İzocam Ticaret ve Sanayi Anonim Şirketi

Convenience Translation to English of
Condensed Financial Statements
For the Three Months Period Ended
31 March 2018
(Originally issued in Turkish)

This report is 26 pages.
27 April 2018

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İzocam Ticaret ve Sanayi Anonim Şirketi

Condensed Financial Position As At 31 March 2018

All amounts are expressed in Turkish Lira ("TL")

		Unaudited	Audited
	Notes	**31 March 2018**	**31 December 2017**
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	27.885.669	22.054.849
Trade Receivables	7	132.550.316	124.678.797
From Related Parties	*4*	*1.277.855*	*2.151.391*
From Non-Related Parties		*131.272.461*	*122.527.406*
Other Receivables		--	21.013
From Non-Related Parties		--	*21.013*
Inventories	9	61.771.711	50.166.090
Prepaid Expenses		4.004.789	2.072.752
Other Current Assets		8.088.886	6.013.082
TOTAL CURRENT ASSETS		**234.301.371**	**205.006.583**
Non-Current Assets			
Other Receivables		6.264	6.229
From Non-Related Parties		*6.264*	*6.229*
Property and Equipment	10	122.187.122	123.702.357
Intangible Assets	10	418.458	474.142
Other		*418.458*	*474.142*
Prepaid Expenses		4.370.462	1.779.907
Other Non-Current Assets		--	3.287
Deferred Tax Assets		773.342	731.591
TOTAL NON-CURRENT ASSETS		**127.755.648**	**126.697.513**
TOTAL ASSETS		**362.057.019**	**331.704.096**

İzocam Ticaret ve Sanayi Anonim Şirketi

Condensed Financial Position As At 31 March 2018 *(Continued)*

All amounts are expressed in Turkish Lira ("TL")

	Notes	Unaudited 31 March 2018	Audited 31 December 2017
LIABILITIES			
Short-Term Liabilities			
Short-Term Loans and Borrowings	6	97.626.928	49.866.593
Trade Payables	7	55.122.609	68.177.892
To Related Parties	*4*	*3.552.922*	*898.383*
To Non-Related Parties		*51.569.687*	*67.279.509*
Payables Related to Employee Benefits		2.747.004	5.550.382
Other Payables		--	36.079
To Non-Related Parties		--	*36.079*
Deferred Income	8	5.811.136	12.144.595
Current Tax Liability	15	1.680.181	1.544.048
Short-term Provisions		1.635.799	1.402.054
Other		*1.635.799*	*1.402.054*
Other Short-Term Liabilities		28.373	1.097.072
TOTAL SHORT-TERM LIABILITIES		**164.652.030**	**139.818.715**
Long-Term Liabilities			
Long-term Provisions		14.859.816	13.297.496
For Employee Benefits		*14.859.816*	*13.297.496*
TOTAL LONG-TERM LIABILITIES		**14.859.816**	**13.297.496**
EQUITY			
Paid-in Capital	12	24.534.143	24.534.143
Adjustment to Share Capital	12	25.856.460	25.856.460
Share Premiums		1.092	1.092
Items That Will Never Be Reclassified to Profit or Loss		(5.569.738)	(4.816.365)
Actuarial Losses from Defined Pension Plans		*(5.569.738)*	*(4.816.365)*
Restricted Profit Reserves		42.711.837	42.711.837
Retained Earnings		90.213.599	72.317.994
Net Profit For the Period		4.797.780	17.982.724
TOTAL EQUITY		**182.545.173**	**178.587.885**
TOTAL LIABILITIES		**362.057.019**	**331.704.096**

İzocam Ticaret ve Sanayi Anonim Şirketi
Condensed Profit or Loss and Other Comprehensive Income
For The Three Months Period Ended 31 March 2018
All amounts are expressed in TL unless otherwise stated.

	Notes	Unaudited 1 January- 31 March 2018	Unaudited 1 January- 31 March 2017
PROFIT OR LOSS			
Revenue	13	131.093.161	84.322.668
Cost of Sales (-)	13	(102.822.709)	(65.401.055)
GROSS PROFIT		**28.270.452**	**18.921.613**
General Administrative Expenses (-)	14	(5.330.343)	(4.673.939)
Marketing, Selling and Distribution Expenses (-)	14	(14.268.233)	(11.333.794)
Impairment Loss on Trade and Other Receivables		(81.789)	(5.613)
Other Operating Income		3.817.864	1.431.195
Other Operating Expenses (-)		(2.319.106)	(406.955)
OPERATING PROFIT		**10.088.845**	**3.932.507**
Finance Income		188.084	73.161
Finance Expenses (-)		(3.600.630)	(1.923.955)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**6.676.299**	**2.081.713**
Tax Expense of Continuing Operations		**(1.878.519)**	**(500.877)**
Current Tax Expense	*15*	(1.707.355)	(298.955)
Deferred Tax Expense	*15*	(171.164)	(201.922)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**4.797.780**	**1.580.836**
PROFIT FOR THE PERIOD		**4.797.780**	**1.580.836**
Earnings Per Share			
Earnings Per Share From Continuing Operations	*16*	*0,002*	*0,001*
Diluted Earnings Per Share			
Diluted Earnings Per Share From Continuing Operations	*16*	*0,002*	*0,001*
OTHER COMPREHENSIVE INCOME			
Items Not to Be Classified To Profit Or Loss			
Remeasurement of Defined Benefit Plans		(941.716)	(584.660)
Deferred Tax Effect of Remeasurement Of Defined Benefit	*15*	188.343	116.932
OTHER COMPREHENSIVE INCOME		**(753.373)**	**(467.728)**
TOTAL COMPREHENSIVE INCOME		**4.044.407**	**1.113.108**

İzocam Ticaret ve Sanayi Anonim Şirketi

Condensed Changes in Equity

For The Three Months Period Ended 31 March 2018

All amounts are expressed in TL unless otherwise stated.

				Items Not to Be Reclassified to Profit or Loss		Retained Earnings		
	Paid-in Capital	Adjustment to Share Capital	Share Premiums	Revaluation and Remeasurement Losses	Restricted Profit Reserves	Retained Earnings	Net profit for period	Total Equity
Balance as at 1 January 2017	**24.534.143**	**25.856.460**	**1.092**	**(4.071.201)**	**42.711.837**	**51.375.439**	**20.942.555**	**161.350.325**
Transfers	--	--	--	--	--	20.942.555	(20.942.555)	--
Total comprehensive income	**--**	**--**	**--**	**(467.728)**	**--**	**--**	**1.580.836**	**1.113.108**
Other comprehensive income	--	--	--	*(467.728)*	--	--	--	*(467.728)*
Net profit for the period	--	--	--	--	--	--	*1.580.836*	*1.580.836*
Balance as at 31 March 2017	**24.534.143**	**25.856.460**	**1.092**	**(4.538.929)**	**42.711.837**	**72.317.994**	**1.580.836**	**162.463.433**
Balance as at 1 January 2018	**24.534.143**	**25.856.460**	**1.092**	**(4.816.365)**	**42.711.837**	**72.317.994**	**17.982.724**	**178.587.885**
Adjustment on initial application of TFRS 9 (net of tax)	--	--	--	--	--	(87.119)	--	(87.119)
Adjusted balance as at 1 January 2018	**24.534.143**	**25.856.460**	**1.092**	**(4.816.365)**	**42.711.837**	**72.230.875**	**17.982.724**	**178.500.766**
Transfers	--	--	--	--	--	17.982.724	(17.982.724)	--
Total comprehensive income	**--**	**--**	**--**	**(753.373)**	**--**	**--**	**4.797.780**	**4.044.407**
Other comprehensive income	--	--	--	*(753.373)*	--	--	--	*(753.373*
Net profit for the period	--	--	--	--	--	--	*4.797.780*	*4.797.780*
Balance as at 31 March 2018	**24.534.143**	**25.856.460**	**1.092**	**(5.569.738)**	**42.711.837**	**90.213.599**	**4.797.780**	**182.545.173**

İzocam Ticaret ve Sanayi Anonim Şirketi

Condensed Cash Flows

For The Three Months Period Ended 31 March 2018

All amounts are expressed in TL unless otherwise stated.

	Note	Unaudited 1 January – 31 March 2018	Unaudited 1 January – 31 March 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		**(38.555.879)**	**(10.579.672)**
Net Profit For The Period		4.797.780	1.580.836
Adjustments for reconciliation of profit for the period		**5.183.175**	**1.624.091**
Adjustment for depreciation and amortisation	10	3.152.710	2.149.560
Adjustment for provision for employee termination benefits		286.311	248.139
Adjustment for provision for unused vacation pay liability		537.965	(108.243)
Adjustment for provision of doubtful receivables, net	7	81.789	5.613
Adjustment for provisions		233.745	258.944
Adjustment for interest and foreign exchange expense		3.527.304	2.147.599
Adjustment for interest and foreign exchange income		(2.765.605)	(1.392.749)
Adjustment for increase on blockage accounts		(1.781.393)	(2.215.721)
Adjustment for tax expense	15	1.895.698	500.877
Loss of sale of property, plant and equipment		14.651	30.072
Changes in working capital		**(46.720.189)**	**(12.035.111)**
Adjustments for increase in inventory		(11.086.844)	(11.856.939)
Adjustments for increase in trade and other receivables		(4.443.001)	13.951.383
Adjustments for decrease in trade and other payables		(14.389.699)	(14.771.254)
Adjustments for (decrease)/ increase in deferred revenue		(6.333.459)	11.048.732
Adjustments for increase in prepaid expenses		(4.522.592)	(3.380.846)
Adjustments for increase in payables related to employee benefits		(2.803.378)	(3.714.443)
Adjustments for increase in other current and non-current assets and liabilities		(3.141.216)	(3.311.744)
Taxes paid		(1.612.973)	(1.289.312)
Employee benefit indemnity paid		(203.672)	(460.176)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(2.115.218)**	**(8.825.210)**
Purchase of property and equipment	10	(2.116.574)	(8.825.210)
Proceeds from sale of property and equipment		1.356	--
C. CASH FLOWS FROM FINANCING ACTIVITIES		**44.414.186**	**6.231.145**
Increase in bank borrowings and other financial liabilities, net		46.466.314	6.708.982
Interest paid		(2.233.283)	(1.871.706)
Interest received		181.155	1.393.869
Net increase/ (decrease) in cash and cash equivalents (A+B+C)		**3.743.089**	**(13.173.737)**
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		**4.451.570**	**20.186.459**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D)	**5**	**8.194.659**	**7.012.722**

1 ORGANIZATION AND OPERATIONS OF THE COMPANY

İzocam Ticaret ve Sanayi Anonim Şirketi ("İzocam" or the "Company") was established in 1965 in order to operate in production, importation and exportation of glasswool, stonewool, mineral wool, glass fiber, expanded and extruded polystyrenes, elastomeric rubber, polyethylene, insulated and non-insulated roof and front panels, partition and mezzanine.

As at 31 March 2018, İzocam Holding Anonim Şirketi's ("İzocam Holding") share in the Company is to 95,07 percent through acquisition of 1.501.330.396 shares not listed in Borsa İstanbul Anonim Şirketi ("BIST") from Koç Group on 29 November 2006 and on 10 July 2007 representing 61,16 percent of paid-in capital of İzocam together with the collection of 831.117.304 shares traded on BİST which represents 33,91 percent of paid-in capital of İzocam. İzocam Holding is a joint venture of Compagnie de Saint Gobain Group and Alghanim Group by with an equal ownership of 50 percent by both parties.

The Company conducts a portion of its operations with related parties of Saint Gobain Group and Alghanim Group companies. The Company has related parties acting as both customers and suppliers (Note 4). The Company is registered at Capital Market Board of Turkey ("CMB") and its shares are listed in BİST since 15 April 1981. As at 31 March 2018, 38,84 percent of the shares are publicly traded at BİST (31 December 2017: 38,84 percent).

As at 31 March 2018, total number of employees of the Company is an average basis 476 (31 December 2017: 448) including 206 white collar employees (31 December 2017: 205) and 270 blue collar employees (31 December 2017: 243).

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

Altayçeşme Mahallesi Çamlı Sokak
No: 21 Kat: 4, 5
34843 Maltepe/ İstanbul

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Preparation of Financial Statements

Accompanying financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") together with the provisions of accordance with to CMB's "Principles of Financial Reporting in Capital Market" dated 13 June 2013 and published in the Official Gazette numbered 28676 Series II. No.14.1. TAS consist of Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and related addendums and interpretations to these standards.

For the three months period ended 31 March 2018, the Company prepared its condensed financial statements in accordance with the Turkish Accounting Standard No.34 "Interim Financial Reporting".

Interim condensed financial statements of the Company do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Company's annual financial statements as of 31 December 2017.

The Company's statement of financial position as at 31 March 2018 and statement of profit or loss and other comprehensive income for the three months period ended was authorized for issue by the Board of Directors of the Company on 27 April 2018.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.1 Basis of Presentation *(continued)*

2.1.1 Preparation of Financial Statements (continued)

Functional and Reporting Currency

These financial statements are presented in Turkish Lira ("TL"), which is the Company's functional currency. All financial information presented in TL unless otherwise stated.

Adjustment of Financial Statements in Hyperinflationary Periods

As per the 17 March 2005 dated, 11/367 numbered decree of CMB, companies engaged in Turkey and those of which prepare their financial statements in accordance with the CMB Accounting Standards (including IAS/IFRS exercisers), use of inflationary accounting standards have been discontinued effective from 1 January 2005. Accordingly, "Financial Reporting Standards in Hyperinflationary Economies", ("IAS 29") was no longer applied henceforward.

2.2 *Standards and interpretations issued but not yet effective as at 31 March 2018*

Standards issued but not yet effective and not early adopted

Amendments to TFRS 9 – Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 9.

Amendments to TAS 28- Long-term *Interests in Associates and Joint Ventures*

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company does not expect that application of these amendments to TAS 28 will have significant impact on its financial statements.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.2 *Standards and interpretations issued but not yet effective as at 31 March 2018* (continued)

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 *Investment Properties*. IFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRIC 23 –Uncertainty Over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs – 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.2 *Standards and interpretations issued but not yet effective as at 31 March 2018* (continued)

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

Annual Improvements to IFRSs 2015-2017 Cycle *(continued)*

Improvements to IFRSs *(continued)*

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Company does not expect that application of these amendments to IAS 19 will have significant impact on its financial statements.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.2 *Standards and interpretations issued but not yet effective as at 31 March 2018* (continued)

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

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

The Company does not expect that application of IFRS 17 will have significant impact on its financial statements.

2.3 *Changes in significant accounting policies*

Except as described below, the accounting policies applied in these interim condensed financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2018.

The Company has initially adopted TFRS 9 *Financial Instruments* from 1 January 2018. TFRS 15 *Revenue from Contracts with Customers* is effective from 1 January 2018 but do not have a material effect on the Company's financial statements.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets.

TFRS 9 Financial Instruments

TFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces TAS 39 *Financial Instruments: Recognition and Measurement*.

The following table summarises the impact, net of tax, of transition to TFRS 9 on the opening balance of reserves, retained earnings.

	Impact of adopting TFRS on opening balance
Retained Earnings	
Recognition of expected credit losses under TFRS 9	111.691
Related tax	(24.572)
Impact at 1 January 2018	**87.119**

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.3 *Changes in significant accounting policies(continued)*

i. Classification and measurement of financial assets and financial liabilities

TFRS 9 largely retains the existing requirements in TAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous TAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of TFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of TFRS 9 on the classification and measurement of financial assets is set out below.

Under TFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.3 *Changes in significant accounting policies(continued)*

i. *Classification and measurement of financial assets and financial liabilities(continued)*

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The effect of adopting TFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under TAS 39 and the new measurement categories under TFRS 9 for each class of the Company's financial assets as at 1 January 2018.

	Original classification under TAS 39	**New classification under TFRS 9**	**Original carrying amount under TAS 39**	**New carrying amount under TFRS 9**
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	124.678.797	124.567.106
Cash and cash equivalents	Loans and receivables	Amortised cost	22.054.849	22.054.849
Total financial assets			**146.733.646**	**146.621.955**

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.3 *Changes in significant accounting policies(continued)*

i. Classification and measurement of financial assets and financial liabilities(continued)

Trade and other receivables that were classified as loans and receivables under TAS 39 are now classified at amortised cost. An increase of TL 111.691 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to TFRS 9.

ii. Impairment of financial assets

TFRS 9 replaces the 'incurred loss' model in TAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under TFRS 9, credit losses are recognised earlier than under TAS 39.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under TFRS 9, loss allowances are measured on either of the following bases:

- *12-month ECLs:* these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs:* these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.3 *Changes in significant accounting policies(continued)*

ii. Impairment of financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables are presented separately in the statement of profit or loss and OCI. As a result, the Company reclassified impairment losses amounting to TL 5.613, recognised under TAS 39, from 'other operating expenses and other operating income' to 'impairment loss on trade and other receivables' in the statement of profit or loss and OCI for the three months ended 31 March 2017.

Impact of the new impairment model

For assets in the scope of the TFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of TFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

Loss allowance as at 31 December 2017 under TAS 39	1.816.440
Additional impairment recognised at 1 January 2018 on;	
Trade and other receivables as at 31 December 2017	111.691
Loss allowance as at 31 December 2017 under TFRS 9	**1.928.131**

Trade receivables and contract assets

The following analysis provides further detail about the calculation of ECLs related to trade receivables and contract assets on the adoption of TFRS 9. The Company considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past seven years. The Company performed the calculation of ECL rates separately for wholesale customers and other customers.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry – for wholesale customers; and delinquency status, geographic region, age of relationship and type of product purchased – for other customers.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(CONTINUED)*

2.3 *Changes in significant accounting policies*(continued)

ii. Impairment of financial assets(continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for other customers as at 1 January 2018.

	Weighted-average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.08%	121.573.210	100.706
1-60 days past due	0.23%	2.811.029	6.518
61-90 days past due	0.77%	110.980	855
91-120 days past due	2.00%	79.171	1.583
91-150 days past due	2.00%	98.918	1.975
151-180 days past due	1.00%	5.489	55
		124.678.797	**111.691**

iii. Transition

The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of TFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of TFRS 9 but rather those of TAS 39.

3 SEGMENT REPORTING

Since the Company is only operating in isolation products in Turkey, segment reporting has not been presented.

4 RELATED PARTIES

Due from related parties

As at 31 March 2018 and 31 December 2017, due from related parties are as follows:

	31 March 2018	31 December 2017
Saint-Gobain Weber Yapı Kimyasalları Sanayi Ticaret Anonim Şirketi (“Saint-Gobain Weber”) (*)	1.061.143	1.933.353
Saint-Gobain Adfors CZ S.R.O. (*)	73.234	78.133
Kuwait Insulating Material MFG CO. (*)	69.260	--
Saint-Gobain Isover CRIR (*)	43.855	40.686
Saint-Gobain Construction Products Alban (*)	30.363	--
Saint-Gobain Isover (*)	--	57.165
Saint-Gobain Rigips Alçı Sanayi ve Ticaret Anonim Şirketi (“Saint-Gobain Rigips “) (*)	--	42.054
	1.277.855	**2.151.391**

(*) Companies controlled by the ventures of İzocam Holding.

4 RELATED PARTIES *(CONTINUED)*

Due to related parties

As at 31 March 2018 and 31 December 2017, due to related parties are as follows:

	31 March 2018	**31 December 2017**
Saint-Gobain Seva AG (*)	1.978.051	87.176
Saint-Gobain Isover SA (*)	622.070	219.817
Grunzweig Hartman AG (*)	588.207	232.727
Saint Gobain Adfors CZ Glass Mat S.R.O. (*)	173.975	146.372
Saint-Gobain Construction Products Neder (*)	131.521	--
Saint-Gobain Rigips (*)	59.018	212.211
Saint Gobain İnovatif Malzemeleri ve Aşındırıcı Sanayi ve Ticaret Anonim Şirketi (“Saint Gobain İnovatif”) (*)	80	80
	3.552.922	**898.383**

(*) Companies controlled by the ventures of İzocam Holding

Sales to related parties

For the three months period ended 31 March 2018 and 2017 significant sales transactions to related parties comprised the following:

	1 January – 31 March 2018	**1 January – 31 March 2017**
Saint-Gobain Weber (*)	749.095	51.076
Kuwait Insulating Material MFG CO. (*)	90.025	23.570
Saint Gobain Adfors CZ Glass Mat S.R.O. (*)	89.789	--
Saint Gobain Rigips (*)	88.886	43.632
Saint-Gobain Ppc Italıa S.P.A. (*)	--	13.673
	1.017.795	**131.951**

(*) Companies controlled by the ventures of İzocam Holding.

Purchases from related parties

For the three months period ended 31 March 2018 and 2017 significant purchase transactions to related parties comprised the following:

	1 January – 31 March 2018	**1 January – 31 March 2017**
Saint Gobain Seva AG(*)	1.997.668	--
Saint Gobain İsover SA (*)	1.403.819	471.025
Grunzweig Hartman AG (*)	653.563	458.196
Saint Gobain Adfors CZ Glass Mat S.R.O. (*)	328.893	652.254
Saint-Gobain Rigips (*)	155.655	97.905
Saint Gobain Construction Products(*)	127.219	--
Saint Gobain Isover-Iberica S.L.U. (*)	37.734	--
Saint-Gobain Weber (*)	15.682	10.588
Saint Gobain Glass (Romania) (*)	--	18.613
	4.720.233	**1.708.581**

(*) Companies controlled by the ventures of İzocam Holding.

4 RELATED PARTIES *(CONTINUED)*

Remunerations to the top management

For the three months period ended 31 March 2018 and 2017 remunerations to the top management comprised the following:

	1 January 31 March 2018	1 January 31 March 2017
Short Term Benefits		
(Salaries, premiums, housing, company cars, social security, health insurance, vacation pay etc.)	997.209	1.050.030
Long term benefits		
(Termination indemnity provisions, long term portion of vacation pay liability, long term premium plans and etc.)	856.675	454.501
Total	**01.853.884**	**1.504.531**

5 CASH AND CASH EQUIVALENTS

As at 31 March 2018 and 31 December 2017 cash and cash equivalents comprised the following:

	31 March 2018	31 December 2017
Banks	7.776.224	2.640.917
-Demand deposits	*522.410*	*2.640.917*
-Time deposits	*7.253.814*	--
Cash at blockage (*)	19.384.672	17.603.279
Cheques at collection (**)	724.773	1.810.653
	27.885.669	**22.054.849**

(*) As at 31 March 2018, cash and cash equivalents consist of cash at blockage amounting to TL 19.384.672 (31 December 2017: TL 17.603.279). TL 2.589.700 portion of cash at blockage consist of Direct Borrowing System ("DBS") (31 December 2017: TL 2.083.069). On17 March 2010, the Company has started to use Direct Borrowing System ("DBS"), a new method of collection of receivables. In accordance with the arrangements made with various banks, instead of the Company, banks set a credit limit to customers and the collection is performed by the bank. Following the collection, the bank retains the payments received at blockage for one day. As at 31 March 2018 TL 16.794.972 of cash blockage amount mainly comprised of the credit card receivables with a maturity less than 3 months (31 December 2017: TL 15.520.210).

(**) Cheques in collection are composed of the cheques which have not been transferred to the Company's bank deposits accounts as at 31 March 2018 with a maturity date less than 1 day or before 31 March 2018.

As at 31 March 2018 and 31 December 2017, demand deposits comprised the following currencies;

	Time Deposits		Demand deposit	
	31 March 2018	**31 December 2017**	**31 March 2018**	**31 Aralık 2017**
TL	6.006.805	--	429.847	2.169.909
US Dollars ("USD")	1.247.009	--	10.138	399.998
European Union Currency ("EUR")	--	--	82.425	71.010
	7.253.814	**--**	**522.410**	**2.640.917**

5 CASH AND CASH EQUIVALENTS *(CONTINUED)*

For purposes of the statement of cash flows, cash and cash equivalents include bank deposits and short-term investments that are easily convertible to cash with high liquidity and with a maturity of up to three months. Cash and cash equivalents included in the statement of cash flows for the three months period ended 31 March 2018 and 2017 are comprised the followings:

	1 January-31 March 2018	**1 January-31 March 2017**
Cash and cash equivalents	27.885.669	18.413.492
Less: Blockage	(19.384.672)	(11.397.086)
Less: Interest accrual	(6.928)	(3.684)
	8.494.069	**7.012.722**

6 FINANCIAL LIABILITIES

As at 31 March 2018 and 31 December 2017 bank borrowings comprised the followings:

	31 March 2018	**31 December 2017**
Bank Borrowings	**97.626.928**	**49.866.593**
TL	97.626.928	49.866.593
	97.626.928	**49.866.593**

As at 31 March 2018, all of the outstanding bank borrowings are denominated in TL and the effective interest rate of bank borrowings is 14,56 percent (2017: 13,20 percent).

For the three months period ended 31 March 2018, cash flows from financial operations comprised the followings:

	1 January 2018	**Cash flows**	**Non-cash changes acquisition**	**31 March 2018**
Financial liabilities	49.866.593	46.466.314	1.294.021	97.626.928
	49.866.593	**46.466.314**	**1.294.021**	**97.626.928**

For the three months period ended 31 March 2017, cash flows from financial operations comprised the followings:

	1 January 2017	**Cash flows**	**Non-cash changes acquisition**	**31 March 2017**
Financial liabilities	46.049.226	6.708.982	52.249	52.810.457
	46.049.226	**6.708.982**	**52.249**	**52.810.457**

7 TRADE RECEIVABLES AND PAYABLE

Trade receivables

As at 31 March 2018 and 31 December 2017 short-term trade receivables comprised the followings:

	31 March 2018	31 December 2017
Accounts receivable	118.567.492	109.965.973
Notes receivable	13.982.824	14.712.824
Doubtful receivables	2.009.920	1.816.440
Less: Allowance for doubtful receivables	(2.009.920)	(1.816.440)
	132.550.316	**124.678.797**

As at 31 March 2018, TL 1.277.855 of accounts receivable comprised due from related parties (31 December 2017: TL 2.151.391) which disclosed in Note 4 in detail.

Average collection period of trade receivables is 99 days (December 31 2017: 82 days) which may change according to the type of the product and the terms of the agreement with the customer.

As at 31 March 2018 and 31 December 2017 maturity profiles of cheques and notes receivables are as follows:

	31 March 2018	31 December 2017
0 -30 days	3.742.192	3.109.777
31 -60 days	3.841.082	3.856.721
61 -90 days	2.723.582	2.897.951
91 days and over	3.675.968	4.848.375
	13.982.824	**14.712.824**

For the three months period ended, 31 March 2018 and 2017 the movement of allowance for doubtful receivables comprised the followings:

	1 January- 31 March 2018	1 January- 31 March 2017
Balance as at 1 January	1.816.440	1.759.808
Adjustment on initial application of TFRS 9 (*)	111.691	--
Provision for the year	92.518	5.613
Write offs	(10.729)	--
Closing balance as at 31 March	**2.009.920**	**1.765.421**

(*) The Company has initially applied TFRS 9 at 1 January 2018 under the transition method chosen, comperative information is not restated.

Trade Payables

As at 31 March 2018, trade payables amount to TL 55.122.609 (31 December 2017: TL 68.177.892) arising from accounts payable to various suppliers and average payment term is 53 days (31 December 2017: 32 days). As at 31 March 2018, TL 3.552.922 of trade payables comprised due to related parties (31 December 2017: TL 898.383) which disclosed in Note 4 in detail.

8 DEFERRED INCOME

As at 31 March 2018 and 31 December 2017, deferred income comprised the following:

	31 March 2018	31 December 2017
Advances received from customers	5.811.136	12.144.595
	5.811.136	**12.144.595**

9 INVENTORIES

As at 31 March 2018 and 31 December 2017, inventories comprised the following:

	31 March 2018	31 December 2017
Raw materials and supplies	46.197.179	35.835.849
Finished goods	14.800.191	14.025.550
Trading goods	774.341	304.691
	61.771.711	**50.166.090**

Inventories are accounted at cost. As at 31 March 2018 and 31 December 2017, there is no allowance for impairment on inventories since the cost of inventories are lower than their net realizable value.

10 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The amount of property, plant and equipment and intangible assets purchased during the three months period ended 31 March 2018 is TL 2.116.574 (31 March 2017: TL 8.825.210).

The amount of property, plant and equipment and intangible assets sold during the three months period ended 31 March 2018 is TL 16.007 (31 March 2017: TL 30.072).

For the three months period ended 31 March 2018, depreciation and amortisation expenses amounting to TL 2.945.871 (31 March 2017: TL 2.014.773) has been recognised under cost of sales, TL 206.839 (31 March 2017: TL 134.787) has been recognised under administrative expenses, TL 518.776 (31 March 2017: TL 581.396) has been capitalised on stocks.

As at 31 March 2018, property and equipment were insured amounting to TL 755.774.541 against earthquake, fire, flood and similar disasters (31 December 2017: TL 789.442.403).

As at 31 March 2018 and 31 December 2017, there are no assets pledged as collateral.

11 COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

According to the decision of CMB on 9 September 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party's debts. The commitments given; for companies other than publicly owned associations and financial institutions;

i) For their own corporate identities,
ii) In favor of fully consolidated associations,
iii) In favor of 3rd parties to continue their operations will not be limited

After the decision is published at the Public Disclosure Platform, publicly owned companies will not give commitments to real people or corporations other than mentioned at the bullets (i) and (ii) above or to third parties other than mentioned at the bullet (iii). If any commitments have already been given it will be reduced to until 31 December 2016.

11 COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES *(CONTINUED)*

As at 31 March 2018 and 31 December 2017, guarantees, pledges or mortgages (GPM) given are as follows:

	31 March 2018	31 December 2017
A. Commitments given in the name of own legal Entity	24.003.422	22.850.828
B. Commitments given in favor of full consolidated Subsidiaries	--	--
C. Commitments given to guarantee the debts of third parties to continue their operations	--	--
D. Other commitments given;	--	--
- in favor of parent company	--	--
- in favor of group companies other than mentioned in bullets B and C	--	--
- in favor of third parties other than mentioned in bullets C	--	--
Total	**24.003.422**	**22.850.828**

As at 31 March 2018 and 31 December 2017, the Company has letter of guarantees obtained from banks and given to Custom Offices, foreign and domestic suppliers and to banks and notes given as collaterals.

As at 31 March 2018, the ratio of other GPM's given by the Company to the Company's own funds is 0 percent (31 December 2017: 0 percent).

As at 31 March 2018 and 31 December 2017 non-cancellable operating lease rentals payable are as follows:

	31 March 2018	31 December 2017
1. year	1.200.447	772.300
2. year	146.954	129.505
3. year	12.246	32.376
Total	**1.349.917**	**934.181**

12 EQUITY

Paid-in-Capital / Inflation Adjustment on Capital

As at 31 March 2018, the paid-in capital of the Company comprises of 2.453.414.335 shares issued (31 December 2017: 2.453.414.335 shares) of kr 1 each (31 December 2017: kr 1). There are no privileges rights provided to different shareholder groups or individuals. The shareholder structure of the Company is as follows:

	31 March 2018		31 December 2017	
	Ownership Interest	**Shares (%)**	**Ownership Interest**	**Shares (%)**
İzocam Holding	15.004.304	61,16	15.004.304	61,16
İzocam Holding (Publicly traded)	8.320.173	33,91	8.320.173	33,91
Other (Publicly traded)	1.209.666	4,93	1.209.666	4,93
	24.534.143	**100,00**	**24.534.143**	**100,00**
Adjustment on Capital	25.856.460		25.856.460	
	50.390.603		**50.390.603**	

Adjustment represents the impact of cash additions into paid-in capital due to the change in the purchasing power of TL compared to 31 December 2004.

13 REVENUE AND COST OF SALES

For the three months periods ended 31 March, revenue and cost of sales comprised the following:

	1 January-31 March 2018	1 January-31 March 2017
Domestic sales	104.671.918	65.564.238
Export sales	28.761.849	21.141.103
Other	6.482.082	3.397.764
Gross sales	**139.915.849**	**90.103.105**
Less: Sales returns and discounts	(8.822.688)	(5.780.437)
Net sales	**131.093.161**	**84.322.668**
Less: Cost of sales	(102.822.709)	(65.401.055)
Gross profit	**28.270.452**	**18.921.613**

For the three months periods ended 31 March, cost of sales comprised the following:

	1 January-31 March 2018	1 January-31 March 2017
Raw materials and consumables	93.398.426	61.621.409
Personnel	7.722.703	5.312.641
Depreciation and amortisation	2.945.871	2.014.773
Changes in inventory	(1.244.291)	(3.547.768)
	102.822.709	**65.401.055**

14 EXPENSES BY NATURE

a) Marketing, selling and distribution expenses

For the three months periods ended 31 March, marketing expenses comprised the following:

	1 January-31 March 2018	1 January-31 March 2017
Freight and insurance	7.175.688	3.911.330
Personnel	2.571.209	2.586.777
Licenses	1.344.753	929.221
Storage	1.096.678	1.355.953
Dealers and meeting expenditures	750.000	765.000
Advertisement	381.000	433.200
Transportation	212.831	188.091
Rent	178.724	247.093
Other	557.350	917.129
	14.268.233	**11.333.794**

14 EXPENSES BY NATURE *(CONTINUED)*

b) Administrative expense

For the three months periods ended 31 March, administrative expenses comprised the following:

	1 January- 31 March 2018	**1 January- 31 March 2017**
Personnel	3.547.841	3.144.288
Tax expenses	313.997	45.501
Transportation	207.877	143.222
Depreciation and amortisation	206.839	134.787
Information technologies	182.602	161.186
Dues	120.896	134.968
Rent	115.083	274.439
Legal	101.009	58.311
Travel	81.770	39.914
Representation	59.956	41.398
Duties, taxes and levies	45.683	50.303
Other	346.790	445.622
	5.330.343	**4.673.939**

15 INCOME TAX

As at 31 March 2018 and 31 December 2017, total tax liability comprised the following:

	31 March 2018	**31 December 2017**
Corporate tax provision	6.958.165	5.250.810
Prepaid taxes	(5.277.984)	(3.706.762)
Current tax liability	**1.680.181**	**1.544.048**

Deferred tax asset and liability movements for three months period ended 31 March 2018 and 2017, are as follows:

	1 January- 31 March 2018	**1 January- 31 March 2017**
Opening balance as at 1 January	731.591	(229.418)
Adjustment on initial application of TFRS 9 (*)	24.572	--
Deferred tax in other comprehensive income	188.343	116.932
Deferred tax expense	(171.164)	(201.922)
Closing balance as at 31 March	**773.342**	**(314.408)**

(*) The company has initially applied TFRS 9 at 1 January 2018 under the transition method chosen, comperative information is not restated.

For the three months periods ended 31 March 2018 and 2017 ,taxation charge in the profit or loss comprised the following:

	1 January- 31 March 2018	**1 January- 31 March 2017**
Current tax expense	(1.707.355)	(298.955)
Deferred tax expense	(171.164)	(201.922)
	(1.878.519)	**(500.877)**

15 INCOME TAX *(CONTINUED)*

Taxes recognised in other comprehensive income:

	1 January – 31 March 2018	**1 January – 31 March 2017**
Tax effect of re-measurement loss on defined benefit plans	188.343	116.932
	188.343	**116.932**

16 EARNING PER SHARE

Earnings per share is computed by dividing the net profit for the period ended 31 March 2018 amounting to TL 4.797.780 (31 March 2017: TL 1.580.836) to the weighted average of the shares during these periods.

	1 January- 31 March 2018	**1 January- 31 March 2017**
Earnings per share		
Net profit	4.797.780	1.580.836
Number of weighted average of ordinary shares	2.453.414.335	2.453.414.335
Basic Earnings per share (Kr per share)	**0,002**	**0,001**
Diluted Earnings per share (Kr per share)	**0,002**	**0,001**

17 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Currency risk

The Company is exposed to currency risk due to its export transactions and borrowings in foreign currency. These transactions are held in USD, Euro. The Company began to utilize factoring transactions in order to hedge foreign currency risk on its exports since 26 January 2010. Thus, the Company collects foreign denominated receivables in TL prior to maturity.

Foreign currency risk is the risk arisen from the value change of any financial instrument based on currency. The Company is exposed to the currency risk due to its net assets, export sales and borrowings in foreign currency. For the exchange rate risk, the management of the Company strictly follows up stabilizing foreign exchange position. The main currencies used are USD and Euro.

17 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

***Currency risk** (continued)*

As at 31 March 2018 and 31 December 2017, net position of the Company is resulted from foreign currency assets and liabilities:

Currency Position

	31 March 2018			31 December 2017		
	TL	**USD**	**Euro**	**TL**	**USD**	**Euro**
1. Trade receivables	14.425.979	2.945.953,65	573.768,27	13.071.875	2.756.649	592.198
2a. Monetary financial assets	5.674.501	1.415.185,36	17.684,38	4.944.372	986.928	270.574
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	--	--	--	--	--	--
4. Current Assets (1+2+3)	**20.100.479**	**4.361.139**	**591.453**	**18.016.247**	**3.743.577**	**862.772**
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. Non-Current Assets (5+6+7)						
9. Total Assets (4+9)	**20.100.479**	**4.361.139**	**591.453**	**18.016.247**	**3.743.577**	**862.772**
10. Trade payables	24.453.189	4.833.443,02	1.102.542,63	28.136.983	6.190.761	1.059.916
11. Financial liabilities				--	--	--
12a. Monetary financial liabilities				9.144.665	2.405.572	15.743
12b. Non-monetary financial liabilities				--	--	--
13. Short Term Liabilities (10+11+12)	**24.453.189**	**4.833.443**	**1.102.543**	**37.281.648**	**8.596.333**	**1.075.659**
14. Trade payables				--	--	--
15. Financial liabilities				--	--	--
16a. Monetary financial liabilities	843.836	193.346	16.504	--	--	--
16b. Non-monetary financial liabilities				--	--	--
17. Long Term Liabilities (14+15+16)				--	--	--
18. Total Liabilities (13+17)	**25.297.024**	**5.026.789**	**1.119.047**	**37.281.648**	**8.596.333**	**1.075.659**
19. Off-Balance sheet financial derivative net asset (liability) position (19a-19b)	--	--	--	**22.831.912**	**5.923.910**	**107.965**
19a. Off-balance sheet foreign currency derivative assets	--	--	--	22.831.912	5.923.910	107.965
19b. Off-balance sheet foreign currency derivative liabilities	--	--	--	--	--	--
20. Net foreign currency asset (liability) position (9-18+19)	**(5.196.545)**	**(665.650)**	**(527.594)**	**3.566.511**	**1.071.154**	**(104.922)**
21. Monetary items net foreign currency asset (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	**(5.196.545)**	**(665.650)**	**(527.594)**	**(19.265.401)**	**(4.852.756)**	**(212.887)**
22. Total fair value of financial instruments used for currency swap	--	--	--	**443.449**	**116.409**	**967**
23. Hedged amount of foreign denominated assets	--	--	--	--	--	--
24. Hedged amount of foreign denominated liabilities	--	--	--	--	--	--

17 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(CONTINUED)*

***Currency risk** (continued)*

As at 31 March 2018 and 31 December 2017 currency sensitivity analysis is as follows:

	Foreign Currency Sensitivity Analysis Table			
	31 March 2018		31 December 2017	
	Profit / (Loss)		Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	Assumption of devaluation/appreciation by 10% of USD against TL			
1- Net USD asset / (liability)	(262.859)	262.859	404.029	(404.029)
2- Part of hedged from US Dollar risk (-)	--	--	--	--
3- Net US Dollar effect (1+2)	**(262.859)**	**262.859**	**404.029**	**(404.029)**
	Assumption of devaluation/appreciation by 10% of EUR against TL			
4- Net EUR asset / (liability)	(256.796)	256.796	(47.378)	47.378
5- Part of hedged from EUR risk (-)	--	--	--	--
6- Net EUR effect (4+5)	**(256.796)**	**256.796**	**(47.378)**	**47.378**
TOTAL (3+6)	**(519.655)**	**519.655**	**356.651**	**(356.651)**

For the periods ended 31 March 2018 and 2017, total import and export of the Company comprised the following:

	31 March 2018	31 March 2017
Total exports	27.889.130	21.141.103
Total imports	35.111.204	22.334.379

18 SUBSEQUENT EVENTS

None.