

(CONVENIENCE TRANSLATION OF THE REPORT AND THE CONSOLIDATED FINANCIAL  
STATEMENTS ORIGINALLY ISSUED IN TURKISH)

**DURAN DOĞAN BASIM VE AMBALAJ  
SANAYİ A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017  
AND INDEPENDENT AUDITORS' REPORT**

**(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

**INDEPENDENT AUDITORS' REPORT**

To the General Assembly  
Duran Doğan Basım ve Ambalaj Sanayi A.Ş.  
İstanbul

**A) Report on the Audit of the Consolidated Financial Statements**

**1) Opinion**

We have audited the consolidated financial statements of Duran Doğan Basım ve Ambalaj Sanayi A.Ş. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards (TAS).

**2) Basis for Opinion**

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("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 Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 the matter was addressed in audit
<p><b>Recognition of revenue in consolidated financial statements in the correct period</b></p> <p>Revenue is recognized in the financial statements when significant risk and reward is transferred to the buyer and adjustments are made for purchases that do not meet the criteria of revenue recognition even though they are shipped at the end of the periods. The adjustment is calculated by considering the delivery time and conditions of goods to the port of entry and in compliance with Company management's estimates based on past experience. Company management, in compliance with the accounting policy on delivery conditions about recognition of Group revenue in financial statements, recognizes revenue in financial statements by taking into account the time it takes for the goods to arrive at the port of destination of the goods.</p> <p>The Group has several different revenue streams, under the domestic and foreign sales segments. Foreign sales have an important share in total sales, and delivery times for Foreign sales can vary between 5-30 days.</p> <p>In this context, there is a risk that revenue related to overseas sales that are shipped close to year end but may not have delivered as of the reporting date may be recognized in the wrong financial period. According to our judgment, due to the risk of contrariness to matching principle, the recognition of revenues from overseas sales in financial statements in the matching period is considered as a key audit matter.</p> <p>The accounting policy related to when the revenue will be taken to the financial statements is explained in Note 2 and the notes on revenue are presented in Note 15.</p>	<p>During our audit, the following audit procedures related to the recognition of revenue in the financial statements in the right period have been applied:</p> <ul style="list-style-type: none"> <li>• The controls designed and implemented by the management regarding to revenue recognized in the consolidated financial statements in the correct period have been evaluated,</li> <li>• In order to understand the sales and delivery conditions of the company during the revenue process, samples from customer contracts with different delivery conditions were selected and examined and revenue recognition method of each delivery condition was evaluated,</li> <li>• The completeness of overseas sales data which was delivered close to year end and which will be delivered to different ports were tested and the samples were taken from the relevant data and the information about the shipments was compared with the customer orders, shipping and billing information, collection information and delivery information,</li> <li>• In order to be able to assess the collectibility of receivables from related sales, sample of foreign customers were selected and the payments made during the year were tested and the open balance at the end of the period was confirmed by external verification,</li> <li>• We have also focused on recognition of revenue at the correct period while performing other audit procedures for management override of controls.</li> </ul>

<p><b>Internal Control Deficiency Related to Accounting of Special Issues in the Consolidated Financial Statements in Accordance with Turkey Accounting Standards (“TAS”)</b></p> <p>In the process of preparation of the consolidated financial statements, due to there are significant number of adjustment entries related to special accounting subjects in accordance with TAS prepared by Group Management, and requirement of technical knowledge in preparation of such adjustment entries, manual calculation in adjustment entries, and control deficiencies identified in the implementation of the internal controls defined by the Group Management over such adjustment entries, there is a possibility of error to occur in the consolidated financial statements.</p> <p>Due to the reasons mentioned above, adjustments and classifications prepared by the Group Management in accordance with TAS at the end of the period has been considered as a key audit matter.</p> <p>The accounting policies related to the preparation of consolidated financial statements are disclosed in Note 2.</p>	<p>During our audit, the following audit procedures related to the accuracy of the special issues related to TAS have been applied:</p> <ul style="list-style-type: none"><li>• The design and implementation of controls applied by the Group management on the accuracy of the adjustment entries for special issues have been evaluated,</li><li>• During the preparation of the consolidated financial statements, significant adjustments prepared by the Group Management have been examined and the raw data and calculations subject to adjustment entries have been controlled,</li><li>• We have assessed whether the material estimates and assumptions used by the Group Management during the preparation of these adjustments are appropriate.</li></ul>
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#### 4) Other Matters

Within the scope of the audit of the consolidated financial statements for the period of 31 December 2017, we have also revised the adjustments for restatement of the consolidated financial statements for the period of 31 December 2016 as explained Note 2. In our opinion, respective adjustments are proper and presented fairly.

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

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

Responsibilities of independent auditors in an independent audit 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 the standards on auditing issued by Capital Markets Board and SIA 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 the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism 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**

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 9 March 2018.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January - 31 December 2017 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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

The engagement partner on the audit resulting in this independent auditor's report is Selçuk Ürkmez.

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



Selçuk Ürkmez  
Partner

Istanbul, 12 March 2018

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**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES****AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		<b>As Restated</b>	<b>As Restated</b>
	<b>Current Period</b>	<b>Prior Period(*)</b>	<b>Prior Period(*)</b>
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>	<b>Notes</b>		
<b>Current Assets</b>		<b>67.273.542</b>	<b>42.591.487</b>
Cash and Cash Equivalents	27	9.059.515	10.612.034
Trade Receivables		31.256.716	18.916.767
<i>Trade Receivables from Related Parties</i>	4-5	-	10.696
<i>Trade Receivables from Third Parties</i>	5	31.256.716	18.906.071
Other Receivables		49.028	23.383
<i>Other receivables from Third Parties</i>	6	49.028	23.383
Inventories	7	23.479.980	11.206.622
Prepaid Expenses	8	1.186.280	646.760
Other Current Assets	13	2.242.023	1.185.921
<b>Non-Current Assets</b>		<b>80.688.167</b>	<b>65.961.683</b>
Other Receivables		266.794	253.041
<i>Other Receivables from Third Parties</i>	6	266.794	253.041
Property, Plant and Equipment	9	76.830.713	64.235.232
Intangible Assets	10	1.208.372	1.138.680
Prepaid Expenses	8	1.806.200	-
Deferred Tax Assets	22	576.088	334.730
<b>TOTAL ASSETS</b>		<b>147.961.709</b>	<b>108.553.170</b>

(\*) Restatement effects are explained in Note 2.1.

The accompanying notes form an integral part of these consolidated financial statements.  
Convenience translation of the report and the consolidated financial statements originally issued in Turkish.



**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Current Period	As Restated	As Restated
		31 December 2017	Prior Period(*) 31 December 2016	Prior Period(*) 31 December 2015
<b>LIABILITIES</b>				
<b>Current Liabilities</b>		<b>65.727.155</b>	<b>64.002.389</b>	<b>52.315.030</b>
Short-Term Borrowings	24	30.245.024	38.141.288	29.349.934
Short-Term Portion of Long-Term Borrowings	24	2.802.802	4.222.063	7.717.838
Other Financial Liabilities	24	1.949.968	1.949.803	1.470.589
Trade Payables		27.224.105	16.359.513	11.454.382
<i>Trade Payables to Related Parties</i>	4-5	851.326	670.179	542.566
<i>Trade Payables to Third Parties</i>	5	26.372.779	15.689.334	10.911.816
Payables Related to Employee Benefits	12	1.097.793	1.153.614	906.964
Other Payables		180.175	93.655	23.236
<i>Other Payables to Related Parties</i>	4-6	138.475	-	-
<i>Other Payables to Third Parties</i>	6	41.700	93.655	23.236
Deferred Income	8	1.013.924	1.282.644	350.770
Current Tax Liabilities	22	227.981	3.789	-
Short-Term Provisions		879.238	202.975	171.510
<i>Short-term Provisions for</i>				
<i>Employee Benefits</i>	12	873.950	194.724	156.319
<i>Other Short-Term Provisions</i>	11	5.288	8.251	15.191
Other Current Liabilities	13	106.145	593.045	869.807
<b>Non-Current Liabilities</b>		<b>40.496.124</b>	<b>33.339.724</b>	<b>37.204.593</b>
Long-Term Borrowings	24	24.735.161	22.713.401	27.496.200
Other Payables				
<i>Other Payables to Related Parties</i>	4-6	9.031.000	7.419.800	6.355.200
Deferred Income	8	-	18.025	66.047
Long-term Provisions		4.209.250	3.141.695	2.994.246
<i>Long-term Provisions for</i>				
<i>Employee Benefits</i>	12	4.209.250	3.141.695	2.994.246
Deferred Tax Liabilities	22	2.520.713	46.803	292.900
<b>EQUITY</b>		<b>41.738.430</b>	<b>13.547.701</b>	<b>19.033.547</b>
<b>Equity Attributable to Owners of the Company</b>		<b>41.710.016</b>	<b>13.533.244</b>	<b>19.019.089</b>
Share Capital	14	16.575.788	16.575.788	16.575.788
Adjustments to Share Capital		6.436.501	6.436.501	6.436.501
Share Premium		5.220	5.220	5.220
Restricted Reserves Appropriated from Profit	14	325.455	325.455	325.455
Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss	21	33.792.080	16.381.420	16.506.365
<i>Properties Revaluation Reserves</i>		35.085.680	17.738.889	17.758.214
<i>Actuarial Loss</i>		(1.293.600)	(1.357.469)	(1.251.849)
Other Comprehensive Income or Expenses that will be Reclassified Subsequently to Profit or Loss		(541.409)	(148.210)	(130.002)
<i>Currency Translation Difference</i>		(541.409)	(148.210)	(130.002)
Accumulated Losses		(26.017.114)	(20.680.913)	(8.454.184)
Net (loss) / profit for the year		11.133.495	(5.362.017)	(12.246.054)
<b>Non-Controlling Interests</b>		<b>28.414</b>	<b>14.457</b>	<b>14.458</b>
<b>TOTAL LIABILITIES</b>		<b>147.961.709</b>	<b>110.889.814</b>	<b>108.553.170</b>

(\*) Restatement effects are explained in Note 2.1.

The accompanying notes form an integral part of these consolidated financial statements.  
Convenience translation of the report and the consolidated financial statements originally issued in Turkish.

**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

**AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Current Period 1 January 31 December 2017	As Restated Prior Period(*) 1 January 31 December 2016
<b>PROFIT AND LOSS</b>			
Revenue	15	145.465.109	104.000.744
Cost of sales (-)	15	(106.718.272)	(82.329.172)
<b>Gross Profit</b>		<b>38.746.837</b>	<b>21.671.572</b>
Administrative expenses (-)	16	(10.468.061)	(8.447.902)
Marketing expenses (-)	16	(11.348.571)	(7.832.168)
Other income from operating activities	18	18.315.945	10.636.681
Other expenses from operating activities (-)	18	(13.263.419)	(7.588.058)
<b>OPERATING PROFIT</b>		<b>21.982.731</b>	<b>8.440.125</b>
Income from investing activities	19	-	69.469
<b>OPERATING PROFIT BEFORE FINANCE EXPENSE</b>		<b>21.982.731</b>	<b>8.509.594</b>
Finance expenses	20	(11.455.582)	(14.097.949)
<b>PROFIT / (LOSS) BEFORE TAX</b>		<b>10.527.149</b>	<b>(5.588.355)</b>
<b>Tax Expense</b>		<b>606.395</b>	<b>226.337</b>
Current Tax Expense	22	(284.259)	(6.807)
Deferred Tax Income	22	890.654	233.144
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>11.133.544</b>	<b>(5.362.018)</b>
<b>Profit / (Loss) for the period attributable to</b>			
Non-controlling Interests		49	(1)
Equity holders of the parent company		11.133.495	(5.362.017)
		<b>11.133.544</b>	<b>(5.362.018)</b>
<b>Profit / (Loss) per share</b>	23	0,0067	(0,0032)
<b>Other Comprehensive Income;</b>			
<b>Items that will not be reclassified subsequently</b>			
<b>to profit or loss:</b>		<b>17.450.384</b>	<b>(105.620)</b>
Gains on revaluation of property, plant and equipment		20.507.206	-
Remeasurement of defined benefit obligation		79.836	(132.025)
Income tax relating to items that will not be reclassified subsequently		(3.136.658)	26.405
<b>Items that will be reclassified subsequently</b>			
<b>to profit or loss:</b>		<b>(393.199)</b>	<b>(18.208)</b>
Currency Translation Difference		(393.199)	(18.208)
<b>Other Comprehensive Income / (Loss)</b>		<b>17.057.185</b>	<b>(123.828)</b>
<b>Total Comprehensive Income / (Loss)</b>		<b>28.190.729</b>	<b>(5.485.846)</b>
<b>Total Comprehensive Income / (Loss) Distribution</b>			
Non-controlling Interests		13.957	(1)
Equity holders of the parent company		28.176.772	(5.485.845)

(\*) Restatement effects are explained in Note 2.1.

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**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Share capital		Share premium	Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Restricted reserves appropriated from profit	Accumulated Losses		Equity Attributable to Owners of the Company	Non-controlling interests	Total Equity	
	Share capital	Adjustments		Share capital	Share premium		Properties Revaluation Reserves	Accumulated loss on remeasurement of benefit plans				Currency Translation Difference
Balance as at 1 January 2016 (previously reported)	16,575,788	6,436,501	5,220	17,758,214	(1,251,849)	(130,002)	325,455	(8,454,184)	(10,948,156)	20,316,987	14,458	20,331,445
Effect of restatement (Note 2.1)	-	-	-	-	-	-	-	-	(1,297,898)	(1,297,898)	-	(1,297,898)
Balance as at 1 January 2016 (restated)	16,575,788	6,436,501	5,220	17,758,214	(1,251,849)	(130,002)	325,455	(8,454,184)	(12,246,054)	19,019,089	14,458	19,033,547
Transfers	-	-	-	-	-	-	-	(12,246,054)	12,246,054	-	-	-
Total comprehensive income	-	-	-	-	(105,620)	-	-	-	-	(105,620)	-	(105,620)
- Loss on remeasurement of defined benefit plans	-	-	-	-	(105,620)	-	-	-	-	(105,620)	-	(105,620)
- Amortization effect of revaluation gains	-	-	-	(19,325)	-	-	-	19,325	-	-	-	-
- Currency translation difference	-	-	-	-	(18,208)	-	-	-	-	(18,208)	-	(18,208)
- Net loss for the period	-	-	-	-	-	-	-	-	(5,362,017)	(5,362,017)	(1)	(5,362,018)
Balance as at 31 December 2016	16,575,788	6,436,501	5,220	17,738,889	(1,357,469)	(148,210)	325,455	(20,680,913)	(5,362,017)	13,533,244	14,457	13,547,701

The accompanying notes form an integral part of these consolidated financial statements.  
Convenience translation of the report and the consolidated financial statements originally issued in Turkish.

# DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Share capital		Share premium	Properties Revaluation Reserves	Accumulated loss on remeasurement of benefit plans	Accumulated other comprehensive income or expenses that will be reclassified subsequently to profit or loss	Restricted reserves appropriated from profit	Accumulated Losses		Equity Attributable to Owners of the Company	Non-controlling interest	Total Equity
	Adjustments	Capital						Prior year's (losses) / profit	Net (loss)/profit for the year			
Balance as at 1 January 2017 (previously reported)	16,575,788	6,436,501	5,220	17,738,889	(1,357,469)	(148,210)	325,455	(19,383,015)	(5,318,125)	14,875,034	14,457	14,889,491
Effect of restatement (Note 2.1)	-	-	-	-	-	-	-	(1,297,898)	(43,892)	(1,341,790)	-	(1,341,790)
Balance as at 1 January 2017 (restated)	16,575,788	6,436,501	5,220	17,738,889	(1,357,469)	(148,210)	325,455	(20,680,913)	(5,362,017)	13,533,244	14,457	13,547,701
Transfers	-	-	-	-	-	-	-	(5,362,017)	5,362,017	-	-	-
Total comprehensive income	-	-	-	-	63,869	-	-	-	-	63,869	-	63,869
- Loss on remeasurement of defined benefit plans	-	-	-	-	63,869	-	-	-	-	63,869	-	63,869
- Gains on revaluation of property, plant and equipment	-	-	-	17,372,607	-	-	-	-	-	17,372,607	13,908	17,386,515
- Amortization effect of revaluation gains	-	-	-	(25,816)	-	-	-	25,816	-	-	-	-
- Currency translation difference	-	-	-	-	-	(393,199)	-	-	-	(393,199)	-	(393,199)
- Net income for the period	-	-	-	-	-	(541,409)	-	-	11,133,495	1,133,495	49	11,133,544
Balance as at 31 December 2017	16,575,788	6,436,501	5,220	35,085,680	(1,293,600)	(541,409)	325,455	(26,017,114)	11,133,495	41,710,016	28,414	41,738,430

The accompanying notes form an integral part of these consolidated financial statements.  
Convenience translation of the report and the consolidated financial statements originally issued in Turkish.

## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

### AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		Current Period 1 January- 31 December 2017	As Restated Prior Period 1 January- 31 December 2016
<b>A.Cash flow from operating activities</b>	<b>Notes</b>		
<b>Net income/(loss) for the year</b>		<b>11.133.544</b>	<b>(5.362.018)</b>
- Adjustments related to depreciation and amortization	9-10	5.489.913	5.907.331
- Adjustments related to gain on sale of property, plant and equipment (net)	19	-	(69.469)
- Adjustments related to provision for employment termination benefits	12	1.341.913	347.335
- Adjustments related to royalty provision	11	5.288	8.251
- Adjustments related to provision for unused vacation	12	65.604	38.405
- Adjustments related to bonus provision	12	613.622	-
- Adjustments related to provision for doubtful receivables	5	136.840	-
- Adjustments related to allowance for impairment of inventory	7	518.220	275.087
- Adjustments related to tax income	22	(606.395)	(226.337)
- Adjustments related to interest income	18	(304.988)	(146.018)
- Adjustments related to interest expense	20	4.658.788	2.930.314
- Adjustments related to foreign exchange income		(2.911.175)	(1.754.808)
- Adjustments related to unrealized net foreign exchange (losses)/gains		4.439.035	9.030.530
<b>Total adjustments to net loss for the period</b>		<b>24.580.209</b>	<b>10.978.603</b>
<b>Changes in working capital</b>			
- Changes in trade receivables from related parties		-	10.696
- Changes in trade receivables		(6.155.085)	2.440.767
- Changes in inventories		(7.459.346)	(5.607.319)
- Changes in other receivables and assets		766.232	(2.401.252)
- Changes in trade payables		6.703.614	2.589.464
- Change in trade payables to related parties		181.147	127.613
- Changes in payables related to employee benefits		(55.821)	246.650
- Changes in other payables and liabilities		(687.125)	677.509
		<b>17.873.825</b>	<b>9.062.731</b>
- Royalty paid	11	(8.251)	(15.191)
- Interest paid		(4.089.182)	(2.537.278)
- Interest received	18	304.988	146.018
- Termination benefits paid	12	(194.522)	(331.911)
- Taxes paid	22	(60.067)	(3.018)
<b>Net cash generated from operating activities</b>		<b>13.826.791</b>	<b>6.321.351</b>

The accompanying notes form an integral part of these consolidated financial statements.  
Convenience translation of the report and the consolidated financial statements originally issued in Turkish.

**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARY****AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

		<b>Current Period</b>	<b>As Restated</b>
		<b>1 January-</b>	<b>Prior Period</b>
		<b>31 December</b>	<b>1 January-</b>
	<b>Notes</b>	<b>2017</b>	<b>31 December</b>
			<b>2016</b>
<b>B.Cash flows from investing activities</b>			
- Proceeds from disposal of property, plant and equipment		-	93.242
- Payments for the purchase of tangible assets	8-9	(3.340.562)	(1.592.706)
- Payments for the purchase of intangible assets	10	(76.461)	(156.449)
		<b>(3.417.023)</b>	<b>(1.655.913)</b>
<b>C.Cash flows from financing activities</b>			
- New borrowings		40.399.850	45.078.396
- Repayment of borrowings		(46.651.067)	(46.580.298)
- Repayment of finance lease payables		(4.658.995)	(6.362.492)
- Change in other financial liabilities		165	479.214
		<b>(10.910.047)</b>	<b>(7.385.180)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)</b>		<b>(500.279)</b>	<b>(2.719.742)</b>
<b>D.EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>836.768</b>	<b>830.734</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C+D)</b>		<b>336.489</b>	<b>(1.889.008)</b>
<b>E.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	27	<b>8.723.026</b>	<b>10.612.034</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	27	<b>9.059.515</b>	<b>8.723.026</b>

The accompanying notes form an integral part of these consolidated financial statements.  
Convenience translation of the report and the consolidated financial statements originally issued in Turkish.

## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

#### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Duran Doğan Basım ve Ambalaj Sanayi A.Ş. (“Company”) and its Subsidiaries, Dudo İthalat ve İhracat Pazarlama A.Ş. and Dudo UK Ltd., (together “Group”) is primarily carry out printing, cutting, gluing and laminating processes over paper and cardboard in rolls and sheets, as well as over such materials as any plastic materials, aluminum, metal, tin, etc., for production of any kind of packaging, and to sell, to export and import the same, as well as to engage in and deal with other fields of activities set forth in its Articles of Association.

The Company has been established in 1975 and its headquarter is at Hadımköy Mahallesi Mustafa İnan Cad. No:41 Arnavutköy / Istanbul, Turkey and its subsidiary is also located in Turkey.

Shares of the Company are registered with Capital Market Board (CMB) and are traded at Istanbul Stock Exchange.

Total number of personnel employed at Group as of 31 December 2017 is 251 (31 December 2016: 245).

Major shareholders of Company are LGR International Societe Anonyme (%33,69), Dikran Mihran Acemyan (%9,76), İbrahim Okan Duran (%7,95), Oktay Duran (%8,30) and Dikran Acemyan (%5).

As of 31 December 2017 and 2016 both main operating activities and direct or indirect ownership shares of subsidiaries under full consolidation is demonstrated below.

Subsidiary	31 December 2017		31 December 2016		Business Line
	Direct ownership %	Indirect ownership %	Direct ownership %	Indirect ownership %	
Dudo İthalat ve İhracat Pazarlama A.Ş.	99,92	99,92	99,92	99,92	Domestic and foreing trade of printed and unprinted cardboard boxes and bundles
Dudo UK Ltd.	100,00	100,00	100,00	100,00	

#### Confirmation of Financial Statements

Consolidated financial statements were ratified by the Board of Directors and authorised for issue there on 12 March 2018. The General Assembly of the Company has the authority to modify the consolidated financial statements.

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

## **2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **2.1 Basis of Presentation**

#### **Statement of Compliance**

Financial statements attached are prepared in accordance with the June 13, 2013 and number 28786 declaration of Capital Markets Board (“CMB”) with the 5th item of the series number II, 14.1 “Rules of Declaration related with the financial reporting in CMB (“Declaration”) and the Turkish Accounting Standards/Turkish Financial Reporting Standards and the attachments and comments related with these standards (TAS/TFRS) are based on.

In addition, financial statements and disclosures are presented in accordance with the format described by CMB at 7 June 2013.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### **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). Each entity's financial position and results of operations are presented in TL which is the functional currency of the Group.

#### **Preparation of Financial Statements in Hyperinflationary Periods**

In accordance with the resolution numbered 11/367 dated 17 March 2005, the CMB stated that companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards effective from 1 January 2005 are not subject to inflation accounting. Based on that statement, TAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied starting from 1 January 2005 in the accompanying consolidated financial statements for the companies registered in Turkey and functional currencies in TL.

#### **Comparative Information and Restatement of Prior Period Consolidated Financial Statements**

Group's consolidated financial statements have been prepared comparatively with the prior period for allow the determination of financial position and performance trend. Comparative information is reclassified when necessary and important differences are explained, in order to conform to the current period financial statement's presentation.



## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Basis of Presentation (cont'd)

#### Comparative Information and Restatement of Prior Period Consolidated Financial Statements (cont'd)

Due to the analysis performed by the Group management during the year 2017, they identified an error on inventory profit margin elimination related to Dudo UK Ltd inventories which is not sold as of reporting date. The restatement is considered to be an error in the consolidated financial statements in accordance with TAS 8 and needs to be adjusted retrospectively. For this reason, consolidated statements of financial position as at 31 December 2016 and 2015 and the consolidated statement of profit or loss and consolidated statement of cash flow for the year ended 31 December 2016 have been restated. The effect of the related restatement on consolidated statement of equity for the year ended 31 December 2015 is TL 1.297.898 and the effect on consolidated statement of equity for the year ended 31 December 2016 is TL 1.341.780 ..

	Previously Reported Prior Period 31.12.2016	Restatement Effect	Restated Prior Period 31.12.2016
Current Assets	50.740.103	(1.677.237)	49.062.866
Non-Current Assets	61.491.501	335.447	61.826.948
Current Liabilities	64.002.389	-	64.002.389
Non-Current Liabilities	33.339.724	-	33.339.724
Equity	14.889.481	(1.341.780)	13.547.701
Net loss for the year	(5.318.125)	(43.892)	(5.362.017)
Loss per share	(0,0032)		(0,0032)

	Previously Reported Prior Period 31.12.2015	Restatement Effect	Restated Prior Period 31.12.2015
Current Assets	44.213.860	(1.622.373)	42.591.487
Non-Current Assets	65.637.208	324.475	65.961.683
Current Liabilities	52.315.030	-	52.315.030
Non-Current Liabilities	37.204.593	-	37.204.593
Equity	20.331.445	(1.297.898)	19.033.547

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

### **2.1 Basis of Presentation (cont'd)**

#### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

##### 2.2 Changes in the Accounting Policies

Significant changes in accounting policies are applied retrospectively and previous period financial statements are readjusted. Group has not changed accounting policies because of the changes in current period on standard.

##### 2.3 Changes in the Accounting Estimates and Errors

If the application of changes to the accounting estimates affects the financial results of a specific year, the accounting estimate change is applied in that specific year, if they affect the financial results of current and following years; the accounting policy estimate is applied prospectively in the year in which such change is made. There has been no significant change in the Group accounting estimates during the current year.

##### 2.4 New and Revised Turkish Financial Reporting Standards

###### a) Amendments to IFRSs that are mandatorily effective for the current year

Amendments to TAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses</i> <sup>1</sup>
Amendments to TAS 7	<i>Disclosure Initiative</i> <sup>1</sup>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 12</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017.

###### **Amendments to TAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses***

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

###### **Amendments to TAS 7 *Disclosure Initiative***

This amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The Group's liabilities arising from financing activities consist of borrowings and certain other financial liabilities (Note 24). A reconciliation between the opening and closing balances of these items is provided in Note 24. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 24, the application of these amendments has had no impact on the Group's consolidated financial statements.

###### **Annual Improvements to TFRS Standards 2014–2016 Cycle**

**TFRS 12:** Clarifies the scope of the standard by specifying that the disclosure requirements in the standard that are classified as held for sale, as held for distribution or as discontinued operations in accordance with TFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

##### 2.4 New and Revised Turkish Financial Reporting Standards(cont'd)

###### b) New and revised TFRSs in issue but not yet effective

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

TFRS 9	<i>Financial Instruments</i> <sup>1</sup>
TFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i> <sup>1</sup>
TFRS Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
Amendments to TAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 1</i> <sup>1</sup> , <i>TAS 28</i> <sup>1</sup>
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

#### **TFRS 9 *Financial Instruments***

TFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of TFRS 9:

- all recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

##### 2.4 New and Revised Turkish Financial Reporting Standards(cont'd)

b) New and revised TFRSs in issue but not yet effective(cont'd)

##### *TFRS 9 Financial Instruments (cont'd)*

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Group have assessed the impact of TFRS 9 to the Group's consolidated financial statements as follows:

##### Classification and measurement

Bills of exchange and debentures classified as held-to-maturity investments and loans carried at amortized cost as disclosed in Note 24: These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortized cost upon the application of TFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under TAS 39.

As of the reporting date, the Group management is continuing to work on the effects of the amendments of TFRS 9 on the financial position and performance of the Group and intends to use the retrospective method with cumulative effect for transition to TFRS 9.

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

##### **2.4 New and Revised Turkish Financial Reporting Standards(cont'd)**

b) New and revised TFRSs in issue but not yet effective (cont'd)

###### ***TFRS 15 Revenue from Contracts with Customers***

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 *Revenue*, TAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

As of the reporting date, the Group management is continuing to work on the effects of the amendments of TFRS 15 on the financial position and performance of the Group and intends to use the retrospective method with cumulative effect for transition to TFRS 15.

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

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

###### ***Amendments to TFRS 2 Classification and Measurement of Share-Based Payment Transactions***

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

##### **2.5 New and Revised Turkish Financial Reporting Standards(cont'd)**

###### **b) New and revised TFRSs in issue but not yet effective(cont'd)**

###### ***TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration***

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

###### ***Amendments to TAS 40 Transfers of Investment Property***

The amendments to TAS 40:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

###### ***Annual Improvements to TFRS Standards 2014–2016 Cycle***

- **TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of TFRS 1, because they have now served their intended purpose.
- **TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

This amendment clarifies that an entity 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 but to which the equity method is not applied.

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

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

### **2.5 Summary of Significant Accounting Policies**

#### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated or realized customer returns, discounts, commissions, rebates, and taxes related to sales.

#### **Sale of Goods**

Revenue from sale of goods is recognized when all the following conditions are satisfied:

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

#### *Interest income:*

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

#### **Inventories**

Inventories are stated at the lower of cost or net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories according to their inventory classes and valuation method of inventories is weighted average out method. Net realizable value represents the estimated selling price which occurred in the ordinary course of business, less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, if the inventory is written down to the net realizable value and the expense is included in statement of comprehensive income in the year the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of the changes in economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial write-down.



## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

### **2.5 Summary of Significant Accounting Policies (cont'd)**

#### **Related Parties**

A related party is a person or entity that is related to the entity that is preparing its financial statements.

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 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).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

##### **2.5 Summary of Significant Accounting Policies (cont'd)**

###### **Property, Plant and Equipment**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value at the date of revaluation is the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated. Fixtures and equipment other than land are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

### **2.5 Summary of Significant Accounting Policies (cont'd)**

#### **Property, Plant and Equipment (cont'd)**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### **Finance Lease Transactions**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### Leases - the Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term (The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis) Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

#### **Intangible assets**

#### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### 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.

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

### **2.5 Summary of Significant Accounting Policies (cont'd)**

#### **Intangible assets (cont'd)**

##### **Internally-generated intangible assets – research and development expenditure**

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

##### **Derecognition of intangible assets**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

### **2.5 Summary of Significant Accounting Policies (cont'd)**

#### **Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Borrowing Costs**

All borrowing costs are recorded in the income statement in the period in which they are incurred.

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

### **2.5 Summary of Significant Accounting Policies (cont'd)**

#### **Financial Instruments**

##### Financial assets

Group classified financial assets into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

##### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

##### Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

##### **2.5 Summary of Significant Accounting Policies (cont'd)**

###### **Financial Instruments (cont'd)**

###### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

###### **Financial liabilities**

Financial liabilities are initially measured at fair value. Financial liabilities other than fair value through profit or loss are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

###### **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 in existence 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.

###### **Effect of Exchange Differences**

###### **Foreign Currency Balances and Transaction**

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 TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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.

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

### **2.5 Summary of Significant Accounting Policies (cont'd)**

#### **Effect of Exchange Differences (cont'd)**

##### **Foreign Currency Balances and Transaction**

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies);
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

##### **Financial Statements of Associates, Subsidiaries and Joint Ventures Operating in Other Countries**

Assets and liabilities of the Group's foreign operations, are presented in TL considering exchange rates valid at the reporting date. Income and expenses are translated by using the average rate calculated for the year when the transaction occurred, unless significant fluctuation has happened in exchange rates. In case of any significant fluctuation in exchange rates, the transaction is translated by using the exchange rate at the transaction date. The translation difference is accounted under comprehensive income as a component of equity.

#### **Events After the Reporting Period**

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

#### **Provisions, Contingent Liabilities and Assets**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.



## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

#### **2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **2.5 Summary of Significant Accounting Policies (cont'd)**

###### **Provisions, Contingent Liabilities and Assets (cont'd)**

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.

###### **Taxation and Deferred Taxes**

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax expense from continues operation includes current year income tax expense and deferred income tax (expense) / benefit.

###### **Current tax**

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

###### **Deferred tax**

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

## **2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

### **2.5 Summary of Significant Accounting Policies (cont'd)**

#### **Taxation and Deferred Taxes (cont'd)**

##### Deferred tax (cont'd)

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

##### Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### **Employee Benefits**

##### Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 (revised) "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

##### Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### **Statements of Cash Flows**

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

#### **Share Capital and Dividends**

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

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

### 2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

#### Critical judgments in applying the Group's accounting policies

In the process of applying accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

#### Useful life of property plant and equipment

The Group amortized its property, plant and equipment based over the estimated useful life of asset that stated in Note 9 and Note 10.

#### Impairment of inventories

The Group determined the inventories with net realizable values less than their costs and booked TL 518.220 inventory impairment provision in consolidated financial statements (2016: TL 275.087).

#### Provision for doubtful receivables

When there is an indication that the Group will not be able to collect receivables, the Group forms provision for doubtful receivables. The Group management booked TL 200.808 (2016: TL 63.968) doubtful receivable provision in 31 December 2017 consolidated financial statements.

#### Revaluation of land and building

Land and buildings are stated in the consolidated statement of financial position at their revalued amounts and the assumptions used in the valuation disclosed in Note 9. Valuation report for the year 2017 has been prepared by CMB accredited independent valuation company, Adres Gayrimenkul Değerleme ve Danışmanlık A.Ş..

## 3. OPERATION SEGMENTS

The Group started to apply TFRS 8 from 1 January 2013. The authority who is responsible to take decisions about Groups operating activities determines operating segments based on the management reports reviewed regularly.

The reportable operating segments derive their revenue primarily from sales to Turkey, Europe, USA, Middle East and Africa, Asia Pasific nd Turkic Republics.

1 January - 31 December 2017							
	Turkey	Europe	USA	Middle East and Africa	Asia Pasific	Turkic Republics	Total
Gross Sales	70.193.198	50.126.897	2.250.359	16.226.829	745.261	8.578.736	148.121.280
1 January - 31 December 2016							
	Turkey	Europe	USA	Middle East and Africa	Asia Pasific	Turkic Republics	Total
Gross Sales	58.113.736	31.332.428	2.400.378	8.540.516	179.944	4.156.697	104.723.699

**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

**4. RELATED PARTY DISCLOSURES****a) Receivables and payables from related parties:**

	31 December 2017		
	Liabilities	Liabilities	Liabilities
	Short Term	Short Term	Long Term
<b>Balances with related parties</b>	<b>Trade</b>	<b>Non-Trade</b>	<b>Non-Trade</b>
<b>Other companies managed by main shareholder</b>			
Duran Makina San. ve Tic. A.Ş.	29.337	-	-
LGR International Societe Anonyme (*)	821.989	138.475	9.031.000
	<u>851.326</u>	<u>138.475</u>	<u>9.031.000</u>
	31 December 2016		
	Liabilities	Liabilities	Liabilities
	Short Term	Short Term	Long Term
<b>Balances with related parties</b>	<b>Trade</b>	<b>Non-Trade</b>	<b>Non-Trade</b>
<b>Other companies managed by main shareholder</b>			
Duran Makina San. ve Tic. A.Ş.	6.212	-	-
LGR International Societe Anonyme (*)	663.967	-	7.419.800
	<u>670.179</u>	<u>-</u>	<u>7.419.800</u>

(\*) Long term non-trade payables to related party balance is related to debt accounted for EUR 2.000.000 debt with maturity date of 31 January 2019 and %3+12 Month EURIBOR interest rate, which is provided by the entity's shareholder LGR International Societe Anonyme.

Related party transactions are not subject to interest charge.

## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

#### 4. RELATED PARTY DISCLOSURES (cont'd)

##### b) Purchases and sales from related parties:

	1 January - 31 December 2017	
	Purchase of goods and services	Interest expense
<u>Transactions with related parties</u>		
<u>Other companies managed by main shareholder</u>		
Duran Makina San. ve Tic.A.Ş. (*)	106.214	-
Lgr Emballages S.A.S. (***)	61.667	-
LGR International Societe Anonyme (**)	821.989	259.701
	<u>989.870</u>	<u>259.701</u>
	1 January - 31 December 2016	
	Purchase of goods and services	Interest expense
<u>Transactions with related parties</u>		
<u>Other companies managed by main shareholder</u>		
Duran Makine San. ve Tic. Ltd. Şti. (*)	119.304	-
Lgr Emballages S.A.S. (***)	69.560	-
LGR International Societe Anonyme (**)	550.197	213.234
	<u>739.061</u>	<u>213.234</u>

(\*) The amount consists of maintenance and repair services for fixed assets provided from Duran Makina San. ve Tic.A.Ş.

(\*\*) The amount consists of personnel expenses and travel expenses which LGR International S.A.S. reflected to the Group.

(\*\*) Consists of fair attendance expenses reflected by Lgr Emballages S.A.S. to the Group.

##### c) Compensation to key management consist of; Chairman of the Board, Vice President of Executive Board, Other Executive Board Members, General Manager, Vice General Manager and Chief Financial Officer.

	1 January- 31 December 2017	1 January- 31 December 2016
Salary	2.424.000	2.075.400
Bonus	404.000	345.900
Performance premium	665.500	464.814
Attendance fee	294.000	273.000
Other short term benefits	8.817	8.606
	<u>3.796.317</u>	<u>3.167.720</u>

## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

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#### 5. TRADE RECEIVABLES AND PAYABLES

##### a) Trade Receivables

	31 December 2017	31 December 2016
<b>Short term trade receivables</b>		
Trade receivables	30.943.524	18.591.634
Notes receivables	514.000	1.049.766
Provision for doubtful receivables (-)	(200.808)	(63.968)
	<b>31.256.716</b>	<b>19.577.432</b>

The details of the Group's trade receivables as of balance sheet date are as follows:

Average maturity days of trade receivables are 60 days for domestic costumers, 120 days for foreign customers. As of 31 December 2017, provision for doubtful receivables is amounting to TL 200.808 (31 December 2016: TL 63.968). Allowance for doubtful receivables recorded for trade receivables have been determined due to past experience of incidence of non-collection.

Allowance for doubtful receivables recorded for trade receivables have been determined due to past experience of incidence of non-collection.

The movement of allowance for doubtful trade receivables of the Group is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Movements of provision for doubtful receivables</b>		
Opening balance	63.968	63.968
Charge for the period	136.840	-
Closing balance	<b>200.808</b>	<b>63.968</b>

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**5. TRADE RECEIVABLES AND PAYABLES (cont'd)****b) Trade Payables**

Details of Group's trade payables as of balance sheet date are as follow:

	31 December 2017	31 December 2016
<b>Short term trade liabilities</b>		
Trade payables	25.862.505	15.412.283
Expense accruals	510.274	277.051
Payables to related parties (Note 4)	851.326	670.179
	<u>27.224.105</u>	<u>16.359.513</u>

Average maturity days of payables for raw material is 120 days (2016: 120 days).

**6. OTHER RECEIVABLES AND PAYABLES**

	31 December 2017	31 December 2016
<b>Other current receivables</b>		
Guarantees and deposits given	7.787	7.787
Receivables from personnel	41.241	38.620
	<u>49.028</u>	<u>46.407</u>

	31 December 2017	31 December 2016
<b>Other current payables</b>		
Other payables to related parties	138.475	-
Other payables	41.700	93.655
	<u>180.175</u>	<u>93.655</u>

	31 December 2017	31 December 2016
<b>Other non-current payables</b>		
Other payables to related parties (*)	<u>9.031.000</u>	<u>7.419.800</u>

(\*) Other payables to related parties represent the funds lent by LGR International Societe Anonyme's to the Group for EUR 2.000.000 with a due date of 31 January 2019 and an interest rate of 3% +12 Month Euribor. During the year 2017, total interest accrued amount is EUR 60.833 (2016: EUR 61.586).

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#### 6. OTHER RECEIVABLES AND PAYABLES (cont'd)

	31 December 2017	31 December 2016
<u>Other non-current receivables</u>		
Receivables from personnel	125.266	154.266
Guarantees and deposits given	141.528	132.537
	<u>266.794</u>	<u>286.803</u>

#### 7. INVENTORIES

Inventories are valued at their cost value, and provision is booked for inventories with impaired in value.

	31 December 2017	31 December 2016	31 December 2015
Raw materials	9.710.205	6.346.262	4.740.764
Finished goods	14.287.995	10.467.679	6.675.904
Trade goods	-	-	21.866
Provision for impairment of inventories (-)	(518.220)	(275.087)	(231.912)
	<u>23.479.980</u>	<u>16.538.854</u>	<u>11.206.622</u>

Movements in provision for impairment on inventory during periods ending at 31 December 2017 and 2016 are as follow:

	1 January- 31 December 2017	1 January- 31 December 2016
<u>Movement of provision of impairment of inventory</u>		
Opening balance	(275.087)	(231.912)
Provisions released	275.087	231.912
Charge for the period	(518.220)	(275.087)
Closing balance	<u>(518.220)</u>	<u>(275.087)</u>

Provision for impairment of inventories booked under cost of goods sold.



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**8. PREPAID EXPENSES AND DEFERRED INCOME**

	31 December 2017	31 December 2016
<b>Short term prepaid expenses</b>		
Advances given to purchase inventory	831.445	813.664
Prepaid expenses	350.835	222.025
Business advances	4.000	4.500
Prepaid tax and funds	-	25.152
	<u>1.186.280</u>	<u>1.065.341</u>
<b>Long term prepaid expenses</b>		
Advances given to purchase fixed asset	1.806.200	-
	<u>1.806.200</u>	<u>-</u>
<b>Short term deferred income</b>		
Advances received	187.864	204.550
Deferred income	826.060	1.078.094
	<u>1.013.924</u>	<u>1.282.644</u>
<b>Long term deferred income</b>		
Deferred income	-	18.025
	<u>-</u>	<u>18.025</u>

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**9. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Property, plant and equipment	Vehicles	Furniture and Fixtures	Construction in Progress	Leasehold improvements	Total
<b>Cost &amp; Revaluation Value</b>								
Opening balance at 1 January 2017	22.450.000	16.757.239	51.966.115	-	9.299.251	36.389	1.682.211	102.191.205
Transfer	-	-	-	-	32.589	(36.389)	-	(3.800)
Additions	-	-	482.563	80.508	666.281	236.464	68.546	1.534.362
Revaluation fund	18.550.000	1.957.206	-	-	-	-	-	20.507.206
Disposals	-	-	-	-	(2.070)	-	-	(2.070)
Closing balance at 31 December 2017	41.000.000	18.714.445	52.448.678	80.508	9.996.051	236.464	1.750.757	124.226.903
<b>Accumulated depreciation</b>								
Opening balance at 1 January 2017	8.112	2.070.908	32.170.823	-	6.662.304	-	1.192.117	42.104.264
Charge for the period	-	316.281	3.970.307	1.342	647.912	-	358.154	5.293.996
Disposals	-	-	-	-	(2.070)	-	-	(2.070)
Closing balance at 31 December 2017	8.112	2.387.189	36.141.130	1.342	7.308.146	-	1.550.271	47.396.190
Net book value at 31 December 2017	40.991.888	16.327.256	16.307.548	79.166	2.687.905	236.464	200.486	76.830.713

During the year 2017, the Group did not buy any property, plant and equipment under non-cancellable finance lease agreements (2016: None).

The amount of insurance on fixed assets is EUR 18.612.900 (2016: EUR 22.893.317).

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**9. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

	Land	Buildings	Property, plant and equipment	Furniture and Fixtures	Construction in Progress	Leasehold improvements	Total
<b><u>Cost &amp; Revaluation Value</u></b>							
Opening balance at 1 January 2016	22.450.000	16.757.239	51.351.290	8.711.031	52.566	1.577.191	100.899.317
Transfer	-	-	-	52.566	(52.566)	-	-
Additions	-	-	703.206	748.091	36.389	105.020	1.592.706
Disposals	-	-	(88.381)	(212.437)	-	-	(300.818)
Closing balance at 31 December 2016	<u>22.450.000</u>	<u>16.757.239</u>	<u>51.966.115</u>	<u>9.299.251</u>	<u>36.389</u>	<u>1.682.211</u>	<u>102.191.205</u>
<b><u>Accumulated depreciation</u></b>							
Opening balance at 1 January 2016	8.112	1.754.372	28.045.832	6.026.323	-	829.446	36.664.085
Charge for the period	-	316.536	4.205.445	832.572	-	362.671	5.717.224
Disposals	-	-	(80.454)	(196.591)	-	-	(277.045)
Closing balance at 31 December 2016	<u>8.112</u>	<u>2.070.908</u>	<u>32.170.823</u>	<u>6.662.304</u>	<u>-</u>	<u>1.192.117</u>	<u>42.104.264</u>
Net book value at 31 December 2016	<u>22.441.888</u>	<u>14.686.331</u>	<u>19.795.292</u>	<u>2.636.947</u>	<u>36.389</u>	<u>490.094</u>	<u>60.086.941</u>

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**9. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

**Fair Value Measurements of Lands and Buildings owned by the Entity**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land and building acquired by financial leases revalued by an independent valuation company, Adres Gayrimenkul Değerleme ve Danışmanlık A.Ş., dated 13 March 2017. Adres Gayrimenkul Değerleme ve Danışmanlık A.Ş. accredited by CMB and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2017 is as follows:

	31 December 2017	Fair value as at Reporting Date		
		Level 1 TL	Level 2 TL	Level 3 TL
Based on Hadımköy Facility:				
-Land	41.000.000	-	41.000.000	-
-Building	18.714.445	-	18.714.445	-

	31 December 2017	31 December 2016
Net book value of property, plants and equipments acquired by financial leases		
Land	4.965.000	4.965.000
Buildings	13.032.855	13.335.945
Property, plants and equipments Rights	5.089.179 219.006	5.707.795 -
	<u>23.306.040</u>	<u>24.008.740</u>

If lands and buildings were demonstrated as with their cost value, the related amounts would have been as shown as below.

	31 December 2017	31 December 2016
Cost value - Land	4.965.000	4.965.000
Cost value - Building	15.297.018	15.297.018
Accumulated depreciation- Building	(2.387.189)	(2.038.639)
Net book value	<u>17.874.829</u>	<u>18.223.379</u>

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**9. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

Useful lives of property, plant and equipment are as follow:

	<u>Useful Life</u>
Infrastructure and land improvements	10-50
Buildings	25-50
Property, plants and equipments	4-20
Vehicles	5
Furniture and fixtures	4-20
Leasehold improvements	5-9

**10. INTANGIBLE ASSETS**

<u>Cost value</u>	<u>Rights</u>	<u>Capitalized development expenses</u>	<u>Total</u>
Opening balance at 1 January 2017	3.324.920	187.930	3.512.850
Transfer	3.800	-	3.800
Additions	292.507	2.960	295.467
Closing balance at 31 December 2017	<u>3.621.227</u>	<u>190.890</u>	<u>3.812.117</u>
<u>Accumulated amortization</u>			
Opening balance at 1 January 2017	2.263.134	144.694	2.407.828
Charge for the period	158.331	37.586	195.917
Closing balance at 31 December 2017	<u>2.421.465</u>	<u>182.280</u>	<u>2.603.745</u>
Net book value at 31 December 2017	<u>1.199.762</u>	<u>8.610</u>	<u>1.208.372</u>

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**10. INTANGIBLE ASSETS (cont'd)**

<u>Cost value</u>	<u>Rights</u>	<u>Capitalized development expenses</u>	<u>Total</u>
Opening balance at 1 January 2016	3.168.471	187.930	3.356.401
Additions	156.449	-	156.449
Closing balance at 31 December 2016	3.324.920	187.930	3.512.850
<u>Accumulated amortization</u>			
Opening balance at 1 January 2016	2.110.613	107.108	2.217.721
Charge for the period	152.521	37.586	190.107
Closing balance at 31 December 2016	2.263.134	144.694	2.407.828
Net book value at 31 December 2016	1.061.786	43.236	1.105.022

Depreciation and amortization expense amounted at TL 4.951.223 (2016: TL 5.272.498) has been charged in "cost of goods sold", TL 0 (2016: TL 9.237) in unused capacity expense under cost of goods sold, TL 302.969 (2016: TL 274.128) in "marketing expenses" and, TL 235.721 (2016: TL 351.468) in "general administrative expenses".

Useful lives of intangible assets are as follow:

	<u>Useful Life</u>
Rights	3-15
Capitalized development expenses	5

**11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

<u>Short term provisions</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Provision for royalties	5.288	8.251
	<u>5.288</u>	<u>8.251</u>

Movement for royalty provision is as follow:

	<u>1 January- 31 December 2017</u>	<u>1 January- 31 December 2016</u>
Provision at 1 January	8.251	15.191
Additions	5.288	8.251
Payments	(8.251)	(15.191)
Provision at 31 December	<u>5.288</u>	<u>8.251</u>

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#### 11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

##### a) Guarantees given

The details of the guarantees given as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Export Credits	18.212.876	23.566.722
Custom Offices	32.578	32.679
Other organizations	385.000	85.000
	<u>18.630.454</u>	<u>23.684.401</u>

As of 31 December 2017, besides the export credits given for discount loans mentioned above there are personal sureties given for ongoing bank loans amounting to TL 13.903.866 (EUR 392.142, TL 12.133.150) (31 December 2016: TL 11.904.102 (EUR 1.785.390, TL 5.280.482)) (Note 24).

As of 31 December 2017, rate of other GPM's given by Group to owner's equity is %0 (31 December 2016: %0).

31 December 2017	TL Equivalent	GBP	Euro	TL
A. Total amount of GPM given by Group in behalf of Entity	18.630.454	3.585.000	-	417.578
B. Total amount of GPM on behalf of the shareholders included in consolidation	-	-	-	-
C. Total amount of GPM that the Company has given to provide the liabilities of 3rd parties to perform ordinal activities	-	-	-	-
D. Total amount of other GPM given				
i. Total amount of GPM given in behalf of parent company	-	-	-	-
ii. Total amount of GPM that the Company has given in behalf of Other Group Companies not included in B and C items	-	-	-	-
iii. Total Amount of GPM that the Company has given in behalf of third parties not included in C item	-	-	-	-
Total	<u>18.630.454</u>	<u>3.585.000</u>	<u>-</u>	<u>417.578</u>

**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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**11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)****a) Guarantees given (cont'd)**

<u>31 December 2016</u>	<u>TL Equivalent</u>	<u>GBP</u>	<u>Euro</u>	<u>TL</u>
A. Total amount of GPM given by Group in behalf of Entity	23.684.401	-	6.285.000	367.679
B. Total amount of GPM on behalf of the shareholders included in consolidation	-	-	-	-
C. Total amount of GPM that the Company has given to provide the liabilities of 3rd parties to perform ordinal activities	-	-	-	-
D. Total amount of other GPM given				
i. Total amount of GPM given in behalf of parent company	-	-	-	-
ii. Total amount of GPM that the Company has given in behalf of Other Group Companies not included in B and C items	-	-	-	-
iii. Total Amount of GPM that the Company has given in behalf of third parties not included in C item	-	-	-	-
Total	<u>23.684.401</u>	<u>-</u>	<u>6.285.000</u>	<u>367.679</u>

**b) Litigations**

As of 31 December 2017, There are three reemployment lawsuits filed against the Company and as of reporting date they are still continuing. According to the professional judgements of lawyer, the Company is not expecting any cash outflow as of reporting date and thus no provisions have been booked in the accompanying consolidated financial statements.

In previous years, the zoning implementation, which was the subject of the lawsuit of the zoning case filed by the Group against to Arnavutköy Belediyesi was canceled and the matter of the lawsuit was not on the date of the report. The defendant has appealed. Other than this, there are several ongoing lawsuits against electricity companies filed against by the Group regarding to electricity leakage., and as of the reporting date, the related cases have not been concluded yet.



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**11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)****c) Rent Agreements**

As at 1 January 2013, the Group signed an agreement to rent the real estate addressed in İstanbul city, Arnavutköy district, Ömerli Mahallesi Sercan Sokak No: 8. The rental period is 5 years beginning from 1 January 2013 and the rent for the five years was USD 2.134.800 at the beginning of the rental period. The agreement has been revised as at 31 January 2014 due to decrease in value of TL against USD and 1 USD fixed to TL 2,05 until end of 31 December 2015, 1 USD fixed to TL 2,60 until end of 31 December 2016, 1 USD fixed to 2,80 until end of 31 December 2017 and 1 USD fixed to TL 3,09162 until end of 31 December 2018 due to the additional protocol. The leased real estate is used as the second factory of the Group focus on micro corrugated case.

	31 December 2017	31 December 2016
<b>Non-cancellable operational lease commitments</b>		
Within one year	1.320.000	1.195.488
Within 1- 5 years	-	498.120
	<u>1.320.000</u>	<u>1.693.608</u>

**12. EMPLOYEE BENEFITS**

	31 December 2017	31 December 2016
Payables to personnel	652.959	781.166
Social security contribution payable	444.834	372.448
	<u>1.097.793</u>	<u>1.153.614</u>
	31 December 2017	31 December 2016
Unused vacation accruals	260.328	194.724
Bonus provisions	613.622	-
	<u>873.950</u>	<u>194.724</u>
	31 December 2017	31 December 2016
<u>The movement table of unused vacation accruals</u>		
Provision at 1 January	194.724	156.319
Charge for the period	65.604	38.405
	<u>260.328</u>	<u>194.724</u>

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#### 12. EMPLOYEE BENEFITS (cont'd)

##### Long term provisions for employee benefits

###### Provision for retirement pay liability:

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable to the employee consists of one month worth salary limited to a maximum of TL 4.732,48 for each year of service at 31 December 2017 (31 December 2016: TL 4.297,21).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4,67% real discount rate (31 December 2016: 4,48%) calculated by using 7% annual inflation rate and 12% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 4,93% for employees with 0-15 years of service, and 0% for those with 16 or more years of service (31 December 2016: 4,29%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 5.001,76 which is in effect since 1 January 2018 is used in the calculation of Group's provision for retirement pay liability.

###### The movement table of retirement payment benefits

	1 January- 31 December 2017	1 January- 31 December 2016
Provision at 1 January	3.141.695	2.994.246
Service cost	1.201.096	239.041
Interest cost	140.817	108.294
Retirement payment provision paid	(194.522)	(331.911)
Actuarial (gain) / losses	(79.836)	132.025
Provision at 31 December	<u>4.209.250</u>	<u>3.141.695</u>

## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

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#### 12. EMPLOYEE BENEFITS (cont'd)

##### Long term provisions for employee benefits (cont'd)

##### Provision for retirement pay liability: (cont'd)

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

If the discount rate had been %1 higher, provision for employee termination benefits would decrease by TL 334.716. In the same way if the discount rate had been 1% lower, provision for employee termination benefits would increase by TL 392.709.

If the anticipated turnover rate had been %1 lower while all other variables were held constant, provision for employee termination benefits would decrease by TL 44.857. In the same way if the anticipated turnover rate had been %1 higher while all other variables were held constant, provision for employee termination benefits would increase by TL 50.506.

#### 13. OTHER ASSETS AND LIABILITIES

##### Other Current Assets

	31 December 2017	31 December 2016
Advances given	1.930	12.154
VAT return receivables	493.823	1.177.171
Blocked deposits (*)	1.746.270	1.922.481
	<u>2.242.023</u>	<u>3.111.806</u>

(\*) Because of the nature of the loans borrowed, 2,75% - 3,75% of the loan amount is blocked in a deposit account on behalf of the entity till the due date of the loans.

##### Other Short-Term Liabilities

	31 December 2017	31 December 2016
Taxes and funds payable	106.145	593.045
	<u>106.145</u>	<u>593.045</u>

## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

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#### 14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

##### a) Share Capital

As of 31 December 2017 and 2016 the share capital held is as follows:

Shareholders	%	31 December		31 December	
		2017	%	2016	%
LGR International Societe Anonyme	%33,69	5.584.189	%33,69	5.584.189	
Dikran Mihran Acemyan	%9,76	1.617.436	%9,76	1.617.436	
Oktay Duran	%8,30	1.376.296	%8,30	1.376.296	
İbrahim Okan Duran	%7,95	1.318.179	%7,95	1.318.179	
Dikran Acemyan	%5,00	828.984	%5,00	828.984	
Other	%35,30	5.850.704	%35,30	5.850.704	
	<u>%100</u>	<u>16.575.788</u>	<u>%100</u>	<u>16.575.788</u>	

The total number of ordinary shares authorized is 1.657.578.750 shares in 2017 (2016: 1.657.578.750) with a par value of Kr 1 per share (2016: Kr 1 per share).

	31 December	31 December
	2017	2016
Legal Reserves	325.455	325.455
	<u>325.455</u>	<u>325.455</u>

##### b) Restricted Reserves Appropriated from Profit

The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in/authorised share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in/authorised share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in/authorised share capital.

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**15. REVENUE AND COST OF SALES**

The details of revenue and cost of sales expenses for the years ended 31 December 2017 and 2016 are as follow:

a) Sales	1 January- 31 December 2017	1 January- 31 December 2016
Domestic sales	68.559.780	58.113.736
Foreign sales	77.362.999	46.609.963
Sales returns (-)	(1.580.784)	(690.136)
Other discounts (-)	(2.700)	(20.908)
Sales discounts (-)	(1.072.687)	(11.911)
	<u>143.266.608</u>	<u>104.000.744</u>
b) Cost of sales	1 January- 31 December 2017	1 January- 31 December 2016
Raw materials used	75.794.633	55.837.650
Overhead expenses	11.763.852	11.512.534
Personnel expenses	14.174.147	11.810.717
Depreciation and amortization expenses ( Note 9, 10 )	4.951.223	5.272.498
Change in finished goods	(3.820.316)	(3.846.639)
Cost of goods sold	<u>102.863.539</u>	<u>80.586.760</u>
Cost of merchandises sold (-)	451.428	848.969
Cost of other sales (-)	1.204.804	884.206
Idle capacity expenses	-	9.237
	<u>104.519.771</u>	<u>82.329.172</u>

**16. ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES**

	1 January- 31 December 2017	1 January- 31 December 2016
General administrative expenses	10.468.061	8.447.902
Marketing expenses	11.348.571	7.832.168
	<u>21.816.632</u>	<u>16.280.070</u>

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**16. ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES (cont'd)**

The details of administrative expenses and marketing expenses for the years ended 31 December 2017 and 2016 are as follow:

a) Details of General Administrative Expenses	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	6.847.630	5.485.489
Financial and legal consulting expenses	672.804	633.269
Consulting expenses	821.989	550.197
Motor vehicle expenses	437.213	376.353
Depreciation and amortization expenses ( Note 9, 10 )	235.721	351.468
Information technologies expenses	292.296	200.274
Travelling expenses	115.584	197.475
Accomodation expenses	105.873	107.415
Legal and notary expenses	39.667	67.067
Subscription expenses	76.526	64.622
Communication and transportation expenses	44.080	42.718
Services received from subcontractors	51.545	47.005
Education expenses	26.007	180
Provison for doubtful receivables (Note: 5)	136.840	-
Other expenses	564.286	324.370
	<u>10.468.061</u>	<u>8.447.902</u>
b) Details of marketing expenses	1 January- 31 December 2017	1 January- 31 December 2016
Foreign transportation expenses	5.906.538	3.231.089
Personnel expenses	2.212.239	1.602.722
Domestic transportation expenses	1.177.620	1.203.628
Export commission expenses	685.823	329.368
Accomodation expenses	359.807	401.762
Depreciation and amortization expenses ( Note 9, 10 )	302.969	274.128
Communication and transportation expenses	118.704	142.780
Motor vehicle expenses	143.779	127.822
Travelling expenses	115.788	106.851
Royalty expenses	40.714	68.649
Cost of samples used	6.375	8.186
Services received from subcontractors	10.317	8.872
Other expenses	267.898	326.311
	<u>11.348.571</u>	<u>7.832.168</u>

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**17. EXPENSES BY NATURE**

The details of expenses by nature for the years ended 31 December 2017 and 2016 are as follow:

	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	23.234.016	18.898.928
Foreign transportation expenses	5.906.538	3.231.089
Depreciation and amortization expenses (9-10)	5.489.913	5.898.094
Domestic transportation expenses	1.177.620	1.203.628
Export commission expenses	685.823	329.368
Commission expenses	821.989	550.197
Financial and legal consulting expenses	672.804	633.269
Motor vehicle expenses	580.992	504.175
Accommodation expenses	465.680	509.177
Information technologies expenses	292.296	200.274
Travelling expenses	231.372	304.326
Communication and transportation expenses	162.784	185.498
Subscription expenses	76.526	64.622
Services received from subcontractors	61.862	55.877
Royalty expenses	40.714	68.649
Legal and notary expenses	39.667	67.067
Cost of samples used	6.375	8.186
Other expenses	995.031	650.861
	<u>40.942.002</u>	<u>33.363.285</u>

**18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

The details of other income from operating activities for the years ended 31 December 2017 and 2016 are as follow:

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange gains from operations	15.136.357	8.361.877
Late charges and interest income	2.612.959	1.727.695
Interest income from time deposits	304.988	146.018
Other income	261.641	401.091
	<u>18.315.945</u>	<u>10.636.681</u>

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**18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (cont'd)**

The details of other expense from operating activities for the years ended 31 December 2017 and 2016 are as follow:

	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange losses from operations	12.225.182	6.607.068
Late charges and interest expense	1.021.253	865.563
Other expenses	16.984	115.427
	<u>13.263.419</u>	<u>7.588.058</u>

**19. INCOME AND EXPENSES FROM INVESTMENTS ACTIVITIES**

The details of income from investments activities for the years ended 31 December 2017 and 2016 are as follow:

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Income from Investing Activities</b>		
Gain on disposal of property, plant and equipment	-	69.469
	<u>-</u>	<u>69.469</u>

**20. FINANCIAL INCOME / (EXPENSES)**

The details of financial income and expenses for the years ended 31 December 2017 and 2016 are as follow:

Financial income / (expenses), net

	1 January- 31 December 2017	1 January- 31 December 2016
Interest expenses	4.658.788	2.930.314
Foreign exchange expenses / (income),(net)	6.535.540	10.602.583
Other finance expenses	261.254	565.052
	<u>11.455.582</u>	<u>14.097.949</u>



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**21. OTHER COMPREHENSIVE INCOME ELEMENTS**

	31 December 2017	31 December 2016
Properties revaluation reserves	35.085.680	17.738.889
Accumulated loss on remeasurement of benefit plans	(1.293.600)	(1.357.469)
Foreign currency translation reserve	(541.409)	(148.210)
	<u>33.250.671</u>	<u>16.233.210</u>
	1 January- 31 December 2017	1 January- 31 December 2016
<b>Properties revaluation reserves</b>		
Balance at the beginning of the year	17.738.889	17.758.214
Increase arising on revaluation of properties	20.507.206	-
Deferred tax liability arising on revaluation	(3.120.691)	-
Transferred to retained earnings	(25.816)	(19.325)
Balance at the end of the year	<u>35.099.588</u>	<u>17.738.889</u>
	1 January- 31 December 2017	1 January- 31 December 2016
<b>Accumulated loss on remeasurement of benefit plans</b>		
Balance at the beginning of the year	(1.357.469)	(1.251.849)
Change in current period	79.836	(132.025)
Deferred tax asset	(15.967)	26.405
Balance at the end of the year	<u>(1.293.600)</u>	<u>(1.357.469)</u>

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**22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

	31 December 2017	31 December 2016
<u>Current tax liability</u>		
Current corporate tax provision	284.259	6.807
Less: prepaid taxes and fuds	(56.278)	(3.018)
	<u>227.981</u>	<u>3.789</u>
	1 January- 31 December 2017	1 January- 31 December 2016
<u>Tax expense consists of below:</u>		
Current tax expense	284.259	6.807
Deferred tax (expense) / income	(890.654)	(233.144)
	<u>(606.395)</u>	<u>(226.337)</u>

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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

The effective tax rate in 2017 is 20 % (2016: 20 %) for the Group.

The effective tax rate in UK in 2017 is 20 % (2016: 20 %).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2017 is 20 %. (2016: 20 %).

Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, 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. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within 5 years.

## **DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES**

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#### **22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)**

##### **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 Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is %10 and commencing from 22 July 2006, this rate has been changed to %15 upon the Council of Minister's' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of %19,8 is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

##### **Investment Incentives**

The revoked phrase "only attributable to 2006, 2007 and 2008" stated in Provisional Article 69 of Income Tax Law No: 193 with the effect of Article 5 of Law No: 6009 after having published in the Official Gazette No: 27659 as at 1 August 2010 and the Constitutional Court's issued resolution no: 2009/144 published in the Official Gazette as at 8 January 2010 has been revised. The revised regulation allows companies to continue to benefit from the exception of undeductible and carry forward investment incentive due to insufficient earnings irrespective of having any time constraints. However, deductible amount for investment incentive exception used in the determination of tax base cannot exceed %25 of the related period's income. In addition, companies that opt to use the investment incentive exemption are allowed to apply %20 of income tax, instead of %30 under the related revised regulation.

Total amount of the investment allowances relating to investment incentives are composed of investment allowances with stoppage (31 December 2016: all with stoppage). If investment allowances with stoppage are used, 19.8% corporate tax liability will occur. For this reason, 0.2% (20% - 19.8%) deferred tax asset is calculated over the total amount of investment allowances with stoppage. 20% deferred tax asset is calculated over the amount of deferred tax asset without stoppage.

There is no investment incentive that the Company can deduct from the financial profit to be generated in the following periods (31 December 2016: TL 1.403.837). Total amount on 31 December 2016 is taken into account in the deferred tax calculation. Total amount of the investment allowances relating to investment incentives are composed of investment allowances with stoppage. If investment allowances with stoppage are used, 19.8% corporate tax liability will occur. For this reason, 0.2% (20% - 19.8%) deferred tax asset is calculated over the total amount of investment allowances with stoppage. 20% deferred tax asset is calculated over the amount of deferred tax asset without stoppage.

**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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**22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)****Deferred Tax**

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017," Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

Unrecognized tax losses will expire as follows;

	31 December 2017	31 December 2016
Expiring in 2021	-	3.954.296
Expiring in 2020	-	3.386.991
Expiring in 2018	-	3.534.731
	-	10.876.018

<u>Temporary timing differences taken as a basis for deferred tax</u>	31 December 2017	31 December 2016	31 December 2015
- Investment incentive-withholdings	-	1.522.900	1.522.900
- Depreciation and amortization differences of property, plants and equipments and other intangible assets	2.733.811	2.270.271	2.270.271
- Provisions for employment termination benefits	4.209.250	3.141.695	2.994.246
-Discount expenses	-	-	-
- Unused vacation pay accruals	260.328	194.724	156.319
- Provision for impairment of inventories	518.220	275.087	231.912
- Provision for doubtful	111.836	-	-
- Deferred tax income adjustment	18.025	66.048	287.621
- Prepaid expenses adjustment	228.750	127.720	150.564
- Revaluation of land and building	(35.165.442)	(18.945.221)	(18.945.221)
- Accumulated tax losses	-	10.876.018	13.843.444
- Other	3.182.556	1.940.426	1.382.053
	<u>(23.902.666)</u>	<u>1.469.668</u>	<u>3.894.109</u>

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**22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)**

<u>Deferred tax assets/(liabilities)</u>	<u>31 December 2017</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
- Investment incentive-withholdings	-	3.046	2.808
- Depreciation and amortization differences of property, plants and equipments and other intangible assets	546.762	454.054	307.227
- Provisions for employment termination benefits	841.850	628.339	598.849
- Unused vacation pay accruals	57.272	38.945	31.264
- Provision for impairment of inventories	114.008	55.017	46.382
- Provision for doubtful	24.604	-	-
- Deferred tax income adjustment	3.966	13.210	57.524
- Prepaid expenses adjustment	50.325	25.544	30.113
- Revaluation of land and building	(4.286.985)	(1.166.294)	(1.166.294)
- Accumulated tax losses	-	2.175.203	2.768.689
- Other	703.573	388.086	276.411
	<u>(1.944.625)</u>	<u>2.615.150</u>	<u>2.952.973</u>
Provision for deferred tax assets	-	(2.313.771)	(2.911.143)
	<u>(1.944.625)</u>	<u>301.379</u>	<u>41.830</u>
		<u>1 January- 31 December 2017</u>	<u>1 January- 31 December 2016</u>
<u>Movement of deferred tax assets</u>			
Opening balance at 1 January		301.379	41.830
Charged to statement of profit and loss		890.654	233.144
Charged to equity		(3.136.658)	26.405
Closing balance as at 31 December		<u>(1.944.625)</u>	<u>301.379</u>
	<u>31 December 2017</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Deffered Tax Asset	576.088	348.182	334.730
Deffered Tax Liabilities	<u>(2.520.713)</u>	<u>(46.803)</u>	<u>(292.900)</u>
	<u>(1.944.625)</u>	<u>301.379</u>	<u>41.830</u>

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#### 22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Reconciliation of tax expense with profit for the period is as follows:

##### Income tax recognized in equity

	1 January- 31 December 2017	1 January- 31 December 2016
<u>Deferred tax</u>		
Recognized in equity:		
-Properties revaluation reserves	(3.120.691)	-
-Actuarial gain	(15.967)	26.405
Total income tax recognized in equity	<u>(3.136.658)</u>	<u>26.405</u>

Tax Effects related to components of Other Comprehensive Income:

	1 January - 31 December 2017		
	Before Tax Amount	Tax (Expense)/ Income	Net of Tax Amount
Gains on revaluation of property, plant and equipment	20.507.206	(3.120.691)	17.386.515
Actuarial loss on post employee benefit obligations	79.836	(15.967)	63.869
Other comprehensive income	<u>20.587.042</u>	<u>(3.136.658)</u>	<u>17.450.384</u>

	1 January - 31 December 2016		
	Before Tax Amount	Tax (Expense)/ Income	Net of Tax Amount
Actuarial loss on post employee benefit obligations	(132.025)	26.405	(105.620)
Other comprehensive income	<u>(132.025)</u>	<u>26.405</u>	<u>(105.620)</u>

#### 23. EARNINGS /(LOSS) PER SHARE

As of 31 December 2017 and 2016, the Group's weighted average number of shares and computation of earnings per share set out here are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Average number of shares outstanding during the period	1.657.578.750	1.657.578.750
Net (loss) for the period attributable to owners	11.133.495	(5.362.017)
Earning / (Loss) per share	<u>0,0067</u>	<u>(0,0032)</u>

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**24. FINANCIAL LIABILITIES****a) Bank Loans**

<u>Financial liabilities</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Short term bank loans	27.092.481	31.923.533
Short term portion of long term loans	2.802.802	4.222.063
Short term leasing payables	3.152.543	6.217.755
Other financial liabilities	1.949.968	1.949.803
<b>Total short term financial liabilities</b>	<b>34.997.794</b>	<b>44.313.154</b>
Long term bank loans	2.263.600	1.454.807
Long term leasing payables	22.471.561	21.258.594
<b>Total long term financial liabilities</b>	<b>24.735.161</b>	<b>22.713.401</b>
<b>Total financial liabilities</b>	<b>59.732.955</b>	<b>67.026.555</b>

<u>Currency</u>	<u>Weighted average effective Interest Rate</u>	<u>31 December 2017</u>	
		<u>Short Term</u>	<u>Long term</u>
TL	15,40%	9.991.108	2.263.600
EUR	5,00%	1.775.389	-
GBP	1,21%	18.128.786	-
		<b>29.895.283</b>	<b>2.263.600</b>

<u>Currency</u>	<u>Weighted average effective Interest Rate</u>	<u>31 December 2016</u>	
		<u>Short Term</u>	<u>Long term</u>
TL	13,39%	7.644.945	-
EUR	4,96%	28.500.651	1.454.807
		<b>36.145.596</b>	<b>1.454.807</b>

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**24. FINANCIAL LIABILITIES (cont'd)****a) Bank Loans (cont'd)**

Maturities of bank loans are as follow:

	31 December 2017	31 December 2016
Within 1 year	29.895.283	36.145.596
Within 1 - 2 years	2.263.600	1.454.807
Within 2 - 3 years	-	-
Within 3 - 4 years	-	-
	<u>32.158.883</u>	<u>37.600.403</u>

As of 31 December 2017, the amount of Guarantees given related to ongoing bank loans is TL 32.116.742, TL 18.212.876 of the total amount consist of guarantee letters and rest of the remaining amount to TL 13.903.866 consist of shareholders personal sureties (31 December 2016: TL 23.316.722 Guarantee Letters, TL 11.904.102 Personal Sureties) (Note 12).

Except the guarantee letters mentioned above; because of the characteristic of discount loans used by the entity, on behalf of the entity, the amount of TL 1.746.270 in bank accounts is blocked by a rate of 2,75% - 3,75% until the maturity date (31 December 2016: TL 1.922.481).

**b) Financial Lease Payables**

	<u>Minumum Lease Payments</u>		<u>Present Value of Minumum Lease Payments</u>	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Financial lease payables</b>				
Within one year	4.736.988	7.674.136	3.152.543	6.217.755
In the two to ten years	26.525.372	23.450.816	22.471.561	21.258.594
	<u>31.262.360</u>	<u>31.124.952</u>	<u>25.624.104</u>	<u>27.476.349</u>
Less: Future finance charges	(5.638.256)	(3.648.603)		
Present value of financial lease payables	<u>25.624.104</u>	<u>27.476.349</u>		
Less: Amounts due to settlement within twelve months (disclosed in current liabilities)	(3.152.543)	(6.217.755)		
Amounts due for settlement after 12 months	<u>22.471.561</u>	<u>21.258.594</u>		



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**24. FINANCIAL LIABILITIES (cont'd)****b) Financial Lease Payables (cont'd)**

Currency	Weighted average effective Interest Rate	31 December 2017	
		Short Term	Long term
USD	6,50%	3.013.378	22.423.236
EUR	5,20%	139.165	48.325
		<u>3.152.543</u>	<u>22.471.561</u>

  

Currency	Weighted average effective Interest Rate	31 December 2016	
		Short Term	Long term
USD	6,50%	5.214.601	21.258.594
EUR	6,00%	1.003.154	-
		<u>6.217.755</u>	<u>21.258.594</u>

Finance leases relate to manufacturing plant with lease term of 13 years and computer software with lease term of 2 years. The Group has options to purchase the plant and computer software. The Group's obligations under finance leases are secured by the lessors' title to the leased assets. Applied interest rate related to financial lease is 6,50% for USD leases and 5,20% for EUR leases.

**c) Other Financial Liabilities**

	31 December 2017	31 December 2016
<b>Other financial liabilities</b>		
Credit card payables (*)	1.949.968	1.949.803
	<u>1.949.968</u>	<u>1.949.803</u>

(\*) Represents the credit card liabilities of Group to suppliers to purchase raw material and consumables.

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#### 24. FINANCIAL LIABILITIES (cont'd)

##### c) Reconciliation of liabilities from financial activities

The cash and non-cash changes related to the Group's financing activities are presented in the table below. The liabilities arising from financing activities are the cash flows that are classified or will be classified into cash flows from financing activities in the Group's consolidated cash flow statement.

	1 January 2017	Financial cash flow	Interest accrual	Noncash changes Exchange difference movements	31 January 2017
Bank loans (Note 24)	37.600.403	(6.251.217)	53.113	756.584	32.158.883
Financial lease payables (Note 24)	27.476.349	(4.439.989)	516.493	2.071.251	25.624.104
Loans from related parties (Note 4)	7.419.800	-	138.475	1.611.200	9.169.475
	<u>72.496.552</u>	<u>(10.691.206)</u>	<u>708.081</u>	<u>4.439.035</u>	<u>66.952.462</u>

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#### 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns 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 disclosed in Note 24, cash and cash equivalents disclosed in Note 27 and equity attributable to equity holders of the parent disclosed in Note 14, comprising share capital, reserves and accumulated losses.

The Group follows the capital by using debt/total capital ratio. This ratio is calculated by dividing net debt to total capital. Net debt is calculated by subtraction of cash and cash equivalents from liabilities amount (includes financial liabilities and obligations as indicated in balance sheet). Total capital is calculated as sum of shareholder's equity and net liabilities. As of 31 December 2017 and 2016 net debt/total capital ratio is presented below:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Total borrowings	66.952.462	72.496.552
Less (-): Cash and cash equivalents	(9.059.515)	(8.723.026)
Net Liability	<u>57.892.947</u>	<u>63.773.526</u>
Total shareholders equity	<u>41.710.016</u>	<u>13.533.244</u>
Total shareholders equity	99.602.963	77.306.770
Net liability / total capital ratio	58,12%	82,49%

##### b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks including interest rate risk, liquidity risk, currency risk and credit risk. The Group management and the Board of Directors analyses and approve the policies about the management of the risks described below. Besides, the Group also considers the market value risk of all financial instruments.

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**25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

***b.1) Credit Risk Management***

	<u>Receivables</u>				
	<u>Trade Receivables</u>		<u>Other Receivables</u>		
<u>31 December 2017</u>	<u>Related Parties</u>	<u>Third Parties</u>	<u>Related Parties</u>	<u>Third Parties</u>	<u>Bank Deposits</u>
Maximum credit risk as of balance sheet date (*)	-	31.256.716	-	315.822	9.050.015
- The part of maximum risk under guarantee with collateral, etc.	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	-	26.373.422	-	315.822	9.050.015
B. Carrying value of financial assets that are renegotiated, if not that will be accepted as part due nor impaired.	-	-	-	-	-
C. Carrying value of financial assets that are past due but not - the part under guarantee with collateral, etc.	-	4.883.294	-	-	-
D. Carried value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	200.808	-	-	-
- Impairment	-	(200.808)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Not pass due (gross carrying amount)	-	-	-	-	-
E. Offbalance sheet items with credit risk	-	-	-	-	-
(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance	-	-	-	-	-

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**25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**b.1) Credit Risk Management (cont'd)**

	<u>Receivables</u>				
	<u>Trade Receivables</u>		<u>Other Receivables</u>		
<b>31 December 2016</b>	<u>Related Parties</u>	<u>Third Parties</u>	<u>Related Parties</u>	<u>Third Parties</u>	<u>Bank Deposits</u>
Maximum credit risk as of balance sheet date (*)	-	19.577.432	-	333.210	8.707.440
- The part of maximum risk under guarantee with collateral, etc.	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	-	15.771.866	-	333.210	8.707.440
B. Carrying value of financial assets that are renegotiated, if not that will be accepted as part due nor impaired.	-	-	-	-	-
C. Carrying value of financial assets that are past due but not - the part under guarantee with collateral, etc.	-	3.805.566	-	-	-
D. Carried value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	63.968	-	-	-
- Impairment	-	(63.968)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Not pass due (gross carrying amount)	-	-	-	-	-
E. Offbalance sheet items with credit risk	-	-	-	-	-

(\*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

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#### 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b.1) Credit Risk Management (cont'd)

<b>Trade Receivables</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Overdue 1- 30 days	4.782.001	3.165.632
Overdue 1- 3 months	28.373	27.031
Overdue 3- 12 months	72.920	612.903
<b>Total overdue receivables</b>	<b>4.883.294</b>	<b>3.805.566</b>

##### b.2) Liquidity risk management

Essential responsibility on liquidity risk management belongs to board of directors. Board of directors has created a liquidity risk management for the purposes of short, medium and long term funding and liquidity requirements of Group. Group manages the liquidity risk to follow estimated and actual cash flows and to provide continuance to funding to compensate the maturities of financial assets and liabilities. The credits that the Group will use in order to reduce liquidity risk as of balance sheet are disclosed in Note 24.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and its derivative financial instruments. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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**25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**b.2) Liquidity risk management (cont'd)**

<u>31 December 2017</u>	<u>Carrying amount</u>	<u>Total cash outflow in accordance with contracts (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
<b>Maturities per contract</b>						
<b>Non-derivative financial instruments</b>						
Bank loans	32.158.883	33.452.402	10.877.571	20.162.207	2.412.624	-
Obligation under finance leases	25.624.104	29.690.755	12	3.165.371	20.877.645	5.647.727
Other financial liabilities	1.949.968	1.949.968	1.949.968	-	-	-
Trade payables	27.224.105	26.652.791	22.629.708	4.023.083	-	-
Other payables	9.072.700	9.509.199	180.176	274.693	9.054.330	-
Total liabilities	96.029.760	101.255.115	35.637.435	27.625.354	32.344.599	5.647.727
<u>31 December 2016</u>		<u>Total cash outflow in accordance with contracts (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
<b>Maturities per contract</b>						
<b>Non-derivative financial instruments</b>						
Bank loans	37.600.403	38.540.315	14.685.998	22.381.070	1.473.247	-
Obligation under finance leases	27.476.349	31.124.952	2.220.594	5.453.542	23.450.816	-
Other financial liabilities	1.949.803	1.949.803	1.949.803	-	-	-
Trade payables	16.359.513	16.359.513	4.035.200	12.324.313	-	-
Other payables	7.513.455	7.513.455	63.873	29.782	7.419.800	-
Total liabilities	90.899.523	95.488.038	22.955.468	40.188.707	32.343.863	-

The Group expects the maturities to be the same with the maturities in the agreement.

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**25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

***b.3) Market Risk Management***

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are supplemented by sensitivity analysis.

In current period the group's method of handling market risks and measure the risk level has not been changed.

***b.3.1) Foreign currency risk management***

Transactions denominated in foreign currencies result in foreign currency risk. Foreign currency risk is managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting period are as follows:



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**25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**b.3.1) Foreign currency risk management (cont'd)**

<b>31 December 2017</b>	<b>TL Equivalent</b>	<b>US Dollar</b>	<b>EUR</b>	<b>GBP</b>	<b>CHF</b>	<b>Other</b>
1. Trade Receivables	14.760.496	422.310	1.172.917	1.544.333	6.643	-
2a. Monetary financial assets	5.453.155	120.081	1.008.351	54.503	360	155.688
2b. Non-monetary Financial Assets	7.681.684	-	93.377	1.429.057	-	-
3. Other	2.160.557	2.136	290.208	159.302	8.500	-
<b>4. CURRENT ASSETS</b>	<b>30.055.892</b>	<b>544.527</b>	<b>2.564.852</b>	<b>3.187.195</b>	<b>15.503</b>	<b>155.688</b>
5. Non-monetary Financial Assets	1.806.200	-	400.000	-	-	-
6. Other	134.204	35.580	-	-	-	-
<b>7. NON-CURRENT ASSETS</b>	<b>1.940.404</b>	<b>35.580</b>	<b>400.000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8. TOTAL ASSETS</b>	<b>31.996.296</b>	<b>580.107</b>	<b>2.964.852</b>	<b>3.187.195</b>	<b>15.503</b>	<b>155.688</b>
9. Trade Payables	2.498.427	207.802	555.045	(166.100)	13.529	-
10. Financial Liabilities	23.056.718	798.902	423.996	3.568.448	-	-
<b>11. CURRENT LIABILITIES</b>	<b>25.555.145</b>	<b>1.006.704</b>	<b>979.041</b>	<b>3.402.348</b>	<b>13.529</b>	<b>-</b>
12. Financial Liabilities	22.481.088	5.944.812	12.812	-	-	-
13. Monetary Other Liabilities	9.031.000	-	2.000.000	-	-	-
<b>14. NON-CURRENT LIABILITIES</b>	<b>31.512.088</b>	<b>5.944.812</b>	<b>2.012.812</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>15. TOTAL LIABILITIES</b>	<b>57.067.233</b>	<b>6.951.516</b>	<b>2.991.852</b>	<b>3.402.348</b>	<b>13.529</b>	<b>-</b>
<b>16. TOTAL LIABILITIES</b>	<b>57.067.233</b>	<b>6.951.516</b>	<b>2.991.852</b>	<b>3.402.348</b>	<b>13.529</b>	<b>-</b>
<b>17. Net Foreign Currency Assets/Liabilities Position (7-15)</b>	<b>(25.070.937)</b>	<b>(6.371.409)</b>	<b>(27.000)</b>	<b>(215.153)</b>	<b>1.974</b>	<b>155.688</b>
<b>18. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+3+6-11-14)</b>	<b>(34.558.821)</b>	<b>(6.371.409)</b>	<b>(520.377)</b>	<b>(1.644.210)</b>	<b>1.974</b>	<b>155.688</b>

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**25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

***b.3.1) Foreign currency risk management (cont'd)***

<b>31 December 2016</b>	<b>TL Equivalent</b>	<b>US Dollar</b>	<b>EUR</b>	<b>GBP</b>	<b>CHF</b>	<b>Other</b>
1. Trade Receivables	6.932.125	842.103	989.918	68.559	-	-
2a. Monetary financial assets	7.267.220	445.146	1.024.688	435.791	300	18.993
2b. Non-monetary Financial Assets	5.605.935	-	48.304	1.256.508	-	-
3. Other	2.247.981	3.981	599.509	2.281	-	-
4. CURRENT ASSETS	22.053.262	1.291.230	2.662.419	1.763.139	300	18.993
5. Other	125.213	35.580	-	-	-	-
6. NON-CURRENT ASSETS	125.213	35.580	-	-	-	-
7. TOTAL ASSETS	22.178.475	1.326.810	2.662.419	1.763.139	300	18.993
8. Trade Payables	2.948.020	77.990	433.403	213.010	10.977	128.059
9. Financial Liabilities	34.600.034	1.448.122	7.952.722	-	-	-
10. CURRENT LIABILITIES	37.548.054	1.526.112	8.386.125	213.010	10.977	128.059
11. Financial Liabilities	22.713.401	6.040.746	392.142	-	-	-
12. Monetary Other Liabilities	7.419.800	-	2.000.000	-	-	-
13. NON-CURRENT LIABILITIES	30.133.201	6.040.746	2.392.142	-	-	-
14. TOTAL LIABILITIES	67.681.255	7.566.858	10.778.267	213.010	10.977	128.059
15. TOTAL LIABILITIES	67.681.255	7.566.858	10.778.267	213.010	10.977	128.059
16. Net Foreign Currency Assets/Liabilities Position (7-15)	(45.502.780)	(6.240.048)	(8.115.848)	1.550.129	(10.677)	(109.066)
17. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+3+5-10-13)	(51.108.716)	(6.240.048)	(8.164.152)	293.621	(10.677)	(109.066)

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#### 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### *b.3.1) Foreign currency risk management (cont'd)*

###### Foreign currency sensitivity analysis

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar, EURO and GBP.

The following table details the Group's sensitivity to a %10 increase and decrease in US Dollar EURO and British Pounds against TL. %10 is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a %10 change in foreign currency rates. A positive number below indicates an increase in profit or equity.

According to Central Bank of the Republic of Turkey's (CBRT) Press Release on Export and Foreign Exchange Services Redemption Loans No: 2017-43 dated 6 November 2017 and instability price developments that are not in line with economic bases in the recent period have been observed. Taking this into consideration, export and foreign exchange earning services that will be flooded until 1 February 2018 (inclusive) are allowed to make rediscount loans in Turkish Liras using 3,7000 for US dollars, 4,3000 for Euro and 4,8000 for British Sterling, in the case that the loans are paid at maturity and it is decided that the transaction rate at the date of loan disbursement should be taken as basis if the transaction rate at the date of loan disbursement is higher than the fixing rate. The Group's loan amount to meet these criteria and not to be affected by the exchange rate increase is GBP 300.000 (31 December 2016: EUR 4.210.000 ) and its effect on exchange rate risk is TL 152.409 (31 December 2016: TL 1.561.868).

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**25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**b.3.1) Foreign currency risk management (cont'd)**

	31 December 2017		31 December 2016	
	Profit/(Loss)	Profit/(Loss)	Profit/(Loss)	Profit/(Loss)
	Revaluation of foreign currency	Devaluation of foreign currency	Revaluation of foreign currency	Devaluation of foreign currency
If US Dollar appreciated against TL by 10%				
1 - US Dollars net assets / liabilities	(2.403.232)	2.403.232	(2.195.998)	2.195.998
2- Part of hedged from US Dollar risk (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>(2.403.232)</b>	<b>2.403.232</b>	<b>(2.195.998)</b>	<b>2.195.998</b>
If Euro appreciated against TL by 10%				
4 - Euro net assets / liabilities	(234.976)	234.976	(3.028.819)	3.028.819
5 - Part of hedged from Euro risk (-)	-	-	1.561.868	-
<b>6- Euro net effect (4+5)</b>	<b>(234.976)</b>	<b>234.976</b>	<b>(1.466.951)</b>	<b>3.028.819</b>
If Sterling appreciated against TL by 10%				
7- Sterling net assets / liabilities	(835.308)	835.308	126.812	(126.812)
8- Part of hedged from Sterling risk (-)	152.409	-	-	-
<b>9- Sterling net effect (7+8)</b>	<b>(682.899)</b>	<b>835.308</b>	<b>126.812</b>	<b>(126.812)</b>
If Swiss frank appreciated against TL by 10%				
10- Swiss frank net assets/liabilities	761	(761)	(3.679)	3.679
11- Part of hedged from Swiss frank (-)	-	-	-	-
<b>12- Swiss Frank net effect (10+11)</b>	<b>761</b>	<b>(761)</b>	<b>(3.679)</b>	<b>3.679</b>
If Polish Zloty appreciated against TL by 10%				
13- Polish Zloty net assets/liabilities	16.873	(16.873)	(9.189)	9.189
14- Part of hedged from Polish Zloty (-)	-	-	-	-
<b>15- Polish Zloty net effect (13+14)</b>	<b>16.873</b>	<b>(16.873)</b>	<b>(9.189)</b>	<b>9.189</b>
<b>Total (3+6+9+12+15)</b>	<b>(3.303.473)</b>	<b>3.455.882</b>	<b>(3.549.004)</b>	<b>5.110.872</b>

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### 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

#### b.3.2) Interest Rate Risk Management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Strategies are assessed regularly in accordance with interest rate expectations and defined risk levels.

#### Interest rate sensitivity analysis

Interest Position Table		
	<u>31 December 2017</u>	<u>31 December 2016</u>
<b>Fixed Interest Rate Instruments</b>		
Financial Liabilities	33.897.970	35.526.916
<b>Variable Interest Rate Instruments</b>		
Financial Liabilities	23.885.017	29.549.835

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. Group management expects %1 fluctuation on interest rates (Euribor).

If Eurolibor rates had been 1 % higher and all other variables were held constant:

The Group's loss for the year ended 31 December 2017 would increase by TL 8.641 (Net income of 31 December 2016 would decrease by TL 2.176). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. If Eurolibor rates had been 1 basis points lower, the Group's net profit before tax would increase by TL 8.146 during the accounting year (31 December 2016: TL 2.182).

**DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

**26. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON  
HEDGE ACCOUNTING)****Categories of financial instruments and fair values**

	Loans and receivables (including cash and cash equivalents)	Financial liabilities at amortized costs	Carrying value	Note
<b>31 December 2017</b>				
<b><u>Financial Assets</u></b>				
Cash and cash equivalents	9.059.515	-	9.059.515	27
Trade receivables	31.256.716	-	31.256.716	5
Other receivables	315.822	-	315.822	6
Other current assets	1.748.200	-	1.748.200	13
<b><u>Financial liabilities</u></b>				
Borrowings	-	59.732.955	59.732.955	24
Trade payables	-	27.224.105	27.224.105	5
Other payables	-	9.072.700	9.072.700	6
	Loans and receivables (including cash and cash equivalents)	Financial liabilities at amortized costs	Carrying value	Note
<b>31 December 2016</b>				
<b><u>Financial Assets</u></b>				
Cash and cash equivalents	8.723.026	-	8.723.026	27
Trade receivables	19.577.432	-	19.577.432	5
Other receivables	333.210	-	333.210	6
Other current assets	1.934.635	-	1.934.635	13
<b><u>Financial liabilities</u></b>				
Borrowings	-	67.026.555	67.026.555	24
Trade payables	-	16.359.513	16.359.513	5
Other payables	-	7.513.455	7.513.455	6

## DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

#### 27. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

	31 December 2017	31 December 2016
Cash	9.500	15.586
Cash at banks	9.050.015	8.707.440
<i>Demand deposits</i>	3.320.290	2.819.678
<i>Time deposits less than 3 months maturity</i>	5.729.725	5.887.762
	<u>9.059.515</u>	<u>8.723.026</u>

<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	31 December 2017
Turkish Lira	14,60%	up to 1 month	1.440.000
Euro	2,19%	up to 1 month	4.289.725
			<u>5.729.725</u>

<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	31 December 2016
Euro	1,50%	up to 1 month	1.300.000
USD Dollar	1,61%	up to 1 month	3.508.037
USD Dollar	2,74%	up to 3 month	1.079.725
			<u>5.887.762</u>

#### 28. EVENTS AFTER REPORTING DATE

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261.

The 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law (To financial years, which start within the related year for entities appointed a special accounting period.). The rate will be applied in the first temporary tax period in 2018.

Heidelberg Speedmaster XL 145-8+LYYL offset printing machine, amounting to EUR 5.000.000, which was ordered on 24 August 2017, was given as collateral for the payment of up to EUR 5.000.000 in favor of Südwestbank AG under the existing Loan Agreement with Südwestbank AG. In this context, a Movable Pledge Agreement signed between the Company and Südwestbank AG, dated 2 February 2018, numbered 2283 at the 7th Notary of Beyoğlu.