-
19a.	Total amount of assets hedged	338,663	-	75,000	-
19b.	Total amount of liabilities hedged	45,155	-	10,000	-
20.	**Net foreign assets / (liability) position (9–18+19)**	**64,072**	**56,459**	**(37,195)**	**19,063**
21.	**Net foreign asset / (liability) position of monetary items (=1+2a+3+5+ 10-11-12a-14-15-16a)**	**(255,661)**	**56,018**	**(107,287)**	**17,494**
22.	Fair value of financial instruments used in foreign currency hedge	(19,043)	-	(4,217)	-
23.	Export	276,864	29,475	34,674	26,729
24.	Import	352,950	32,474	53,339	15,065

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38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

b) Financial Risk Factors

b.3) Market Risk Management

b.3.1) Foreign currency risk management

		Foreign Currency Position as of 31 December 2016			
		TRY Equivalent	US Dollar	Euro	Other
1.	Trade receivables	59,810	10,140	4,827	6,219
2a.	Monetary financial assets (cash and cash equivalents included)	765,145	181,076	31,994	9,208
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	9,790	1,667	1,035	84
4.	**Current Assets (1+2+3)**	**834,745**	**192,883**	**37,856**	**15,511**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Others	3,496	270	573	422
8.	**Non-current Assets (5+6+7)**	**3,496**	**270**	**573**	**422**
9.	**Total Assets (4+8)**	**838,241**	**193,153**	**38,429**	**15,933**
10.	Trade payables	26,957	1,055	6,044	820
11.	Financial liabilities	157,164	1,798	40,658	-
12a.	Other monetary liabilities	40,204	6,942	4,252	-
12b.	Other non-monetary liabilities	-	-	-	-
13.	**Current Liabilities (10+11+12)**	**224,325**	**9,795**	**50,954**	**820**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	775,826	106,538	108,061	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	**Non-current Liabilities (14+15+16)**	**775,826**	**106,538**	**108,061**	**-**
18.	**Total Liabilities (13+17)**	**1,000,151**	**116,333**	**159,015**	**820**
19.	Net asset position of off balance sheet / derivative instruments(19a - 19b)	270,823	-	73,000	-
19a.	Total amount of assets hedged	278,243	-	75,000	-
19b.	Total amount of liabilities hedged	7,420	-	2,000	-
20.	**Net foreign assets / (liability) position (9–18+19)**	**108,913**	**76,820**	**(47,586)**	**15,113**
21.	**Net foreign asset / (liability) position of monetary items (=1+2a+3+5+10-11-12a-14-15-16a)**	**(175,196)**	**74,883**	**(122,194)**	**14,607**
22.	Fair value of financial instruments used in foreign currency hedge	(39,941)	-	(10,766)	-
23.	Export	213,225	26,797	35,819	12,802
24.	Import	51,600	1,315	12,606	5,560

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

b) Financial Risk Factors

b.3) Market Risk Management

b.3.1) Foreign currency risk management

The Group is mainly exposed to US Dollar and Euro denominated interest rate risk. The exposure to other currencies does not have material impact.

The following table shows the sensivity of the Group to a 10% increase and decrease in USD/TRY and EUR/TRY parities. The 10% benchmark is also used by the Group in its internal top level management reportings. The sensivity analysis is only applied to foreign exchange denominated monetary items at period ends by using 10% change in foreign currencies. This analysis is made by considering the functional currencies of the Group companies and foreign currencies are determined for the currencies that are different than the functional currencies. Positive sign is used for the increase in profit before tax and equity lines.

Foreign currency sensivity

	31 December 2017			
	Profit / (Loss)		Equity [(*)]	
	Foreign currency appreciation	Foreign currency devaluation	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%				
1- USD net assets / liabilities	21,130	(21,130)	-	-
2- USD hedged from risks (-)	-	-	-	-
3- USD net effect (1+2)	**21,130**	**(21,130)**	**-**	**-**
Change of EUR against TRY by 10%				
4- EUR net assets / liabilities	(48,445)	48,445	-	160,777
5- EUR hedged from risks (-)	29,351	(29,351)	-	-
6- EUR net effect (4+5)	**(19,094)**	**19,094**	**-**	**160,777**
Change of other currencies against TRY by 10%				
7- Other currencies net assets / liabilities	1,749	(1,749)	-	27,832
8- Other currencies hedged from risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	**1,749**	**(1,749)**	**-**	**27,832**
Total (3+6+9)	**3,785**	**(3,785)**	**-**	**188,609**

	31 December 2016			
	Profit / (Loss)		Equity [(*)]	
	Foreign currency appreciation	Foreign currency devaluation	Foreign currency appreciation	Foreign currency Devaluation
Change of USD against TRY by 10%				
1- USD net assets / liabilities	26,353	(26,353)	-	-
2- USD hedged from risks (-)	-	-	-	-
3- USD net effect (1+2)	**26,353**	**(26,353)**	**-**	**-**
Change of EUR against TRY by 10%				
4- EUR net assets / liabilities	(45,333)	45,333	114,456	(114,456)
5- EUR hedged from risks (-)	27,082	(27,082)	-	-
6- EUR net effect (4+5)	**(18,251)**	**18,251**	**114,456**	**(114,456)**
Change of other currencies against TRY by 10%				
7- Other currencies net assets / liabilities	1,460	(1,460)	9,945	(9,945)
8- Other currencies hedged from risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	**1,460**	**(1,460)**	**9,945**	**(9,945)**
Total (3+6+9)	**9,562**	**(9,562)**	**124,401**	**(124,401)**

[(*)] Represents the increase or decrease in the total amount of shareholders' equity in the case of the foreign currency exchange rates of the subsidiaries, associates and joint ventures operating outside Turkey are changed by 10%.

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

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

b) Financial Risk Factors

b.3.2) Interest Rate Risk Management

The Group's exposure to interest rate risk is related to its financial liabilities. The Group's financial liabilities mostly consist of floating interest rate borrowings. Based on the current statement of financial position composition and analysis calculated by the Group, if the TRY interest rates were increased / decreased by 1% and foreign currency interest rates were increased / decreased by 0.25% with the assumption of keeping all other variables constant, the effect on net profit / loss for the year before taxation and non-controlling interest would decrease / increase by TRY (1,054) thousand as of 31 December 2017 (31 December 2016: TRY 1,124 thousand).

Interest rate sensitivity

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

	31 December 2017			
	Floating interest	Fixed interest	Non-interest bearing	Total
Financial Assets	**-**	**1,362,999**	**27,163**	**1,390,162**
Cash and cash equivalents	-	541,868	27,160	569,028
Financial assets	-	256,188	-	256,188
Trade receivables	-	539,909	-	539,909
Due from related parties	-	18,006	3	18,009
Other receivables	-	7,028	-	7,028
Financial Liabilities	**490,434**	**1,668,734**	**856**	**2,160,024**
Bank borrowings	490,434	917,586	856	1,408,876
Bond issued	-	378,256	-	378,256
Trade payables	-	193,830	-	193,830
Due to related parties	-	126,324	-	126,324
Other payables	-	52,738	-	52,738

	31 December 2016			
	Floating interest	Fixed interest	Non-interest bearing	Total
Financial Assets	**-**	**1,700,489**	**20,033**	**1,720,522**
Cash and cash equivalents	-	787,504	20,033	807,537
Financial assets	-	196,295	-	196,295
Trade receivables	-	379,876	-	379,876
Due from related parties	-	329,616	-	329,616
Other receivables	-	7,198	-	7,198
Financial Liabilities	**488,625**	**1,862,301**	**1,527**	**2,352,453**
Bank borrowings	488,625	905,312	1,527	1,395,464
Bond issued	-	352,432	-	352,432
Trade payables	-	137,032	-	137,032
Due to related parties	-	391,302	-	391,302
Other payables	-	76,223	-	76,223

38. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

b) Financial Risk Factors

b.3.3) Other price risks

Equity Price Sensitivity

Sensitivity analysis disclosed below is determined based on the equity share price risks as of the reporting date.

If the equity share prices were increased / decreased by 10% with all other variables held constant as of the reporting date:

- Net profit/loss would not be affected as of 31 December 2017 to the extent that equity share investments are not classified as available for sales assets or disposed of or impaired.

Group's sensitivity to equity share price has not changed materially when compared to the prior year.

39. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Categories of Financial Instruments

31 December 2017	Assets and liabilities at amortized cost	Loans and receivables	Available for sale financial assets	Financial assets or liabilities fair value through profit or loss	Carrying value	Note
Financial assets	**826,425**	**557,918**	**-**	**-**	**1,384,343**	
Cash and cash equivalents	569,028	-	-	-	569,028	6
Trade receivables	-	539,909	-	-	539,909	10
Due from related parties	-	18,009	-	-	18,009	37
Derivative financial instruments	1,209	-	-	-	1,209	12
Financial investments	256,188	-	-	-	256,188	7
Financial liabilities	**2,127,538**	**-**	**-**	**-**	**2,127,538**	
Financial liabilities	1,787,132	-	-	-	1,787,132	8
Trade payables	193,830	-	-	-	193,830	10
Due to related parties	126,324	-	-	-	126,324	37
Derivative financial instruments	20,252	-	-	-	20,252	12

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

39. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

31 December 2016	Assets and liabilities at amortized cost	Loans and receivables	Available for sale financial assets	Financial assets or liabilities fair value through profit or loss	Carrying value	Note
Financial assets	**1,004,663**	**709,492**	**-**	**-**	**1,714,155**	
Cash and cash equivalents	807,537	-	-	-	807,537	6
Trade receivables	-	379,876	-	-	379,876	10
Due from related parties	-	329,616	-	-	329,616	37
Derivative financial instruments	831	-	-	-	831	12
Financial investments	196,295	-	-	-	196,295	7
Financial liabilities	**2,317,003**	**-**	**-**	**-**	**2,317,003**	
Financial liabilities	1,747,897	-	-	-	1,747,897	8
Trade payables	137,032	-	-	-	137,032	10
Due to related parties	391,302	-	-	-	391,302	37
Derivative financial instruments	40,772	-	-	-	40,772	12

Financial Assets / Liabilities Carried at Fair Value

	31 December 2017			
Financial assets	**Total**	**Category 1**	**Category 2**	**Category 3**
Derivative financial instruments	1,209	-	1,209	-
Total	**1,209**	**-**	**1,209**	**-**

	31 December 2017			
Financial liabilities	**Total**	**Category 1**	**Category 2**	**Category 3**
Derivative financial instruments	20,252	-	20,252	-
Total	**20,252**	**-**	**20,252**	**-**

	31 December 2016			
Financial assets	**Total**	**Category 1**	**Category 2**	**Category 3**
Derivative financial instruments	831	-	831	-
Total	**831**	**-**	**831**	**-**

	31 December 2016			
Financial liabilities	**Total**	**Category 1**	**Category 2**	**Category 3**
Derivative financial instruments	40,772	-	40,772	-
Total	**40,772**	**-**	**40,772**	**-**

39. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

The classification of the Group's financial assets and liabilities at fair value is as follows:

- Category 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Category 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Category 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

40. SUBSEQUENT EVENTS

None.

41. OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER MATTERS REQUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS

Approval of Financial Statements

The Group's audited consolidated financial statements as of 31 December 2017 prepared in accordance with the Capital Markets Board's Communiqué Serial: II, No: 14.1 are reviewed by also considering the opinion of the Audit Committee and it has been concluded that the accompanying financial statements present fairly the consolidated financial position of the Company in accordance with the regulations issued by the Capital Markets Board and accounting policies applied by the Company. The accompanying financial statements are authorized by the Finance Director, Sibel Koç Karacaoğlu with Department of Budget and Financial Control Manager İlker Güven and approved for the public announcement by the Board of Directors on 26 February 2018.

Consolidated Financial Statements will be finalized after the approval of General Assembly. The General Assembly has right to change the financial statements after announcement.

ANADOLU CAM SANAYİİ A.Ş.
CONSOLIDATED PROFIT DISTRIBUTION OF 2017

Esteemed Shareholders,

Our company has completed 2017 account period with a profit of 181,317,000 Turkish Liras.

We hereby submit to your opinion and approval, that 181,317,000 Turkish Liras of our net profit for the period, as seen in our consolidated balance sheet 2017 prepared according to the Capital Markets Board's ("CMB") "Communiqué on Financial Reporting Principles Capital Markets" Series II-14.1, be allocated as follows, according to CMB's profit distribution regulations, and article 29 of our articles of association, and our Company's publicly disclosed "Profit Distribution Policy";

1.	**Net Profit for the Period**	**181,317,000**
2.	Amount set aside as Special Fund under Article 5/1-e of Corporate Tax Law	(34,647,406)
3.	First Issue Legal Reserves	(7,841,015)
4.	**Net Distributable Profit for the Period**	**138,828,579**
5.	Donations during the Year	36,197
6.	**Net Distributable Profit for the Period including Donations, over which the First Dividend is to be Calculated**	**138,864,776**
7.	**First Dividends to Shareholders**	**60,000,000**
8.	**Dividends to Founders**	**6,306,286**
9.	**Dividends to Group B Shareholders**	**1,576,572**
10.	**General Statutory Reserves**	**3,038,286**
11.	**Extraordinary Reserves**	**67,907,435**

And 60,000,000 TL of gross dividends, corresponding to 43.22 % of our Net Distributable profit for the period, be distributed in cash, and gross 6,306,286 TL be distributed to founder dividend shares according to article 29 of our articles of association, and 1,576,572 TL dividends be distributed in cash to Group B shares, and the cash dividend payment date be set as 31 May 2018,

Regards,

AHMET KIRMAN
Chairman of the Board

ANADOLU CAM SANAYİİ A.Ş.
CORPORATE GOVERNANCE COMPLIANCE REPORT

SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

This statement sets forth the responsibilities of Anadolu Cam Sanayii Anonim Şirketi ("Company") mentioned below, on regulation of shareholder, stakeholder relationships, public disclosure and transparency, and the duties, authorization and responsibilities of the Board of Directors and its committees and executives, within the framework of "Corporate Governance Principles" set forth in the Capital Markets Board's (CMB) "Corporate Governance Communiqué" Series: II-17.1 published on the Official Gazette dated 03.01.2014 number 28871.

Anadolu Cam Sanayii A.Ş. and subsidiaries comprising Şişecam Glass Packaging Group involves Anadolu Cam Sanayii A.Ş. together with 9 subsidiaries and 1 affiliate. The Company was established in 1969, and commenced production in 1973. In 1976, it has joined Türkiye Şişe ve Cam Fabrikaları A.Ş. Group.

Company's field of activity is the production and sales of glass containers. Production activities in Turkey are being conducted at the Mersin, Yenişehir and Eskişehir factories. Company's marketing and sales activities are being fully conducted by in-house "management and sales centre" department. Export sales are conducted by Şişecam Dış Ticaret A.Ş., a foreign trade stock corporation. Company's shares are being traded on Borsa Istanbul A.Ş. ("BİAŞ") (formerly known as Istanbul Stock Exchange ("İMKB")) since 1986.

Anadolu Cam Sanayii A.Ş. has acquired its first foreign production facility in 1997 in Georgia, and has made its first investment in Russia in 2002, and finally acquired an existing glass container facility in Ukraine in early 2011, to proceed with its expansion. Today, the Company performs its production in 3 hubs other than Turkey, and is currently the 5th largest glass container producer company in Europe and the world, with a total production capacity of 2.3 Million Tonnes/Year.

Being a part of Şişecam Group, Anadolu Cam Sanayii A.Ş. has established its management concept on equality, transparency, accountability and responsibility principles in the sectors it operates, due to its status of being a global company. Company's current scale, expertise, and competitiveness, being among the select producers in its field in Europe and the world, are the clearest proof of this management concept.

Contemporary management and industry principles, high institutionalization level, focus on the market and R&D, have carried Anadolu Cam Sanayii A.Ş. to this day, and constitute the fundamentals a stronger future for Anadolu Cam Sanayii A.Ş.. Şişecam Glass Packaging Group's aims at strengthening its vision to be a global company that is a solution partner of its customers, with designed products and services and creative processes, and adds value to people and the environment, by adopting Corporate Governance Principles. Our company shows maximum care on adherence to Capital Markets Board's (CMB) regulations on corporate governance. In the annual period ending 31 December 2017, principles annexed to the Corporate Governance Communiqué which are not yet fully complied with have not caused any conflict of interest among the stakeholders.

Disclosures on the principles which are mandatory for the Company in the annual period ending 31 December 2017, as annexed to the Corporate Governance Communiqué, are given in relevant sections of the report, and particular efforts in the period for compliance with the Corporate Governance Principles are summarized below.

1) The Company has disclosed its dividend payment dates and capital increase history for the last 5 years, on its Turkish and English website.
2) Our parent company, T. Şişe ve Cam Fabrikaları A.Ş., has bought "Manager's Liability Insurance" from Anadolu Anonim Türk Sigorta Şirketi against losses that may be caused on the Company by directors of all group companies, including itself, our company, and our company's subsidiaries, joint ventures and affiliates.
3) To ensure that shareholders and stakeholders can obtain information more effectively, scope and content of Company's corporate website was expanded, and in this context, investor presentations, investor agenda and similar information and disclosures that can affect the exercise of shareholding rights are presented to shareholders on the company's corporate website.
4) All affiliated party transactions and the transaction principles are presented to the Board of Directors in 2017. In 2017, there was no significant affiliated party transaction which needs to be submitted to the general assembly for approval due to non-approval of independent members.

ANADOLU CAM SANAYİİ A.Ş.
CORPORATE GOVERNANCE COMPLIANCE REPORT

In this regard, Company's 2017 Corporate Governance Principles Compliance Report has been prepared in accordance with the format set by the CMB's resolution number 2/35 as published on the Weekly Bulletin dated 27 January 2014 number 2014/2, as presented in sections below.

SECTION II - SHAREHOLDERS

2.1. Investor Relationships Department

To fulfil the liabilities under the Capital Markets Legislation in accordance with the rules set by the legislation, and to conduct the activities more effectively, a central concept has been adopted, and our Group has a structure accordingly.

All liabilities of Anadolu Cam Sanayii A.Ş. arising from Turkish Commerce Legislation and Capital Markets Legislation are being fulfilled under the supervision, direction and coordination of "Investor Relationships Department" reporting to Şişecam Group CFO Mustafa Görkem Elverici, in accordance with CMB Corporate Governance Principles, and in this context, pursuant to Article 11 of CMB's Corporate Governance Communiqué number II – 17.1, Sibel Koç Karacaoğlu has been appointed as Department Manager, and İlker Güven, the Budget and Financial Control Manager has been appointed as Department Officer (both of whom have Capital Market Activities Level 3 Licence and Corporate Governance Rating Licence) and these appointments have been announced to public on 19 December 2017 Public Disclosure Platform (KAP).

"Investor Relationships Department" plays an effective role in protection and exercise of shareholding rights, particularly the information and review rights, and performs the tasks below:

1) Conducting capital markets and investor relationship activities according to the specified strategy and policies.
2) Conducting information management activities according to capital markets and investor relationship legislation.
3) management of "investor relationships" sections on the company's websites.
4) preparation of interim and annual reports
5) preparation and conveyance of KAP notifications such as public disclosures, annual and interim reports.
6) ensuring that the general assembly meeting is held in accordance with the applicable legislation, articles of association, and other regulations of the company.
7) fulfilment of liabilities arising from Capital Markets Legislation, including all matters related to corporate governance and public disclosure, are being supervised.

Analysts and fund managers of domestic and foreign intermediaries and portfolio management companies hold teleconferences and one-on-one meetings at the company headquarters, and information requests received by the Department are being met. Shareholders can request information either by directly contacting the employees of Investor Relationships Department or via the Department's e-mail address or the contact sheet on the corporate website. Records on the information requests received in writing or verbally are being kept regularly by the Investor Relationships Department.

Information and disclosures that may affect the exercise of shareholding rights are updated on the company's corporate website for the shareholders.

Activities performed in 2017 to convey information to investors about the company's business are summarised below.

In 2017, the company has attended 10 conferences and 3 roadshows for equity and bond investors, one-on-one meetings have been held with around 300 present and potential investors, including investor meetings held at our company's headquarters. Conferences participated are: JP Morgan (Miami), BofAML (Miami), HSBC (London), BGC (London), JP Morgan (London), İş Yatırım (London), Woods&Co. (Prague), Raiffeisen (Frankfurt), Goldman Sachs (Istanbul), İş Yatırım (Istanbul), İş Yatırım (NDR-Warsaw, Stockholm), İş Yatırım (NDR-New York, Boston), Goldman Sachs (NDR- Abu Dhabi & Dubai).

On 27 April 2017, "Analyst Day" has been arranged at Şişecam headquarters, with participation of 35 analysts and investors. Total number of meetings with investors on the phone, through one-on-one meeting, roadshow and conferences is around 400. As a result of discussions effectively held with analysts issuing report on publicly listed companies, almost 150 analyst reports have been issued. In addition, two webcast have been arranged in 2017, sharing the 2016 year-end and 2017 first-half financial results. Transcripts of these teleconferences are posted on our websites in Turkish and English.

2.2. Shareholders' Exercise of their Rights to Obtain Information

There is no discrimination among shareholders on exercise of shareholders' information and review right. Every shareholder has the right to obtain and review information. Articles of association does not contain any provision on restriction of information rights.

In 2017, investors and shareholders' written and verbal information requests have been replied in accordance with the Capital Markets Legislation, and CMB's regulations and resolutions, and the relevant information and documents, except for confidential information or trade secrets, are disclosed to investors and shareholders with consideration to equality principle.

To expand the shareholders' rights to obtain information and to enable them to exercise their in a robust manner, under the applicable legislation, Company's corporate website is being used effectively. In this context, Company's www.sisecamglasspackaging.com corporate website provides the information and documents required by Corporate Governance Principles and the regulatory authorities, to the shareholders in Turkish and English.

Company's articles of association does not yet stipulate the request for appointment of special auditor as an individual right. There was no request for appointment of special auditor in the period.

2.3. General Assembly Meetings

General assembly meeting is announced on Public Disclosure Platform (KAP), Electronic General Assembly System (EGKS), Company's corporate website, and Turkish Trade Registry Journal, minimum three weeks before the General Assembly meeting date, to maximize the attendance of shareholders. In addition, "information document" on the agenda items is prepared and announced to public before the general assembly meeting. All publications and notifications comply with Turkish Code of Commerce (TCC), Capital Markets Legislation, CMB regulations and resolutions, and the Articles of Association.

In notifications; meeting date and time, meeting place, and the agenda, the body making the invitation, and the place to review the annual report and financial statements, other general assembly documents and papers, are clearly stated, in a manner to avoid doubts. In this context, annual report, financial reports, other documents underlying the agenda items, and profit distribution proposal are made available to shareholders at convenient places, including company's headquarters and electronic media, from the date of invitation to the general assembly meeting.

In addition, the matters below are highlighted on the Company's corporate website www.sisecamglasspackaging.com in "Information Documents" under "Investor Relationships Department", "Corporate Identity and Management" section, "General Assembly Announcements and Documents" topic, to the attention of shareholders.

a. total number of shares and voting rights, number of shares representing the preference share group in the company's capital and the corresponding voting rights, reflecting the company's shareholding structure as of the disclosure date, and the nature of preferences,
b. information that there is no change management and activities of the company and subsidiaries that may significantly affect the company activities, whether in past account period or planned for future account periods,
c. reason for removal and replacement of directors, and nominees' CV's, tasks assumed in the last ten years, nature and significance of the relationships between the company the company's affiliated, whether they are independent or not, and similar matters.

In preparation of general assembly agenda, each proposal is given under a separate topic, and agenda items are expressed clearly, in a manner to avoid unintended interpretations. Attention is paid to avoid expressions like "other" or "miscellaneous" in the agenda.

In preparation of agenda, matters requested by shareholders in writing from the Company's Investor Relationships Department to be added on the agenda are taken into consideration by the Board of Directors. Nevertheless, there was no request on this matter in the period.

Maximum efforts are spent to ensure that general assembly meetings are held without causing inequality among the shareholders and shareholders attend with the least cost possible. In this context, general assembly times are specified with consideration to traffic, transportation and similar peripheral factors. Electronic general assembly is also being considered as an application that increase the shareholders' opportunity to attend the meetings.

At the general assembly meeting, chairman of the meeting has endeavoured to ensure that agenda items are conveyed in an impartial and detailed, clear and comprehensible manner, and shareholders were given the opportunity to express their thoughts and ask questions under equal conditions. Questions asked by shareholders at the general assembly meeting which are not trade secrets are directly answered. If any question is unrelated to the agenda, or is so comprehensive that cannot be instantly answered, then that question is answered by Investor Relationships Department in writing as soon as possible. However, no question was asked at the Ordinary General Assembly Meeting in year 2017.

ANADOLU CAM SANAYİİ A.Ş.
CORPORATE GOVERNANCE COMPLIANCE REPORT

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

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

To provide necessary into and answer questions on significant agenda items, directors, other relevant persons, officials with responsibility in preparation of financial statements, and auditors are present at the general assembly meeting.

Within the scope of transactions with affiliated parties and with significant persons as described in CMB regulations, arrangements have been made in the Company's Articles of Association that the transactions on giving guarantee, pledge or mortgage in favour of third parties shall comply with Corporate Governance Principles.

In case of a material change in the company's management and business organization, public disclosure is made according to the legislation.

In this context, during the period;

At our company's Board of Directors' meeting dated June 2nd, 2017; it was resolved that our company and Türkiye Şişe ve Cam Fabrikaları A.Ş. be joint and successive guarantor for the 30,000,000 Euros loan of our subsidiary Balsand B.V. operating in the Netherlands, from Rabobank.

The joint and successive guarantee given in 2014 by our company and Türkiye Şişe ve Cam Fabrikaları A.Ş., for the loan of our subsidiary Merefa Glass Company Ltd. operating in Ukraine, from EBRD for 20,000,000 Euros amount, has been extended second time for another 1 year in October 2017.

Board of Directors have resolved on the abovementioned matters with majority of votes.

At the Company's Ordinary General Assembly stakeholders are informed on the donations made in the period, and approval is obtained for the donation limit applicable in the new period. At the Ordinary General Assembly Meeting held on March 29th, 2017, the donation limit for the year 2017 is set as 1,975,000 Turkish Liras, and in this context, 36,197 Turkish Liras of donations and benevolent contributions were made in 2017.

General assembly meetings are open to public, including the media. Our general assembly meeting is held under supervision of the Ministry Representative designated by the Ministry of Customs and Trade. General assembly minutes are posted on the company's corporate website and made available for the shareholders at the company headquarters.

During the period, general assembly is informed in a separate agenda item on affiliated party transactions and securities, pledges and mortgages given in favour of third parties.

In the period; the Ordinary General Assembly Meeting for the year 2016, held on March 29th, 2017, was convened with 86.43 percent quorum.

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

- General assembly agenda, meeting place, date, time, and proxy form for those represented physically by proxy at the general assembly meeting, and principles on issuance of proxies,

- That the general assembly meetings will be held physically and electronically, and appointment of proxy, making suggestions, disclosing views, and voting at general assembly meetings through electronic means shall be made through the Electronic General Assembly System (EGKS) provided by Central Registrar (MKK), and that the titleholders intending to attend general assembly by electronic means in person or through proxies shall make such preferences in accordance with EGKS principles,

- That the shareholders intending to attend the general assembly physically must present their ID or proxy if they want to exercise their rights on the shares registered in the "Shareholders List" held by the Central Registrar (MKK) system, either in person or through proxies,

- That the financial statements including annual report, Independent External Audit Firm Reports, Board of Directors' profit distribution proposal, and the former and new text if the Articles of Association is to be amended, shall be made available to the shareholders at the Company Headquarters and Company's corporate website, minimum three week before the general assembly meeting.

2.4. Voting Rights and Minority Rights

Company's Articles of Association does not provide for any preference on exercise of voting rights. According to the Company's Articles of Association, each share entitles one voting right. If reciprocal shareholding relationship is accompanied with domination, then the companies having reciprocal shareholding may not exercise their voting rights at the General Assemblies of the Company that they have reciprocal shareholding, save for mandatory cases such as constituting quorum.

Anadolu Cam Sanayii A.Ş. does not have any reciprocal shareholding relationship.

The Company avoids making the exercise of voting right difficult, and provides the opportunity with shareholder, including foreign-based ones, to exercise the voting right in the most convenient manner.

Maximum endeavour is spent on exercise of minority rights. However, articles of association does not grant minority rights to the ones having less than one twentieth of the share capital, as the Company has fully adopted the rates applicable for publicly traded companies under the legislation. There is no finding on any conflict between the interests of block shareholder and the interests of Company.

2.5. Dividend Right

The Company has a certain and consistent profit distribution policy, set forth with consideration to the provisions of Turkish Code of Commerce, Capital Markets Law, Tax Laws and other legislation applicable to the Company, and the Articles of Association. This policy is submitted to the approval of shareholders at the general assembly meeting, and stated in the annual report, and disclosed to public on the Company's corporate website.

Company's profit distribution policy contains the minimum information to allow the investors to forecast the principles and procedures on distribution of the company's profits in future periods. The full text of profit distribution policy given below pursues a balanced policy between the interests of the shareholders and that of the Company.

Profit Distribution Policy;

Company's profit distribution policy is determined with consideration to the provisions of Turkish Code of Commerce, Capital Markets Law, Tax laws, and other legislation applicable to the Company, and the Articles of Association.

Accordingly;

a) Our company adopts the principle of distributing dividends in cash and/or bonus shares, minimum 50% of the net distributable profit for the year, at year ends, according to the Capital Markets Legislation and other relevant legislation. Considering economic conditions, investment plans, and cash position, etc., Shareholders' Ordinary General Assembly may resolve on distribution of a rate different from the targeted rate.
b) Board of Directors' profit distribution proposals, containing the details required under the Capital Markets Board regulations and Corporate Governance Principles, are disclosed to public on Public Disclosure Platform, our company's corporate website and the annual report, within the legal time periods.
c) Cash dividends to be distributed, subject to the resolution of the general assembly, are paid on the date resolved by the general assembly. Processes related to dividends to be distributed in the form of bonus shares are to be completed within the legal time period under the Capital Markets Board's regulations.
d) Within the framework of the profit distribution policy, dividends are distributed equally to all of the shares existing as of the distribution date, without considering the respective issuance or acquisition dates.
e) If the Board of Directors proposes the general assembly to not distribute the profit, reasons therefor and the information on the manner of usage of the undistributed profit shall be presented to the shareholders at the general assembly meeting.
f) Profit distribution policy pursues balance between the shareholders' interests and the company's interests.
g) According to our articles of association, founder dividend shares and Group B shares have dividend preferences, but no dividend is paid to our directors or employees.
h) According to our articles of association, Board of Directors may distribute advance on dividends, subject to authorization by the general assembly and compliance with the Capital Markets Law and Capital Markets Board's regulations on the matter. Authorization given by the General Assembly to the Board of Directors for distributing advance on dividends is limited to the respective year.

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In 2017, from the profit of year 2016;

50,000,000 Turkish Liras of gross dividends corresponding to 11.26126 % of the present issued capital has been distributed in cash, and 306,000,000 Turkish Liras of gross dividends corresponding to 68.9189 % of the present issued capital has been distributed as bonus shares by adding on the capital, 8,235,999 Turkish Liras amount of gross dividends have been distributed in cash to founder dividend shares, and 2,059,000 Turkish Liras of dividends have been distributed in cash to Group B shares, on 30 May 2017.

2.6. Transfer of Shares

There is no provision or application that makes the transfer of shares difficult, either in the articles of association or the General Assembly resolutions.

SECTION III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Internet Website and its Content

Company's corporate website www.sisecamglasspackaging.com is being used actively as provided for in the CMB Corporate Governance Principles, to conduct shareholder relationships more effectively and quickly, and keep in contact with shareholders, and the information therein is constantly updated. The information in the company's corporate website has the same content with the disclosures made under the relevant legislation provisions, without any discrepancy or incomplete information.

Company's corporate website www.sisecamglasspackaging.com, prepared in Turkish and English, provides mandatory information under the legislation, as well as products, annual and interim reports, financial reports, corporate governance compliance report, company's articles of association, trade registry information, shareholding structure, general assembly meeting agenda, general assembly meeting minutes, list of attendees of the general assembly meeting, voting-by-proxy form, prospectus and public offer circulars, information policy, announcements on mergers and splits, material disclosures, directors, interim audit reports, donation policy, anti-bribe and anti-corruption policy, current announcements, investor presentations, profit distribution policy. In this context, at least son 5 years' information is provided on the company's corporate website.

Company's shareholding structure is updated quarterly and disclosed on the corporate website, showing the names of, and the number and rate of shares held by, real shareholders holding more than 5% share, after elimination of indirect and mutual shareholdings.

As of 31 December 2017, 77.10% of the Company's issued capital of 750,000,000 TL is held by Türkiye Şişe ve Cam Fabrikaları A.Ş. Company's controlling shareholder is Türkiye Şişe ve Cam Fabrikaları A.Ş., and as of the date of this report, there is no real person shareholder holding more than 5% share capital in the controlling shareholder.

3.2. Annual report

Annual report is prepared in detail to ensure that the public can obtain full and accurate information about the company's activities. Annual report for the year 2017 is prepared with minimum content required under the third paragraph of article 516 of Turkish Code of Commerce, "Regulation on Specification of Minimum Content of Companies' Annual Reports" as published by the Ministry of Customs and Trade on the basis of article 518, and CMB's "Communiqué on Principles of Financial Reporting in Capital Markets" article 8, and is independently audited.

In this context, annual report mentions the following;

a. Report period, company's title, trade registry number, contact details,
b. Names of the Chairmen and members of the Board of Directors and Committees in office during the period,
c. Information on the sectors of the company's subsidiaries and their place in those sectors,
d. General disclosures on the nature, activities and performance of the Company's units, and developments in the year,
e. Developments in investments and incentive utilization status,
f. Amendments made in the articles of association during the period, together with justifications,
g. Corporate Governance Principles Compliance Report,
h. Information on affiliated party transactions,
i. Other issues not mentioned in the financial statements, but which are useful for the users,
j. Company's organization, capital and shareholding structure,
k. Personnel and worker benefits and headcount,
l. Information on missions assumed outside by the Directors within the framework of permission given by the company's General Assembly, with breakdown by within/outside the Group,
m. Profit distribution policy,
n. basic ratios on financial status, profitability and debt payment,
o. Company's funding sources and risk management policies,

In addition to the matters stated in the legislation, relevant parts of the annual report mention the following;

a) Information on the missions assumed outside the company, by Directors and executives, and representations on Directors' independence,
b) Members, convention frequency, activities conducted, and working principles of the committees formed under the Board of Directors,
c) Number of meetings held by the Board of Directors during the year, and directors' attendance to such meetings,
d) Information on legislative changes that may materially affect the company's activities,
e) Legal disputes against the company and potential outcomes thereof,
f) Information on employees' social rights, professional training, and other corporate social responsibility activities that have consequences for the community and the environment.

SECTION IV - STAKEHOLDERS

4.1. Provision of Information to Stakeholders

The Company assures the rights of the stakeholders under the legislation and mutual agreements. In other cases, stakeholders' interests are protected according to rules of good faith and the Company's available means. Effective and expeditious indemnification is available upon violation of rights.

Stakeholders are sufficiently informed on the Company policies and procedures for protection of their rights, through the corporate website.

Company's corporate governance applications allow all stakeholders, particularly the employees, to convey the management any concern on any illegal and unethical activity.

Employees can convey the illegal or unethical activities, to the Audit Committee and Şişecam Group Internal Audit Unit. A ethical phone line has been established to allow stakeholders to convey any activity considered to be illegal or against the company's ethical values, to the Audit Committee comprising the independent Directors. In addition, complaints can be sent via e-mail to "etik@sisecam.com".

Şişecam Group, that our company is a part of, has established an un-detailed framework of a written indemnification policy for the employees, and published on the company's corporate website.

Şişecam Group, that our company is a part of, broadcasts "Corporate TV" on issues followed by the public, and publishes two in-house periodicals, being "Şişecam Group Magazine" and "Technical Bulletin", for contact with employees. In addition, applicable policies, procedures, instructions, system user manuals, and announcements are made available to the employees via the intranet.

4.2. Stakeholders' Participation in Management

In principle, all communication channels are available for participation of Company employees in the management, and all potential obstructions are removed. To this end, "Message to the General Manager", "Ethical Contact Line and Electronic Mail Address" and "Idea Factory" applications are implemented.

By keeping in constant contact with the employees, the Company considers the needs of employees, and establishes platforms and mechanisms for employees to convey their opinions and recommendations.

Within the Company, meetings with participation of employees are held where necessary, which meetings play an important role in the company senior management's decision making process. Expectations and demands of all stakeholders of the Company are considered within rules, and problems are solved with communication.

On the other hand, such model and mechanisms are not described in the articles of association but stated in the "Constitution of Şişecam" established by Company management.

4.3. Human Resources Policy

The Company aims at implementing a human resources policy that targets a globally sustainable success, while popularizing an innovative corporate culture that learns together, and applying the best human resources practices in all fields of activity, and adds value to all stakeholders. Şişecam Group shapes its human resources approach in accordance with the laws, corporate values and ethical rules, and is based on inclusiveness and equality of opportunity in all applications, and endeavours to strengthen its diversity of global human resources and cultural heritage and hand it down to the next generations.

Our Company has a written human resources policy, and regulations prepared in this context are available to employees via the portal.

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Hiring and career planning is based on equality and transparency. Activities are conducted on the basis of the relevant articles of corporate "Human Resources Systems Regulation" and "Recognition, Appreciation and Reward System".

All current hiring methods and medias are used effectively by Selection and Allocation Department, to attract university students, new graduates and other professionals, supported by employer brand studies at universities and similar institutions.

Company's "Performance Management System" operates in connection with the Group's Vision, Mission and Strategies. Corporate Scorecard practice launched by the Group in 2010 is based on personal goals, turning Success-driven Performance Culture into Success-driven Corporate Culture. Performance Management System is based on creating value for the employee, to have the value generated by the employee serve the corporate development and sustainability goals.

Şişecam Talent Management System has been designed and implemented, to support the Company's sustainability, increase the value to be created through employees, and reveal their potential and retain the talents and raise the future leaders. At Şişecam Group, employees' expectations and organization' requirements are reviewed each year, and talent pool, career maps and succession plans are created accordingly. In addition, Evaluation and Development Center, available for white- and blue-collar employees, performs competency analyses and offers development plans.

Şişecam aims at hiring the needed human resources, and keep current employees' commitment high, and establish a positive, equal and competitive working environment. In 2017, there was no complaint from employees, especially on discrimination. Employees' relationships are coordinated by Human Resources Department.

Group's salary management system comprises variables such as the salary market, current salary structure and payment ability, individual performance and job seniority. Competitive salary and benefit strategies, consistent with the market conditions, that constantly rewards high performance, constitute the basis of systems. Salary and benefits management is based on knowledge, skill and experience required for the job, without discrimination as to gender, religion, language or race, etc.

The Company offers its employees with;

- Contemporary and competitive salary package that rewards success,
- flexible and sustainable benefit package according to needs and expectations,
- social capabilities that consider the balance of work and private life,
- communicative and productive working environment that is developed together,
- deep-rooted and innovative development and career targeting global leadership.

The Company rewards the projects of employees that have positive effect on the business processes and results and make a difference, and assesses the ideas that generate added value for the Group through Suggestion Development System. Within the scope of Recognition and Appreciation practices, employees' special days are being remembered, and their exemplar behaviour and successes at the company are being appreciated.

Şişecam Academy, established at the end of 2015 to contribute in Group's corporate goals and develop human resources' competencies and increase the employee commitment, works with the concept of a business partner; and has enriched and expanded the training and development opportunities for business families, titles and schools in 2017.

In addition to present schools, Program 2.0 enriching the Marketing School, Supply Chain School, Financial Affairs School, Foreign Trade Certificate Program and Leadership School with diverse applications, in collaboration with reputable universities of Turkey, have been implemented in 2017 using mixed learning model, and Orientation training has been restructured to facilitate the adaptation of new employees to our organization and their job.

In addition to e-learning modules, which have started to be created within the Group, Academia studio has been launched and started producing videos.

Training hours/person in 2017 was 55 hours for white collar employees, and 22 hours for blue collar employees.

Collective agreements are executed throughout the Group. Effective term of these collective agreements vary between 1 and 3 years.

Coordination meetings are held with Kristal-İş, T. Çimse-İş, Selüloz-İş and Petrol-İş Unions organized at the Group's workplaces, on application of collective agreement, industrial relationships and increasing efficiency. Likewise, unions organized at our workplaces abroad are also being coordinated.

Adopting Job Health and Safety (JHS) culture is continued with projects that target the change of behaviour, at the factories. We have a traditionalized painting contest on the continuity of JHS culture each year, covering the families of blue collar personnel.

Job accidents monitoring system collects data to perform root cause analyses of all accidents at the factories. Annual "Şişecam Job Accidents Report" is prepared with the data collected on the system. The system is also available for OHSAS 18001, internal and external inspection after each job accident, rerecord the Corrective Preventive Activities (CPA) planned for correcting negativities due to managerial etc. reasons, including the financial dimensions.

JHS Experts at our factories have started to conduct cross JHS audits at factories of various production groups in 2017, thus aiming at achieving sustainable improvement and extend the best practices.

Through the work of JHS ambassadors, who are volunteer blue-collar employees of our factories, the corrective and preventive activities have started to increase. Particularly, by effectiveness establishing effective communication channels, it is seen that actions are being taken quickly.

With JHS Leadership trainings, which will continue from 2017 onwards, it is aimed in raising JHS culture in employees at every level.

4.4. Ethical Rules and Social Responsibility

With the Company Board of Directors' resolution dated 28.05.2013 number 24, Şişecam Group Ethical Rules have been put into effect under the general principles of honesty, transparency, confidentiality, impartiality and compliance with laws, and all guidelines have been implemented to drive the Group employees' relationships with customers, suppliers, shareholders and other stakeholders.

A collection of 520 old glass works of art reflecting approximately 3500 years of history, brought together by Şişecam Group for preserving the cultural values, is registered with Istanbul Archaeology Museum, and is being exhibited at the private museum at Şişecam Headquarters.

The Company gives Education Incentive Scholarship to employees and employees' studying children. In this context, 729,889 TL of scholarship was given in 2017.

SECTION V - BOARD OF DIRECTORS

5.1. Board of Directors Organization and Establishment

With strategic decisions, the Board of Directors considers the Company's long term interests with rational and prudent risk management concept, balancing the Company's risk, growth and yields, and manages and represents the Company with these principles.

Board of Directors has defined the Company's strategic goals, and specified the human resources and financial means needed, and supervises the performance of Company's management, and compliance of Company activities with the legislation, articles of association, internal regulations and the established policies.

Board of Directors is designated in a manner to allow the members work in effective and constructive way, make quick and rational decisions, and establish the committees and effectively organizing their work.

Board of Directors comprise members who have executive duties and who have not. Non-executive director is a person who does not have any administrative task at the Company other than Board membership, and is not involved in Company's daily work flow and ordinary activities. Chairman of the Board Prof. Dr. Ahmet Kırman, Vice Chairman of the Board Mr. Abdullah Kılınç and Director Sibel Koç Karacaoğlu are executive directors of the Board.

Board of Directors involves two independent members who meet the independence criteria under the Capital Markets Board's Corporate Governance Principles.

Independent members are designated on 9 March 2017 by the Corporate Governance Committee in accordance with the processes set forth in Corporate Governance principles, and submitted to the Board of Directors on the same date. Nominated Independent Members have been approved and elected at our Board of Directors' meeting dated 9 March 2017.

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The independent members and non-independent Directors so designated are elected for 1 year in office, at the Ordinary General Assembly Meeting held on 29 March 2017 for the year 2017. As directors' office term of 1-year shall expire at the Ordinary General Assembly meeting to be held on 21 March 2018, election shall be made for directors at the said Ordinary General Assembly meeting.

Directors' CV's are given in the relevant section of our annual report and on Company's corporate website, and there was no situation that causes loss of independence of the independent members. Independent members' representations on this matter are given below.

INDEPENDENCE STATEMENT
To the Chair of the Board of Directors of
Anadolu Cam Sanayii A.Ş.

As director of Anadolu Cam Sanayii A.Ş., I hereby represent that I currently meet the requirements of "Independent Board of Directors membership" specified under the Capital Markets Law, Capital Markets Board's Communiqués, Principle Resolutions and other regulations, and your Company's Articles of Association; and that upon occurrence of an event that extinguishes such independence, I shall promptly notify your Board, and simultaneously the Capital Markets Board, in writing, on the situation, together with the reasons therefor, for disclosure on the Public Disclosure Platform, and that I shall act according to the Board of Directors' resolution, and comply with the matters stated in article 4.3.8 of Corporate Governance Principles.

Regards,

PROF. DR. HALİL ERCÜMENT ERDEM

INDEPENDENCE STATEMENT
To the Chair of the Board of Directors of
Anadolu Cam Sanayii A.Ş.

As director of Anadolu Cam Sanayii A.Ş., I hereby represent that I currently meet the requirements of "Independent Board of Directors membership" specified under the Capital Markets Law, Capital Markets Board's Communiqués, Principle Resolutions and other regulations, and your Company's Articles of Association; and that upon occurrence of an event that extinguishes such independence, I shall promptly notify your Board, and simultaneously the Capital Markets Board, in writing, on the situation, together with the reasons therefor, for disclosure on the Public Disclosure Platform, and that I shall act according to the Board of Directors' resolution, and comply with the matters stated in article 4.3.8 of Corporate Governance Principles.

Regards,

FAİK BYRNS

After the general assembly meetings where directors are elected, resolution shall be made on allocation of tasks, and the Chairman and Vice Chairman of the Board are elected. Company's current Board of Directors contains 3 executive and 3 non-executive members named below.

Approval is obtained from the general assembly under articles 395 and 396 of Turkish Code of Commerce, for the Chairman and Members of the Board of Directors to perform the Company's business personally or on behalf of others and to become partner of companies performing such businesses.

Directors can freely convey and express their opinions without any influence. Zeynep Hansu Uçar and Sibel Koç Karacaoğlu are the female members of the Company's Board of Directors in accordance with Corporate Governance Principles, and no target rate or target time is specified for the female members of the Board of Directors, being no less than 25%, and no policy has been established to achieve such targets. Company's policy on this matter is assessed periodically and according to necessities.

The Company has subsidiaries and an affiliate. Considering that having the Company Directors take part in management of such companies would benefit the Group, they are not restricted from assuming such tasks outside the Company; and the Directors' tasks outside the Company are stated below.

Name, Surname	Title	Current tasks outside the Company
Ahmet Kırman	Chairman of the Board of Directors	Vice Chairman - General Manager of T.Şişe ve Cam Fabrikaları A.Ş., Chairman of the Boards of Paşabahçe Cam San. ve Tic. A.Ş., Trakya Cam San. A.Ş., Soda Sanayii A.Ş., Paşabahçe Mağazaları A.Ş. Trakya Glass Bulgaria EAD, Trakya Cam Investment B.V., Trakya Investment B.V., Fritz Holding GmbH, Anadolu Cam Investment B.V.,, OOO Ruscam Glass Packaging Holding, OOO Ruscam Management Company, Balsand B.V., TRSG Autoglass Holding B.V., Şişecam Chem Investment B.V., SC Glass Trading B.V., Paşabahçe Investment B.V.., Şişecam Çevre Sistemleri A.Ş., OOO Posuda, AC Glass Holding B.V.
Abdullah Kılınç	Vice Chairman of the Board of Directors	Chairman of the Board of Directors of JSC Mina
Sibel Koç Karacaoğlu	Member, Corporate Director	Board of Directors member of JSC Mina
Halil Ercüment Erdem	Member. Audit Committee member Chairman of Corporate Governance Committee, Chairman of Early Risk Recognition Committee.	Independent Member at Soda Sanayii A.Ş. and Paşabahçe Cam Sanayii A.Ş., Founding Partner of Erdem-Erdem Law Firm and Erdem-Erdem Danışmanlık A.Ş., Independent Member at CMA-CGM and Yılport Holding A.Ş.. Audit Committee member, Chairman of Corporate Governance Committee, and Early Risk Recognition Committee member at Soda Sanayii A.Ş., Co-Chairman of International Trade Practices Commission at International Chamber of Trade
Faik Byrns	Member. Audit Committee member, Early Risk Recognition Committee member.	None
Zeynep Hansu Uçar	Member. Corporate Governance Committee member, Early Risk Recognition Committee member.	Member at Türkiye Sınai Kalkınma Bankası A.Ş.,T.Şişe ve Cam Fabrikaları A.Ş., Paşabahçe Cam San.ve Tic. A.Ş., Trakya Cam San. A.Ş., Chairman of the Board of Directors at Camiş Yatırım Holding A.Ş.

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5.2. Board of Directors' Working Principles

After each general assembly meeting, Board of Directors elects a chairman and a vice-chairman. However, if the chairman and/or vice-chairman quit for any reason, Board of Directors makes an election again for the vacated chair. In absence of the Chairman, Board of Directors shall be chaired by the Vice-Chairman. If the Vice Chairman is also absent, then a temporary chairman elected from within the Board of Directors shall preside that meeting. Board of Directors' meeting date and agenda are to be determined by the Chairman. In absence of the Chairman, such responsibilities are to be fulfilled by the Vice-Chairman. However, meeting date may also be determined by Board of Directors' Resolution. Board of Directors shall convene as required for the Company business and transactions. However, meeting at least once a month is mandatory.

In the period, 47 resolutions were taken by the Board of Directors, with majority of votes of the present members. No Director has opposed the resolutions taken. In taking the resolutions, Board of Directors considers the meeting and decision quorums set forth in Turkish Code of Commerce, Capital Markets Law, and the relevant legislation.

Information and documents related to the matters in the Board of Directors' meeting agenda are made available to Directors sufficiently before the meeting, by providing equal information flow. Before the meeting, Directors may propose changes on the agenda, to the Chairman of the Board. Views of a member who does not attend the meeting but convey his/her views to the Board of Directors in writing are disclosed to other members. At the Board of Directors, each member has one vote.

Agenda items are discussed openly in every aspect, at the Board of Directors' meetings. Independent Directors have not voted on the election of themselves. Chairman of the Board spends best efforts to ensure the participation of non-executive members, at the Board of Directors' meetings. Reasonable and detailed reasons for any opposing vote of a Director at the meetings is entered on the resolution minutes. Detailed reasons of members that cast opposing vote are disclosed to public. However, as there was no such opposition or view at the Board of Directors' Meetings held in 2017, no such public disclosure was made.

Board of Directors Meetings are generally held at the Company's headquarters, and significant Board of Directors' Resolutions are disclosed to public via KAP, and the text disclosed to public is also posted on the Company's Corporate Website.

Directors' authorizations and responsibilities are expressly stated in the Articles of Association. Authorizations are exercised according to the principles stated in the internal guidelines prepared with the of the Board of Directors' resolution dated 13.11.2014 number 53, and registered on 05.12.2014 and published on 11.12.2014, pursuant to articles 367 and 371 of Turkish Code of Commerce. Board of Directors is in close cooperation with the Investor Relationships Department to maintain effective communication between the Company and shareholders, and to resolve any disagreement, and lead the resolution of such disputes.

The Company has bought "Manager Liability Insurance" policy from Anadolu Anonim Türk Sigorta Şirketi, against losses that may be caused on the company as a result of any negligence of Directors or senior executives in their job.

5.3. Number, Structure, and Independence of Committees established by the Board of Directors

For robust fulfilment of the Board of Directors' duties and responsibilities, "Audit Committee", "Corporate Governance Committee" and "Early Risk Recognition Committee" have been established within the Board. Committees' areas of duty, working principles, and constituting members are designated by the Board of Directors, and disclosed to public on the Company's corporate website.

Audit Committee is fully comprised of the Independent Directors. Chairmen of the Corporate Governance and Early Risk Recognition Committees are also Independent Directors. Corporate Governance Committee consists of three members, while Early Risk Recognition Committee consists of three members, and the Audit Committee consists of two members.

Chairman of the Board does not take part in the committees. Of the members of the Board of Directors who are not independent, Zeynep Hansu Uçar takes part in two committees, while Sibel Koç Karacaoğlu takes part in one committee.

Resources and support needed for fulfilment of the Committees are provided by the Board of Directors. Committees may invite any manager they deem necessary, to their meetings to obtain their views.

Committees' convention frequencies are sufficient, and all their works are put into writing, and records are kept. Information on their works, and reports containing the results of meetings, are submitted to the Board of Directors.

Audit Committee specifies the Company's accounting system, public disclosure of financial information, supervise the operation and effectiveness of independent audit, internal control and internal audit system, and sets the methods and criteria on review and conclusion of complaints received by the company in relation with company's accounting and internal control system and independent audit, and assessment of company employees' notifications on the company's accounting and independent audit matters within the scope of confidentiality principle, and reports its findings and assessments and recommendations on its area of duty and responsibility, to the Board of Directors in writing, and reports its assessment on the fairness, accuracy, and consistency with the company's accounting principles, of the annual and interim financial statements to be disclosed to public, by obtaining the views of Company's responsible managers and independent auditors, together with its own assessment, to the Board of Directors in writing.

Audit Committee members have the qualifications stated in the Corporate Governance Principles Communiqué. Audit Committee's activities and meeting results are disclosed in the annual report. Audit Committee has held 5 meetings in year 2017. Independent audit firm selection process is conducted as proposal to the Board of Directors, of the audit firm deemed appropriate by the Audit Committee, considering the competency and independence conditions of independent audit firms.

Corporate Governance Committee identifies whether the corporate governance principles are applied at the Company or not, and the reasons if they are not so applied, and the conflicts of interest arising from failure to fully comply with these principles, and makes recommendations to the Board of Directors on improvement of corporate governance practices. In addition, it supervises the works of "Investor Relationships Department". Corporate Governance Committee has held 5 meetings in 2017.

Nomination Committee or Remuneration Committee were not established, and the tasks of such committees are included in the working principles of Corporate Governance Committee. Nominations for independent memberships of the Board of Directors are assessed with consideration to whether the nominees meet the independence criteria under the relevant legislation or not, and such assessments are written in report.

Duties of the committees are stated in the working principles as establishing a transparent system for identification, evaluation and training of suitable nominees for all Board memberships and setting policies and strategies on this matter, and making regular assessments on the structure and efficiency of Board of Directors, and making recommendations to the Board of Directors on any change in these areas.

The company has established a remuneration policy for the principles on remuneration of directors and executives, and disclosed the same on the corporate website.

Early Risk Recognition Committee works on early recognition of risks that may pose threat on the company's existence, development and continuation, and taking necessary measures against such risks, and management of risk, and reviews and reports the Group companies' risk management systems. Early Risk Recognition Committee has held 8 meetings in 2017.

Notifications for the meetings of Audit Committee, Early Risk Recognition Committee and Corporate Governance Committee are made duly to the Board of Directors.

As Corporate Governance Principles require that all of Audit Committee Members, and the chairmen of other committees, be independent members, and there are two independent members at the Board of Directors, it is inevitable that a Director takes part in several committees.

Audit Committee;

Chairman Prof. Dr. Halil Ercüment Erdem
Member Faik Byrns

Corporate Governance Committee;

Chairman Prof. Dr. Halil Ercüment Erdem
Member Zeynep Hansu Uçar
Member Sibel Koç Karacaoğlu

Early Risk Recognition Committee;

Chairman Prof. Dr. Halil Ercüment Erdem
Member Zeynep Hansu Uçar
Member Faik Byrns

5.4. Risk Management and Internal Control Mechanism

Financial crises, intensifying intergovernmental conflicts, and security problems triggered by geopolitical factors, technological developments often referred to as the fourth industrial revolution, and the dramatic results of climate change, and social problems have made the world a place that is different from the past, involving political, economic and environmental risks.

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CORPORATE GOVERNANCE COMPLIANCE REPORT

As global risks have started to affect the lives of people, companies, and governments, in new and unconventional ways, risk perspective has differentiated all over the world, increasing the importance of risk management as a discipline. In this context, effectiveness of risk management and internal audit processes have been continuously reviewed in 2017 as in the past years, to manage these two functions, which are the important elements of corporate governance, more effectively and in a broader perspective. In this structure, our Company treats the current and potential risks with a proactive approach, and conducts audit activities with a risk-driven perspective.

At Şişecam Group, risk management and internal audit activities are performed within the parent company. Activities are coordinated by Group Heads managing the Group's primary business segments, reporting to the Parent Company's Board of Directors, and the results of regular and planned meetings held with "Early Risk Recognition Committee", "Audit Committee" and "Corporate Governance Committee" of our publicly traded companies are reported to the Board of Directors in accordance with the legislation.

During efforts to establish a corporate structure, providing necessary assurance to the stakeholders, and protecting the Group's material and immaterial assets, resources and the environment, and minimizing losses arising from uncertainties, and achieving highest benefit from opportunities, intercommunication between internal audit and risk management functions is maximized, aiming at supporting the decision making process and increasing management effectiveness.

Risk Management at Şişecam Group:

Şişecam Group conducts risk management activities on the basis of corporate risk management principles, with a holistic and proactive approach. The Group has focused on increasing the effectiveness of risk management processes in 2017, in order to more effectively manage the uncertainties caused by global developments, and to increase the risk assurance provided to stakeholders in sharp domestic and international competition resulting from these conditions. Accordingly, scope of MicroSCope, the integrated risk management platform, has been expanded, to ensure higher coordination of risk management and assurance functions. Fieldworks have been increased to more effectively manage risks and spread the risk culture.

Accordingly, communication and coordination activities throughout the Group are being emphasised, as in previous years, for the management of risks which are identified, prioritized and linked to action plans according to the risk appetite, within the framework of corporate risk management, and technological means are being utilized, and reporting to track the process in a robust manner is being conduct according to the legislation.

Internal Control at Şişecam Group:

Internal audit activities have been conducted at our Group for many years now, aiming at assisting the healthy development of Group Companies and unification of applications, and have the activities conducted in accordance with domestic and foreign legislation and corrective measures taken on a timely basis. Accordingly, audits are continuously conducted within the domestic and foreign entities of the Group.

Internal audits are conducted within the scope of periodic audit programs approved by the Board of Directors. Audit programs are prepared with consideration to the results of risk management efforts, in other words "risk-driven audit" applications are implemented.

5.5. Company's Strategic Goals

Setting, reviewing and updating of the strategic goals of the Company starts with clarification of Vision/Mission and Values set by the Board of Directors.

The Company uses Mission statement to set forth which products or services will be produced and offered for whom, how, and for which geographies. Vision statement is the most general statement of company's future destination.

In this context, Board of Directors sets the Group's vision as "Being a global company in glass and fields of activity, as a future leader, generating creative solutions with business partners, and making a difference with its technology and brands, which is respectful to individuals and the environment", and mission as "Being a company that adds value to life by bringing comfort with quality products, that respects the people, the nature, and law". The company culture needed to achieve the Mission and Vision is set forth with the set of values. Specified values are defined throughout Şişecam, and covers all entities within the Group.

The Group sets long term goals in accordance with its vision, mission and values, and prepares 5-year strategic plans and annual budget in line with these goals, and sets targets for all employees according to the budget. Performances are assessed with the specified targets at the end of each operating period.

5.6. Financial Rights

All rights, benefits and remuneration provided to Directors are determined by the general assembly each year, as stated in the Articles of Association. Monthly remuneration payable to Directors have been specified at the Company's Ordinary General Assembly Meeting for the year 2016 held on 29 March 2017, and announced to public.

Company's salary principles for senior executives is put into writing, and disclosed to shareholders as a separate agenda item at the Shareholders' Ordinary General Assembly Meeting held on 8 April 2013, and published on the Company's corporate website.

No payment that is directly linked to revenue, profitability or other fundamental indicators (which can be technically considered as premium) is made to senior executives. Senior executives are paid a salary, bonus, social benefits etc. cash payments, as well as a bonus that is paid once a year, based on Company's business volume, nature and risk level of Company's activities, size of the structure managed, and the operating sector, etc. criteria, considered by our Board of Directors, which may or may not be increased by considering and inflation rate, general salaries and Company's profitability, etc. indicators. In addition, official cars are allocated to Company Senior executives as non-cash benefit.

In this context, total payments made to Directors and senior executives within the scope of remuneration policy are disclosed to public in notes to the financial statements, and there was no conflict of interest as the benefits were not presented on personal basis.
No loan is given to Directors or executives, and no loan is given to them as personal loan through third parties, and no surety or guarantee is given in their favour.

ANADOLU CAM SANAYİİ A.Ş. AGENDA OF SHAREHOLDERS' ORDINARY GENERAL ASSEMBLY FOR THE YEAR 2017

1. Presidency Election, and Authorization of the Presidency to sign the General Assembly Minutes,
2. Reading of Board of Directors' Annual Report and Summary of Independent Auditor Report on our Company's business in 2017,
3. Reading, Negotiation and Approval of the Financial Statements for the account period 2017,
4. Acquittal of the Directors,
5. Election of Directors
6. Setting of Directors' Remuneration,
7. Authorization of Directors according to articles 395 and 396 of Turkish Code of Commerce,
8. Resolution on the Manner an Date of the Distribution of Profit for the year 2017,
9. Resolution on the selection of Independent Audit firm pursuant to Turkish Code of Commerce and Capital Markets Board's Regulations,
10. Informing the Shareholders on the Donations in the Year, and setting the limit of Donations for the year 2018,
11. Informing the Shareholders on the Guarantees, Pledges and Mortgages given in favour of Third parties.

CAPITAL INCREASES, AMENDMENTS ON THE ARTICLES OF ASSOCIATION, AND PROFIT DISTRIBUTIONS IN THE PERIOD

CAPITAL INCREASES, AMENDMENTS ON THE ARTICLES OF ASSOCIATION, AND PROFIT DISTRIBUTIONS IN THE PERIOD

During the period, profit distribution according to the principles set forth in the "Profit Distribution Policy" has been discussed at the Shareholders' Ordinary General assembly meeting held on 29 March 2017, and 50,000,000 Turkish Liras of gross dividends corresponding to 11.26126% of existing issued capital has been distributed in cash, and 306,000,000 Turkish Liras of gross dividends corresponding to 68.9189% of the capital has been distributed as bonus shares by adding on the paid in capital, and 8,235,999 Turkish Liras of gross dividends has been distributed in cash to founder dividend shares, and 2,059,000 Turkish Liras of dividends has been distributed in cash to Group B shares on 30 May 2017.

During the period, as the 5 years term of the registered capital ceiling of 1,000,000,000 Turkish Liras previously permitted by the Board, under the principles on registered capital system stated in relevant articles of the Capital Markets Board's "Registered Capital System Communiqué" dated 25 December 2013 number II.18.1, has expired as of 31 December 2016, previously permitted 1,000,000,000 Turkish Liras registered capital ceiling has been raised to 2,000,000,000 Turkish Liras. Amendment of the articles of association has been approved by CMB on 2 March 2017. The Ordinary General Assembly dated 29.03.2017 approving the capital ceiling raise has been registered on 06.04.2017.

During the period, within the existing 2,000,000,000 Turkish Liras of registered capital ceiling our Company's issued capital has been increased from 444,000,000 Turkish Liras to 750,000,000 Turkish Liras, and of the total 306,000,000 Turkish Liras transferred to the Capital account, 66,285,372 Turkish Liras has been met from the dividends for the year 2016, 233,714,628 Turkish Liras has been met from the full amount decided to be kept in special fund account under article 5/1-e of Corporate Tax Law as a result of the sale of shares in an affiliate in 2016, while 6,000,000 Turkish Liras has been met from the amount decided to be kept in special fund account in previous years under article 5/1-e of Corporate Tax Law. Issuance documents on the increased 306,000,000 Turkish Liras of shares have been approved by the Capital Markets Board on 7 July 2017, and distribution of shares has started on 24 July 2017. Under the said capital increase processes, article 7 (Capital) of the Company's Articles of Association has been amended as follows, and the amendment has been registered on 25 July 2017.

Capital
Article 7:
New Text

The Company has adopted Registered Capital System according to the provisions of the Capital Markets Law, with the Capital Markets Board's permission dated 28.08.1987 number 498. Company's registered capital ceiling is 2,000,000,000 Turkish Liras, divided onto 200,000,000,000 bearer shares, each with a nominal value of 1 (one) Kuruş.

The registered capital ceiling permit given by the Capital Markets Board is valid for the years 2017-2021 (5 years). Even if the permitted registered capital is not reached in 2021, it is mandatory for the Board of Directors to resolve on capital increase after 2021 to obtain authorization from the general assembly for a new period, upon permission of the Capital Markets Board for the previously permitted ceiling or a new ceiling amount. Upon failure to obtain such authorization, the Company may not increase its capital with Board of Directors' Resolution.

Company's issued capital is 750,000,000 TL.

This capital has been divided into a total of 75,000,000,000 bearer shares as follows;

- 73,751,389,432 bearer Group A, 1 (one) Kuruş nominal value each, 737,513,894.321 TL,
- 1,248,610,568 bearer Group B, 1 (one) Kuruş nominal value each, 12,486,105.679 TL.

750,000,000 Turkish Liras, comprising the issued capital, has been fully subscribed and paid. Board of Directors is authorized to resolve on issuing shares above the nominal value, or to fully or partially restricting the shareholders' rights to take new shares, and to increase the issued capital by issuing bearer shares whenever it deems necessary, in accordance with Turkish Code of Commerce and Capital Markets Law in years 2017-2021. Shares representing the capital are tracked according to book entry principles.

CAPITAL INCREASES, AMENDMENTS ON THE ARTICLES OF ASSOCIATION, AND PROFIT DISTRIBUTIONS IN THE PERIOD

OTHER ISSUES

Subsidiary Report

Conclusion of the 'Subsidiary Report'' prepared in accordance with article 199 of Turkish Code of Commerce:

Our company's all transactions with the controlling company and controlling company's subsidiaries in 2017 have been conducted in accordance with the legislation on concealed profit distribution through transfer pricing, and no issue requiring loss settlement has arisen in 2017.

Report on Frequent and Continuous Affiliated Party Transactions in 2018

Pursuant to article 10 "Frequent and Continuous Transactions" of the Capital Markets Board's "Corporate Management Communiqué " no II-17.1 published on the Official Gazette dated 3 January 2014 number 28871", under our Company's financial planning (budget) for the year 2018;

- It is foreseen that the amount of frequent and continuous sales on export-basis between our Company and Şişecam Dış Ticaret A.Ş. in an account period will reach more than 10% of the cost of goods sold and the revenue in our Company's latest annual financial statements disclosed to public, and it is considered reasonable, considering that the sales on export-basis between our Company and Şişecam Dış Ticaret A.Ş. in 2018 will be conducted at the same price as the one applied to unrelated third parties, and a reasonable commission will be collected for the services to be given, and the trade terms are consistent with previous years and according to the market conditions.

Legal Basis of the Annual Report:

Group's Annual report for the Account period 2017 has been prepared in accordance with the "Regulation on the Minimum Content of Companies' Annual Reports" issued by the Ministry of Customs and Trade, based on the third paragraph of article 516, and article 518 of Turkish Code of Commerce, and the Capital Markets Board's "Communiqué on Financial Reports in Capital Markets".

Basis of Preparation of the Annual Report:

Annual report fairly, accurately and integrally reflects the flow of actions and activities of the Company in the relevant account period, and financial status in every aspect, considering the company's rights and benefits. Annual report does not involve any, misleading, exaggerated or inaccurate statements causing misconception. Due care has been shown to prepare the annual report to ensure that full and complete information about the company's activities is made available to the shareholders.

Approval of the Annual Report:

Group's annual report for 2017 account period has been signed approved by the Company's Board of Directors on 26 February 2018.

INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT

EY
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(Convenience translation of a report originally issued in Turkish)
INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OFTHE BOARD OF DIRECTORS

To the General Assembly of Anadolu Cam Sanayii Anonim Şirketi

1) Opinion
We have audited the annual report of Anadolu Cam Sanayii A.Ş. (the "Company") and its subsidiaries (the "Group") for the period of 1 January 2017-31 December 2017.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

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

3) Our Auditor's Opinion on the Consolidated Financial Statements
We have expressed an unqualified opinion in our auditor's report dated February 26, 2018 on the consolidated financial statements of the Group for the period of 1 January 2017-31 December 2017.

4) The Responsibility of the Board of Directors on the Annual Report
In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the General Assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the Board of Directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the Board of Directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report
Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Zeynep Okuyan Özdemir.

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

ZEYNEP OKUYAN ÖZDEMİR, SMMM

26 February 2018
Istanbul, Turkey

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Legal Disclaimer

The Auditor's Report, the Consolidated Financial Statements and the Independent Audit Report included in this Annual Report ("Report"), regarding the activities and accounts for the year 2017, were prepared in conformity with the legal legislation to be submitted to the Ordinary General Assembly of Shareholders to be held on the 21st of March 2018, Wednesday at the address; İçmeler Mahallesi, D-100 Karayolu Caddesi, No: 44/A 34937 Tuzla/İstanbul.

This Report is prepared for informing the shareholders and does not serve as a basis for any investment decision. The forward-looking and forecasted figures in the Report reflect the Company management's views on the future of the Company; and the actual results may differ depending on the variables and assumptions that constitute the forecasted figures. Accordingly, Anadolu Cam Sanayii A.Ş. or the Members of the Board of Directors of the Company, or the Company's consultants and employees are not responsible for any loss or damage incurred directly or indirectly by any person; (i) as a result of any information given or communication made within the scope of this Report, or; (ii) based on any information contained / not-contained in this Report.

As of the date of preparing this report, all information contained in this Report is believed to be accurate, however Anadolu Cam Sanayii A.Ş. assumes no responsibility for any typographical and printing errors that may occur.

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