(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 2018 AND INDEPENDENT AUDITORS' REPORT

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

INDEPENDENT AUDITORS' REPORT

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

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 2018, 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

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

3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in audit
Revenue Recognition	
The Group recognizes revenue in its financial statements when it fulfills the performance obligation by transferring goods or services to its customers at a point in time. Due to the nature and magnitude of the Group's operations, there is a risk that revenue is not recognized even products are delivered but not invoiced yet. According to the above mentioned explanations, timing of revenue recognition, whether the revenue of the products is recognized in correct period, is determined as key audit matter. The accounting policy for revenue recognition and revenue amounts are disclosed in Note 2.5 and Note 15.	In our audit, the following procedures are applied to ensure the accurate and complete recognition of revenue: The revenue process of the Group is examined. Contracts with customers are reviewed and impacts of contractual clauses on revenue are evaluated. Within the scope of audit works, product sales data and its accounting records are tested on a sample basis. In addition, by performing substantive tests and data analytics tools, procedures related to analysis and correlation of the accounts are performed.

4) 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 TFRS, 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.

5) Other Matters

The consolidated financial statements of Duran Doğan Basım and Ambalaj Sanayi Anonim Şirketi for the year ended 31 December 2017 have been audited by another independent auditor and the auditor issued an unqualified opinion on these consolidated financial statements as at 12 March 2018.

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

In an independent audit, our responsibilities as the auditors are:

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 of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board of Turkey and InAS, 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.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 11 March 2019.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

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

The name of the engagement partner who supervised and concluded this audit is Onur Ünal.

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

Onur Ünal, SMMM
Partner

11 March 2019
İstanbul, Turkey

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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 2018

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

	Notes	Current Period 31 December 2018	As Restated Prior Period(*) 31 December 2017	As Restated Prior Period(*) 31 December 2016
ASSETS				
Current Assets		**111.124.669**	**66.511.085**	**48.783.326**
Cash and Cash Equivalents	27	9.885.694	9.059.515	8.723.026
Trade Receivables		54.531.265	31.256.716	19.577.432
Trade Receivables from Third Parties	*5*	*54.531.265*	31.256.716	*19.577.432*
Other Receivables		862.245	49.028	46.407
Other receivables from Third Parties	*6*	*81.080*	49.028	*46.407*
Other receivables from Related Parties	4	*781.165*	-	-
Inventories	7	36.883.527	22.293.877	16.259.314
Prepaid Expenses	8	4.645.021	1.186.280	1.065.341
Other Current Assets	13	4.316.917	2.665.669	3.111.806
Non-Current Assets		**122.073.199**	**80.688.167**	**61.882.856**
Other Receivables		320.092	266.794	286.803
Other Receivables from Third Parties	*6*	*320.092*	266.794	*286.803*
Property, Plant and Equipment	9	118.558.451	76.830.713	60.086.941
Intangible Assets	10	1.756.680	1.208.372	1.105.022
Prepaid Expenses	8	-	1.806.200	-
Deferred Tax Assets	22	1.437.976	576.088	404.090
Other Non-Current Assets		-	-	-
TOTAL ASSETS		**233.197.868**	**147.199.252**	**110.666.182**

(*) Restatement effects are explained in Note 2.1.

(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 2018

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

	Notes	Current Period 31 December 2018	As Restated Prior Period(*) 31 December 2017	As Restated Prior Period(*) 31 December 2016
LIABILITIES				
Short Term Liabilities		**98.109.984**	**67.461.194**	**64.002.389**
Short-Term Borrowings	24	44.779.308	30.245.024	38.141.288
Short-Term Portion of Long-Term Borrowings	24	6.847.738	2.802.802	4.222.063
Other Financial Liabilities	24	1.116.592	1.949.968	1.949.803
Trade Payables		33.742.785	27.224.105	16.359.513
Trade Payables to Related Parties	*4*	*1.078.460*	851.326	*670.179*
Trade Payables to Third Parties	*5*	*32.664.325*	26.372.779	*15.689.334*
Payables Related to Employee Benefits	12	1.474.761	1.097.793	1.153.614
Other Payables		357.581	180.175	93.655
Other Payables to Related Parties	4	*184.859*	138.475	-
Other Payables to Third Parties	*6*	*172.722*	41.700	*93.655*
Deferred Income	8	2.542.906	1.013.924	1.282.644
Current Tax Liabilities	22	2.787.310	568.372	3.789
Short-Term Provisions		3.642.706	1.849.238	202.975
Short-term Provisions for Employee Benefits	12	*2.437.900*	1.843.950	*194.724*
Other Short-Term Provisions	11	*1.204.806*	5.288	*8.251*
Other Current Liabilities	13	818.297	529.793	593.045
Long Term Liabilities		**72.570.912**	**40.021.782**	**33.339.724**
Long-Term Borrowings	24	51.214.947	24.735.161	22.713.401
Other Payables		12.056.000	9.031.000	7.419.800
Other Payables to Related Parties	4, 6	12.056.000	9.031.000	7.419.800
Deferred Income	8	187.255	-	18.025
Long-term Provisions		5.114.424	4.209.250	3.141.695
Long-term Provisions for Employee Benefits	*12*	*5.114.424*	4.209.250	*3.141.695*
Deferred Tax Liabilities	22	3.998.286	2.046.371	46.803
EQUITY		**62.516.972**	**39.716.276**	**13.324.069**
Equity Attributable to Owners of the Company		**62.480.902**	**39.687.862**	**13.309.612**
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		42.959.926	33.792.080	16.381.420
Properties Revaluation Reserves		*44.555.690*	*35.085.680*	*17.738.889*
Actuarial Loss		*(1.595.764)*	*(1.293.600)*	(1.357.469)
Other Comprehensive Income or Expenses that will be Reclassified Subsequently to Profit or Loss		(1.306.790)	(541.409)	(148.210)
Currency Translation Difference		*(1.306.790)*	*(541.409)*	*(148.210)*
Accumulated Losses		(16.936.903)	(26.240.746)	(20.680.913)
Net (loss) / profit for the year		14.421.705	9.334.973	(5.585.649)
Non-Controlling Interests		**36.070**	**28.414**	**14.457**
TOTAL LIABILITIES		**233.197.868**	**147.199.252**	**110.666.182**

(*) Restatement effects are explained in Note 2.1.

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

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

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPHERENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

	Notes	Current Period 31 December 2018	As Restated Prior Period(*) 31 December 2017
PROFIT AND LOSS			
Revenue	15	206.398.689	144.558.546
Cost of sales (-)	15	(136.239.214)	(105.340.837)
Gross Profit		**70.159.475**	**39.217.709**
Administrative expenses (-)	16	(14.171.592)	(11.438.061)
Marketing expenses (-)	16	(19.698.810)	(12.726.006)
Other income from operating activities	18	38.161.946	18.315.945
Other expenses from operating activities (-)	18	(36.414.730)	(13.263.419)
OPERATING PROFIT		**38.036.289**	**20.106.168**
Income from investing activities	19	2.602.022	-
OPERATING PROFIT BEFORE FINANCE EXPENSE		**40.638.311**	**20.106.168**
Finance expenses	20	(21.930.530)	(11.455.584)
PROFIT / (LOSS) BEFORE TAX		**18.707.781**	**8.650.584**
Tax Expense		**(4.285.961)**	**684.438**
Current Tax Expense	22	(4.602.648)	(624.650)
Deferred Tax Income	22	316.687	1.309.088
PROFIT / (LOSS) FOR THE PERIOD		**14.421.820**	**9.335.022**
Profit / (Loss) for the period attributable to			
Non-controlling Interests		115	49
Equity holders of the parent company		14.421.705	9.334.973
		14.421.820	**9.335.022**
Profit / (Loss) per share	23	0,0087	0,0056
Other Comprehensive Income;			
Items that will not be reclassified subsequently to profit or loss:		**9.188.812**	**17.450.384**
Gains on revaluation of property, plant and equipment		*11.010.470*	*20.507.206*
Remeasurement of defined benefit obligation		*(377.705)*	*79.836*
Income tax relating to items that will not be reclassified subsequently		*(1.443.953)*	*(3.136.658)*
Items that will be reclassified subsequently to profit or loss:		**(765.381)**	**(393.199)**
Currency Translation Difference		*(765.381)*	*(393.199)*
Other Comprehensive Income / (Loss)		8.423.431	17.057.185
Total Comprehensive Income / (Loss)		**22.845.251**	**26.392.207**
Total Comprehensive Income / (Loss) Distribution			
Non-controlling Interests		63	13.957
Equity holders of the parent company		22.845.188	26.378.250

(*) 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 CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

				Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Accumulated other comprehensive income or expenses that will be reclassified subsequently to profit or loss		Accumulated Losses				
	Share capital	Share Capital Adjustments	Share premium	Properties Revaluation Reserves	Accumulated loss on remeasurement of benefit plans	Currency Translation Difference	Restricted reserves appropriated from profit	Prior years's (losses) / profit	Net (loss)/profit for the year	Equity Attributable to Owners of the Company	Non-controlling interests	Total Equity
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	(20.680.913)	(5.362.017)	13.533.244	14.457	13.547.701
Effect of restatement (Note 2.1)	-	-	-	-	-	-	-		(223.632)	(223.632)	-	(223.632)
Bnalance as of January 1, 2017 (restated)	16.575.788	6.436.501	5.220	17.738.889	(1.357.469)	(148.210)	325.455	(20.680.913)	(5.585.649)	13.309.612	14.457	13.324.069
Transfers	-	-	-	-	-	-	-	(5.585.649)	5.585.649	-	-	-
Total comprehensive income												
- *Loss on remeasurement of defined benefit plans*	-	-	-	-	63.869	-	-	-	-	63.869	-	63.869
- *Gain on revaluation of propery, 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 profit for the period*	-	-	-	-	-	-	-	-	9.334.973	9.334.973	49	9.335.022
Balance as at 31 December 2017	16.575.788	6.436.501	5.220	35.085.680	(1.293.600)	(541.409)	325.455	(26.240.746)	9.334.973	39.687.862	28.414	39.716.276

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 2018

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

				Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Accumulated other comprehensive income or expenses that will be reclassified subsequently to profit or loss		Accumulated Losses				
	Share capital	Share Capital Adjustments	Share premium	Properties Revaluation Reserves	Accumulated loss on remeasurement of benefit	Currency Translation Difference	Restricted reserves appropriated from profit	Prior years's (losses) / profit	Net (loss)/profit for the year	Equity Attributable to Owners of the Company	Non-controlling interests	Total Equity
Balance as at 1 January 2018	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
Adjustment according with TAS 8								(44.503)	-	(44.503)		(44.503)
Effect of restatement (Note 2.1)								(223.632)	(1.798.522)	(2.022.154)	-	(2.022.154)
Balance as at 1 January 2018 (restated)	16.575.788	6.436.501	5.220	35.085.680	(1.293.600)	(541.409)	325.455	(26.285.249)	9.334.973	39.643.359	28.414	39.671.773
Transfers	-	-	-	-	-	-	-	9.334.973	(9.334.973)	-	-	-
Total comprehensive income												
- *Loss on remeasurement of defined benefit plans*	-	-	-	-	(302.164)	-	-	-	-	(302.164)	-	(302.164)
- *Gain on revaluation of propery, plant and equipment*	-	-	-	9.483.383	-	-	-	-	-	9.483.383	7.593	9.490.976
- *Amortization effect of revaluation gains*	-	-	-	(13.373)		-	-	13.373	-	-	(52)	(52)
- *Currency translation difference*	-	-	-	-	-	(765.381)	-	-	-	(765.381)	-	(765.381)
- *Net profit for the period*	-	-	-	-	-	-	-	-	14.421.705	14.421.705	115	14.421.820
Balance as at 31 December 2018	16.575.788	6.436.501	5.220	44.555.690	(1.595.764)	(1.306.790)	325.455	(16.936.903)	14.421.705	62.480.902	36.070	62.516.972

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

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

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

A.Cash flow from operating activities	**Notes**	**Current Period 1 January- 31 December 2018**	**As Restated Prior Period 1 January- 31 December 2017**
Net income/(loss) for the year		**14.421.820**	**9.335.024**
- Adjustments related to depreciation and amortization	9-10	6.763.796	5.489.913
- Adjustments related to gain on sale of property, plant and equipment (net)	19	(2.602.022)	-
- Adjustments related to provision for employment termination benefits	12	1.095.106	1.341.913
- Adjustments related to other provision	11	1.199.518	5.288
- Adjustments related to provision for unused vacation	12	104.148	65.604
- Adjustments related to bonus provision	12	2.073.424	1.583.622
- Adjustments related to provision for doubtful receivables	5	1.107	136.840
- Adjustments related to allowance for impairment of inventor	7	717.925	518.220
- Adjustments related to tax income	22	4.285.961	(684.438)
- Adjustments related to interest income	18	(251.198)	(304.988)
- Adjustments related to interest expense	20	2.617.472	4.658.788
- Adjustments related to foreign exchange income		-	(2.911.175)
- Adjustments related to unrealized net foreign exchange (losses)/gains		11.867.892	4.439.035
Total adjustments to net loss for the period		**42.294.949**	**23.673.646**
Changes in working capital			
- Changes in trade receivables		(23.275.657)	(6.155.085)
- Changes in inventories		(15.307.575)	(6.552.783)
- Changes in other receivables and assets		(4.170.304)	766.232
- Changes in trade payables		6.291.546	6.703.614
- Change in trade payables to related parties		227.134	181.147
- Changes in payables related to employee benefits		376.968	(55.821)
- Changes in other payables and liabilities		285.015	(687.125)
		6.722.076	**17.873.825**
- Royalty paid		-	(8.251)
- Bonus paid	12	(1.583.622)	-
- Interest received	18	251.198	304.988
- Termination benefits paid	12	(567.635)	(194.522)
- Collections from doubtful receivables	22	(568.372)	(60.067)
Net cash generated from operating activities		**4.253.645**	**17.915.973**

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

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

	Dipnot Referansları	Current Period 1 January- 31 December 2018	As Restated Prior Period 1 January- 31 December 2017
B.Cash flows from investing activities			
- Proceeds from disposal of property, plant and equipment	9-10-19	3.221.665	-
- Payments for the purchase of tangible assets	9	(31.835.838)	(3.340.562)
- Payments for the purchase of intangible assets	10	(923.445)	(76.461)
		(29.537.618)	**(3.417.023)**
C.Cash flows from financing activities			
Cash Flows			
- New borrowings		124.778.859	40.399.850
- Repayment of borrowings		(91.486.822)	(46.651.067)
- Repayment of finance lease payables		(3.215.150)	(4.658.995)
- Paid interests		(2.367.978)	(4.089.182)
- Change in other financial liabilities		(833.376)	165
		26.875.533	**(14.999.229)**
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		1.591.560	(500.279)
D.EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(765.381)	836.768
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT (A+B+C+D)		**826.179**	**336.489**
E.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		9.059.515	8.723.026
CASH AND CASH EQUIVALENTS AT THE END OF THE PERİOD (A+B+C+D+E)	27	**9.885.694**	**9.059.515**

(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 Subsidiaris, 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 Exhange.

Total number of personnel employed at Group as of 31 December 2018 is 268 (31 December 2017: 251).

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 2018 and 2017 both main operating activities and direct or indirect ownership shares of subsidiaries under full consolidation is demonstrated below.

	December 31, 2018		December 31, 2017		
	Direct ownership	Indirect ownership	Direct ownership	Indirect ownership	
Subsidiary	%	%	%	%	Business Line
Dudo İthalat ve İhracat Pazarlama A.Ş.	99,92	99,92	99,92	99,92	Domestic and foreign 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 8 March 2019. The General Assembly of the Company has the authority to modify the consolidated financial statements.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

Financial statements attached are prepaid in accordance with the June 13, 2013 and number 28676 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 except revaluation of property, plant and equipment. 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.

The Group has classified its product storage expenses in marketing expenses in the statement of profit or loss and other comprehensive income for the year ended 31 December 2018. In this context, product storage expenses presented under cost of sales in the statement of profit or loss and other comprehensive income for the year ended December 31, 2017 have been reclassified to sales and marketing expenses.

The Group has reclassified its VAT receivables as VAT refund receivables under other current assets in the statement of financial position as of 31 December 2018. Accordingly, in the statement of financial position as of 31 December 2017, the VAT receivable which was classified as contra balance in the taxes and funds payable account is reclassified as VAT refund receivables under the other current assets account.

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

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

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 Group also identified that bonus accruals provided to executive management and tax expense related to investment allowance was not recognized in prior year financial statement. These adjustments are considered to be an error in the consolidated financial statements in accordance with TAS 8 and needs to be adjusted retrospectively. Therefore, consolidated statements of financial position as at 31 December 2017 and 2016 and the consolidated statement of profit or loss and consolidated statement of cash flow for the year ended 31 December 2017 have been restated.

The impacts of adjustment on prior year financials are as follows:.

	Previously Reported Prior Period 31/12/2017	Restatement Effect	Restasted Prior Period 31/12/2017
Current Assets	67.273.542	(762.457)	66.511.085
Non-Current Assets	80.688.167	-	80.688.167
Current Liabilities	65.727.155	1.734.039	67.461.194
Non-Current Liabilities	40.496.124	(474.342)	40.021.782
Equity	41.738.430	(2.022.154)	39.716.276
Net profit for the year	11.133.495	(1.798.522)	9.334.973
Gain per share	0,0067	(0,0011)	0,0056

	Previously Reported Prior Period 31/12/2016	Restatement Effect	Restasted Prior Period 31/12/2016
Current Assets	49.062.866	(279.540)	48.783.326
Non-Current Assets	61.826.948	55.908	61.882.856
Current Liabilities	64.002.389	-	64.002.389
Non-Current Liabilities	33.339.724	-	33.339.724
Equity	13.547.701	(223.632)	13.324.069

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.

(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 restated. Group has not changed accounting policies significantly because of the changes in current period on standard. The accounting policies of the consolidated financial statements for the period 1 January-31 December 2018 are presented in accordance with the consolidated financial statements as of 31 December 2017, except TFRS 9 Financial Instruments and TFRS 15 Customer Contracts which are effective as of January 1, 2018.

2.3 Changes in the Accounting Estimates and Errors

The Group has applied TFRS 9 Financial Instruments and TFRS 15 Revenue Standards from Customer Contracts in the accounting period starting on 1 January 2018 and the effects of related standards on consolidated financial statements are explained below.

The Group has modified the impairment method for financial assets in accordance with the new expected credit losses method of TFRS 9. The financial asset items affected by this change are trade receivables and cash and cash equivalents. The Group applied the simplified approach in TFRS 9 to calculate the expected credit losses of the financial assets in question. This method includes the recognition of the life-long expected credit losses for all trade receivables.

The differences in the carrying amount of financial assets and financial liabilities arising from the application of TFRS 9 are accounted for as of 1 January 2018 in retained earnings.

Below is the summary table of the changes:

	January 1 2018	Adjustments / Classifications	January 1 2018 Restated
Cash and cash equivalents	9.059.515	(12.606)	9.046.909
Trade receivables	31.256.716	(43.024)	31.213.692
Deferred tax asset	576.088	11.126	587.214
Equity	**39.716.276**	**(44.502)**	**39.671.774**
Shareholder's Equity	**39.687.862**	**(44.502)**	**39.643.360**
Paid-in capital	16.575.788	-	16.575.788
Share Capital Adjustments	6.436.501	-	6.436.501
Share premium	5.220	-	5.220
Restricted reserves	325.455	-	325.455
Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	33.792.080	-	33.792.080
Properties Revaluation Reserves	35.085.680	-	*35.085.680*
Accumulated loss on remeasurement of benefit plans	(1.293.600)	-	(1.293.600)
Accumulated other comprehensive income or expenses that will be reclassified subsequently to profit or loss	(541.409)	-	(541.409)
Foreign currency translation differences	(541.409)	-	*(541.409)*
Prior years's losses	(26.240.746)	(44.502)	(26.285.248)
Net profit for the year	9.334.973	-	9.334.973
Non- controlling interests	**28.414**	-	**28.414**

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

2.3 Changes in the Accounting Estimates and Errors (cont'd)

Classification and Measurement

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

"Financial assets measured at amortized cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortized cost consist of "cash and cash equivalents","trade receivables" and "financial investments". Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income.

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified.

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of profit and loss.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of other comprehensive income.

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

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

2.3 Changes in the Accounting Estimates and Errors (cont'd)

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarized below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

	Classification under TAS 39	Classification under TFRS 9
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial investments	Held to maturity financial assets	Amortised cost
Financial investments	Available for sale financial assets	Fair value through other comprehensive income
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Trade receivables	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Financial liabilities		
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Other payables	Amortised cost	Amortised cost

2.4 New and Revised Turkish Financial Reporting Standards

New and revised standards and comments

The accounting policies adopted in the preparation of the consolidated financial statements for the year ended 31 December 2018 have been consistent with those used in the prior year except for the new and amended TFRS standards and TFRIC interpretations as of 1 January 2018, summarized below. The effects of these standards and interpretations on the Group's financial position and performance are explained in the related paragraphs.

i) New standards, amendments and interpretations effective from 1 January 2018

TFRS 15 - Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 is effective for annual periods beginning on or after 1 January 2018. Two alternative applications are presented for transition to TFRS 15; Full retrospectively application or modified retrospectively application. If the modified retrospective application is preferred, the previous periods will not be restated but comparative numerical information will be given in the financial statement notes. This standard did not have a significant impact on the financial position or performance of the Group.

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

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

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. Within the scope of first-time adoption of TFRS 9 Financial Instruments, the Group applied the simplified method and recognized the impairment in financial assets. The Group's effects on financial instruments within the scope of TFRS 9 for the year 2017 are presented in the statement of changes in equity for the current period. The effects of the aforementioned standard on the financial position and performance of the Group are explained in Note 2.3.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on 19 December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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

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

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

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

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

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. These amendments are not applicable for the Group and did not have any impact on the financial position or performance of the Group.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards.

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

The amendments did not have a significant impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

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

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers,office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The Group is in the process of assessing the impact of the standard on the financial position and performance of the Group.

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

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

TFRS 16 Leases (cont'd)

Transition to TFRS 16:

The Group plans to adopt TFRS 16 using the modified retrospective approach. The Group will elect to apply the standard to the contracts that were previously identified as leases by applying TAS 17 Leasing Transactions. Therefore, the Group will not apply the standard to the contracts that were not previously identified as containing a lease applying TAS 17.

The Group plans to elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The Group has assessed the impact of TFRS 16 on its consolidated financial statements, including its subsidiaries, and according to the draft evaluation, right of use asset and a lease liability of 2,5% to 3,5% of consolidated total assets approximately will be recognized. This calculation will be revised in 2019 due to variations in the parameters used.

Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments)

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

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

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes..

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

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

TFRIC 23 Uncertainty over Income Tax Treatments

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

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

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 *Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 *Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Group does not expect a significant impact on the balance sheet and equity in general.

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

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

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

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

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

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

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

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

IFRS 17 – The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The Group does not expect a significant impact on the balance sheet and equity in general.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Group does not expect a significant impact on balance sheet and equity in general.

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

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

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The Group does not expect a significant impact on the balance sheet and equity in general.

2.5 Summary of Significant Accounting Policies

Revenue

Revenue, goods or services related to performance obligations in the form of goods or service turnover are accounted for as they fulfil their performance obligations by transferring them to their customers.

The Group evaluates the transfer of control of the goods or services sold to the customer,

a) Ownership of the Group's right to collect goods or services,
b) The ownership of the property of the customer,
c) Transfer of the possession of the goods or services,
d) Ownership of significant risks and rewards arising from the ownership of the goods or services,
e) It takes into account the conditions for the customer to accept the goods or services.

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

Interest income:

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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.

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.

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.

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.

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

2.5 Summary of Significant Accounting Policies (cont'd)

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.

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.

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.

Financial Instruments

Financial assets

The Company shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date. The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The company's financial assets and liabilities within the scope of TFRS 9 are shown below:

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets:

Financial investments, except financial assets classified at fair value through profit or loss and financial assets initially recognized at fair value, are recognized at fair value net of directly attributable transaction costs. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.
Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss ("FVTPL")", "financial assets measured at amortized cost", and "financial assets at fair value through other comprehensive income ("FVTOCI")".

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets at fair value through profit or loss unless they are designated for hedging purposes.

Financial assets measured at amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

Financial assets at FVTOCI

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are classified as financial assets at FVTOCI.

Financial assets at fair value through other comprehensive income are measured at fair value subsequent to their initial recognition. However, if the fair values cannot be reliably measured, then those Financial assets at fair value through other comprehensive income with fixed maturity are measured at amortised cost by using effective interest rate model and those available for sale investment securities without fixed maturity are measured by using fair value pricing models or discounted cash flow techniques. Unrecognized gains or losses derived from the changes in fair value of Financial assets at fair value through other comprehensive income and the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Fair value reserve" under equity. At the disposal of available for sale investment securities, value increases/decreases recorded in the fair value reserve under equity are transferred to profit or loss.

Recognition and Derecognition of Financial Assets and Liabilities

The Group reflects the financial asset or liabilities to the financial statements when it becomes a party to the relevant financial instrument contracts. A financial asset is derecognized when the control over the contractual rights from that asset is lost. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Impairment of Financial Assets / Expected Credit Loss
At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Group considers the changes in the default risk of financial instrument, when making the assessment. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of a provision account. When a trade receivable is uncollectible, it is written off against the provision account. Changes in the carrying amount of the provision are recognized in profit or loss. With the exception of FVOCI equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of FVOCI equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Trade receivables

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

Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

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

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.

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 Operaitng 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.

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 form 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.

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.

(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 717.925 inventory impairment provision in consolidated financial statements (2017: TL 518.220).

Provision for doubtful receivables

Group has preferred to apply "simplified approach" for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason. The Group management booked TL 201.915 (2017: TL 200.808) doubtful receivable provision in 31 December 2018 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 2018 has been prepared by CMB accredited independent valuation company, 1A Gayrimenkul Değerleme ve Danışmanlık A.Ş..

3. OPERATION SEGMENTS

The Group started to apply TFRS 8 from 1 January 2013. The autohority 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 2018						
	Turkey	Europe	USA	Middle East and Africa	Asia Pacific	Turkic Republics	Total
Gross sales	90.141.366	92.965.738	6.245.057	14.660.546	1.539.961	3.598.307	209.150.975

	1 January - 31 December 2017						
	Turkey	Europe	USA	Middle East and Africa	Asia Pacific	Turkic Republics	Total
Gross sales	70.193.198	49.220.334	2.250.359	16.226.829	745.261	8.578.736	147.214.717

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

4. RELATED PARTY DISCLOSURES

a) Receivables and payables from related parties:

	31 December 2018				
	Receivable Short Term	Receivable Short Term	Liabilities Short Term	Liabilities Short Term	Liabilities Long Term
Balances with related parties	Trade	Non-Trade	Trade	Non-Trade	Non-Trade
Other companies managed by main shareholder					
LGR International Societe Anonyme (*)	-	-	1.078.460	184.859	12.056.000
Duran Makina San. ve Tic.A.Ş.		781.165	-	-	-
	-	781.165	1.078.460	184.859	12.056.000

	31 December 2017				
	Receivable Short Term	Receivable Short Term	Liabilities Short Term	Liabilities Short Term	Liabilities Long Term
Balances with related parties	Trade	Non-Trade	Trade	Non-Trade	Non-Trade
Other companies managed by main shareholder					
LGR International Societe Anonyme (*)	-	-	821.989	138.475	9.031.000
Duran Makina San. ve Tic.A.Ş.	-	-	29.337	-	-
	-	-	851.326	138.475	9.031.000

(*) 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 2021 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.

(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 2018		
Transactions with related parties	Purchase of goods and services	Sales of goods and services	Interest expense
Other companies managed by main shareholder			
LGR International Societe Anonyme (*)	1.078.460	-	345.309
Duran Makina San. ve Tic.A.Ş.	439.649	662.004	-
Lgr Emballages S.A.S.	-	10.221	-
Durkat Karton Amb.Tekn.San.Tic.A.ş.	-	15.328	-
	1.518.109	687.553	345.309

	1 January - 31 December 2017		
Transactions with related parties	Purchase of goods and services	Sales of goods and services	Interest expense
Other companies managed by main shareholder			
LGR International Societe Anonyme (*)	821.989	-	259.701
Duran Makina San. ve Tic.A.Ş.	106.214	-	-
Lgr Emballages S.A.S.	61.667	-	-
	989.870	-	259.701

(*) The amount consists of personnel expenses and travel expenses which LGR International S.A.S. reflected 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 2018	1 January- 31 December 2017
Salary	2.772.000	2.424.000
Bonus	462.000	404.000
Performance premium	2.228.100	1.635.500
Attandance fee	315.000	294.000
Other short-term benefits	10.590	8.817
	5.787.690	**4.766.317**

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

5. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

Short term trade receivables	31 December 2018	31 December 2017
Trade receivables	50.930.348	30.943.524
Notes receivables	3.802.831	514.000
Provision for doubtful receivables (-)	(201.915)	(200.808)
	54.531.265	31.256.716

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 2018, provision for doubtful receivables is amounting to TL 201.915 (31 December 2017: TL 200.808).

Allowance for doubtful receivables recorded for trade receivables have been determined due to past experience of incidence of non-collection. The Group assesses whether there is a change in the credit quality of the aforementioned receivables from the date of first occurrence to the report date when deciding whether or not the receivables can be collected.

The Group management believes that there is no need for more provision than the current doubtful receivable provision in the accompanying consolidated financial statements.

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

Movements of provision for doubtful receivables	1 January- 31 December 2.018	1 January- 31 December 2.017
Openning balance	200.808	63.968
Charge for the period	1.107	136.840
Closing balance	201.915	200.808

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

5. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables

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

Short term trade liabilities	31 December 2018	31 December 2017
Trade payables	31.928.967	25.862.505
Expense accruals	735.358	510.274
Payables to related parties (Note 5)	1.078.460	851.326
	33.742.785	27.224.105

Average maturity days of payables for raw material is 120 days (2017: 120 days).

6. OTHER RECEIVABLES AND PAYABLES

Other current receivables	31 December 2018	31 December 2017
Guarantees and deposits given	7.780	7.787
Receivables from personnel	73.300	41.241
	81.080	49.028

Other current payables	31 December 2018	31 December 2017
Other payables to related parties	184.859	138.475
Other payables	172.722	41.700
	357.581	180.175

Other non-current payables	31 December 2.018	31 December 2017
Other payables to related parties (*)	12.056.000	9.031.000

(*) 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 2021 and an interest rate of 3% +12 Month Euribor. During the year 2018, total interest accrued amount is EUR 60.833 (2017: EUR 60.833).

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

6. OTHER RECEIVABLES AND PAYABLES (cont'd)

Other non-current receivables	31 December 2018	31 December 2017
Receivables from personnel	123.500	125.266
Guarantees and deposits given	196.592	141.528
	320.092	266.794

7. INVENTORIES

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

	31 December 2018	31 December 2017	31 December 2016
Raw materials	16.363.727	9.710.205	6.346.272
Finished goods	21.237.725	13.101.892	10.188.139
Provision for impairment of inventories (-)	(717.925)	(518.220)	(275.087)
	36.883.527	22.293.877	16.259.324

Movements in provision for impairment on inventory during periods ending at 31 December 2018 and 2017 are as follow:

Movement of provision of impairment of inventory	1 January- 31 December 2018	1 January- 31 December 2017	1 January- 31 December 2016
Openning balance	(518.220)	(275.087)	(231.912)
Provisions released	518.220	275.087	231.912
Charge for the period	(717.925)	(518.220)	(275.087)
Closing balance	(717.925)	(518.220)	(275.087)

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

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

8. PREPAID EXPENSES AND DEFERRED INCOME

Short term prepaid expenses	31 December 2018	31 December 2017
Advances given to purchase inventory	3.699.880	831.445
Prepaid expenses	941.141	350.835
Business advances	4.000	4.000
	4.645.021	1.186.280

Long term prepaid expenses	31 December 2018	31 December 2017
Advances given to purchase fixed asset	-	1.806.200
	-	1.806.200

Short term deferred income	31 December 2018	31 December 2017
Advances received	166.059	187.864
Deferred income	2.376.847	826.060
	2.542.906	1.013.924

Long term deferred income	31 December 2018	31 December 2017
Deferred income	187.255	-
	187.255	-

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

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Property, plant and equipment	Vehicles	Furniture and Fixtures	Construction in Progress	Leasehold improvements	Total
Cost & Revaluation Value								
Openning balance at 1 January 2018	41.000.000	18.714.445	52.448.678	80.508	9.996.051	236.464	1.750.757	124.226.903
Additions	-	-	34.596.980	-	1.188.611	688.948	1.251.031	37.725.570
Revaluation fund	6.826.000	4.184.470						11.010.470
Disposals	-	-	(5.266.560)	-	-	(169.114)	-	(5.435.674)
Closing balance at 31 December 2018	47.826.000	22.898.915	81.779.098	80.508	11.184.662	756.298	3.001.788	167.527.269
Accumulated depreciation								
Openning balance at 1 January 2018	8.112	2.387.189	36.141.130	1.342	7.308.146	-	1.550.271	47.396.190
Charge for the period	-	314.726	5.039.403	16.102	700.630	-	317.798	6.388.659
Disposals	-	-	(4.816.031)	-	-	-	-	(4.816.031)
Closing balance at 31 December 2018	8.112	2.701.915	36.364.502	17.444	8.008.776	-	1.868.069	48.968.818
Net book value at 31 December 2018	47.817.888	20.197.000	45.414.596	63.064	3.175.886	756.298	1.133.719	118.558.451

During the year 2018, the Group purchased property, plant and equipment and spent TL 5.889.732 via finance leasing (2017: None).

The amount of insurance on fixed assets is EUR 23.264.000 (2017: EUR 18.612.900).

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

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

	Land	Buildings	Property, plant and equipment	Vehicles	Furniture and Fixtures	Construction in Progress	Leasehold improvements	Total
Cost & Revaluation Value								
Openning 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
Accumulated depreciation								
Openning 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

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

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

Fair Value Measurments 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, 1A Gayrimenkul Değerleme ve Danışmanlık A.Ş., dated 18 December 2018. 1A 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.

The Group has applied for the acquisition of the building registration certificate in 24.10.2018 in order to obtain the building permission of the building.

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2018 is as follows:

	Fair value as at Reporting Date			
	31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Based on Hadımköy Facility:				
-Land	47.826.000	-	47.826.000	-
-Building	22.898.916	-	22.898.916	-

		Fair value as at Reporting Date		
	31 December 2017	Level 1 TL	Level 2 TL	Level 3 TL
Based on Hadımköy Facility:				
-Land	22.450.000	-	41.000.000	-
-Building	16.757.239	-	18.714.445	-

Net book value of property, plants and equipments acquired by financial leases	31 December 2018	31 December 2017
Land	4.965.000	4.965.000
Buildings	12.729.765	13.032.855
Property, plants and equipments	5.889.732	5.089.179
Rights	195.329	219.006
	23.779.826	23.306.040

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

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

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

	31 December 2018	31 December 2017
Cost value - Land	4.965.000	4.965.000
Cost value - Building	15.297.018	15.297.018
Accumulated depreciation- Building	2.701.915	(2.387.189)
Net book value	22.963.933	17.874.829

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

	Useful life
Infrastructure and land improvements	10-50
Buildings	25-50
Property, plant and equipment	4-20
Vehicles	5
Furniture and fixtures	4-20

10. INTANGIBLE ASSETS

Cost value	Rights	Capitalized development expenses	Total
Openning balance at 1 January 2018	3.621.227	190.890	3.812.117
Additions	922.379	1.066	923.445
Closing balance at 31 December 2018	4.543.606	191.956	4.735.562
Accumulated amortization			
Openning balance at 1 January 2018	2.421.465	182.280	2.603.745
Charge for the period	371.278	3.859	375.137
Closing balance at 31 December 2018	2.792.743	186.139	2.978.882
Net book value at 31 December 2018	1.750.863	5.817	1.756.680

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

10. INTANGIBLE ASSETS (cont'd)

Cost value	Rights	Capitalized development expenses	Total
Openning 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	3.621.227	190.890	3.812.117
Accumulated amortization			
Openning 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	2.421.465	182.280	2.603.745
Net book value at 31 December 2017	1.199.762	8.610	1.208.372

Depreciation and amortization expense amounted at TL 6.277.301 (2017: TL 4.951.223) has been charged in "cost of goods sold", TL 901 (2017: TL 0) in unused capacity expense under cost of goods sold, TL 228.794 (2017: TL 302.969) in "marketing expenses" and, TL 343.311 (2017: TL 235.721) in "general administrative expenses".

Useful lives of intangible assets are as follow:

	Useful Life
Rights	3-15
Capitalized development expenses	5

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short term provisions	31 December 2018	31 December 2017
Expense accrual	1.194.516	-
Provision for royalties	10.290	5.288
	1.204.806	5.288

Movement for royalty provision is as follow:

	1 January-31 December 2018	1 January-31 December 2017
Provision at 1 January	5.288	8.251
Additions	1.204.806	5.288
Payments	(5.288)	(8.251)
Provision at 31 December	1.204.806	5.288

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

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

a) Guarantees given

The details of the guarantees given as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Export Credits	35.891.856	18.212.876
Custom Offices	32.578	32.578
Other organizations	448.372	385.000
	36.372.806	18.630.454

As of 31 December 2018, besides the export credits given for discount loans mentioned above there are personal sureties given for ongoing bank loans amounting to TL 3.230.589. (31 December 2017: TL 13.903.866 (EUR 392.142, TL 12.133.150)) (Note 24).

As of 31 December 2018, rate of other GPM's given by Group to owner's equity is %0 (31 December 2017: %0).

31 December 2018	TL Equivalent	GBP	Euro	TL
A. Total amount of GPM given by Group in behalf of Entity	36.372.806	5.395.000	-	480.950
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	36.372.806	5.395.000	-	480.950

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

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

a) Guarantees given (cont'd)

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	18.630.454	3.585.000	-	417.578

As of December 31, 2018, the total amount of guarantees given for the total open bank borrowings is TL 39.122.445. TL 35.891.856 consists of letters of guarantee and the remaining TL 3.230.589 consists of personal guarantees provided by the shareholders (31 December 2017: 18.212.875 TL letter of guarantee, 13.903.866 TL personal surety).

b) Litigations

As of 31 December 2018, there are 7 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.

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

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.

Non-cancellable operational lease commitments	31 December 2018	31 December 2017
Within one year	1.559.988	1.320.000
Within 1 - 5 years	-	
	1.559.988	1.320.000

12. EMPLOYEE BENEFITS

	31 December 2018	31 December 2017
Payables to personnel	956.709	652.959
Social security contribution payable	518.052	444.834
	1.474.761	1.097.793

	31 December 2018	31 December 2017
Unused vacation accruals	364.476	260.328
Bonus provisions	2.073.424	1.583.622
	2.437.900	1.843.950

The movement table of unused vacation accruals	31 December 2018	31 December 2017
Provision at 1 January	260.328	194.724
Charge for the period	104.148	65.604
Accrual at 31 December	364.476	260.328

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

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 6.017 for each year of service at 31 December 2018 (31 December 2017: TL 4.732).

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 2018, 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 5,02% real discount rate (31 December 2017: 4,67%) calculated by using 9,5% annual inflation rate and 15 % interest 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 2017: 4,29%). Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 6.017 which is in effect since 1 January 2019 is used in the calculation of Group's provision for retirement pay liability.

	1 January- 31 December 2018	1 January- 31 December 2017
Provision at 1 January	4.209.250	3.141.695
Service cost	463.717	1.201.096
Interest cost	631.389	140.817
Retirement payment provision paid	(567.635)	(194.522)
Actuarial (gain) / losses	377.703	(79.836)
Provision at 31 December	5.114.424	4.209.250

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

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

13. OTHER ASSETS AND LIABILITIES

Other Current Assets

	31 December 2018	31 December 2017
Advances given	45.567	1.930
VAT refund receivables	2.275.749	917.469
Blocked deposits (*)	1.995.601	1.746.270
	4.316.917	2.665.669

(*) Because of the nature of the loans borrowed, 3,75% - 4,50% of the loan amount is blocked in a deposit account on behalf of the entity till the due date of the loans.

Other Current Liabilities

	31 December 2018	31 December 2017
Taxes and funds payable	818.297	529.793
	818.297	529.793

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

14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2018 and 2017 the share capital held is as follows:

Shareholders	%	31 December 2018	%	31 December 2017
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
	100%	16.575.788	100%	16.575.788

The total number of ordinary shares authorized is 1.657.578.750 shares in 2018 (2017: 1.657.578.750) with a par value of Kr 1 per share (2017: Kr 1 per share).

	31 December 2018	31 December 2017
Legal Reserves	325.455	325.455
	325.455	325.455

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.

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

15. REVENUE AND COST OF SALES

The details of revenue and cost of sales expenses for the years ended 31 December 2018 and 2017 are as follow:

a) Sales	1 January- 31 December 2018	1 January- 31 December 2017
Domestic sales	90.141.366	68.559.780
Foreign sales	119.009.609	78.654.937
Sales returns (-)	(2.175.480)	(1.580.784)
Sales discounts (-)	(567.120)	(1.072.687)
Other discounts (-)	(9.686)	(2.700)
	206.398.689	144.558.546

b) Cost of sales	1 January- 31 December 2018	1 January- 31 December 2017
Raw materials used	96.795.786	76.615.699
Overhead expenses	16.160.977	11.763.852
Personnel expenses	16.665.223	14.174.147
Depreciation and amortization expenses (Note 9, 10)	6.280.931	4.951.223
Change in finished goods	(3.231.086)	(3.820.316)
Cost of goods sold	132.671.831	103.684.605
Cost of merchandises sold (-)	1.175.223	451.428
Cost of other sales (-)	2.391.260	1.204.804
Idle capacity expenses	900	-
	136.239.214	105.340.837

16. ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 31 December 2018	1 January- 31 December 2017
General administrative expenses	14.171.592	11.438.061
Marketing expenses	19.698.810	12.726.006
	33.870.402	24.164.067

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

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

The details of administrative expenses and marketing expenses for the years ended 31 December 2018 and 2017 are as follow:

a) Details of General Administrative Expenses	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	9.294.647	7.817.630
Consulting expenses	1.078.463	821.989
Financial and legal consulting expenses	775.801	672.804
Motor vehicle expenses	577.248	437.213
Information technologies expenses	613.460	292.296
Depreciation and amortization expenses (Note 9, 10)	343.311	235.721
Travelling expenses	192.885	115.584
Accomodation expenses	234.996	105.873
Subscription expenses	126.363	76.526
Legal and notary expenses	57.724	39.667
Services received from subcontractors	58.936	51.545
Education expenses	28.278	26.007
Communication and transportation expenses	36.786	44.080
Provison for doubtful receivables (Note: 6)	-	136.840
Other expenses	752.694	564.286
	14.171.592	11.438.061

b) Details of marketing expenses	1 January- 31 December 2018	1 January- 31 December 2017
Foreign transportation expenses	9.889.592	5.906.538
Foreign transportation expenses	3.186.185	1.990.006
Personnel expenses	1.985.659	1.599.668
Domestic transportation expenses	1.552.282	1.177.620
Export commission expenses	860.787	685.823
Accomodation expenses	617.082	359.807
Communication and transportation expenses	283.126	118.704
Depreciation and amortization expenses (Note 9, 10)	228.794	302.969
Motor vehicle expenses	207.222	143.779
Travelling expenses	179.722	115.788
Other expenses	708.359	325.304
	19.698.810	12.726.006

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

17. EXPENSES BY NATURE

The details of expenses by nature for the years ended 31 December 2018 and 2017 are as follow:

	1 January-31 December 2018	1 January-31 December 2017
Personnel expenses	27.945.529	24.204.016
Foreign transportation expenses	9.889.592	5.906.538
Depreciation and amortization expenses (9-10)	6.853.036	5.489.913
Domestic transportation expenses	1.552.282	1.177.620
Commission expenses	1.078.463	821.989
Export commission expenses	860.787	685.823
Foreign marketing ve logistic expenses	3.186.185	1.990.006
Financial and legal consulting expenses	775.801	672.804
Motor vehicle expenses	784.470	580.992
Accomodation expenses	852.078	465.680
Information technologies expenses	613.460	292.296
Travelling expenses	372.607	231.372
Communication and transportation expenses	319.912	162.784
Subscription expenses	126.363	76.526
Legal and notary expenses	57.724	39.667
Services received from subcontractors	58.936	51.545
Other expenses	1.489.331	491.411
	56.816.556	43.289.437

18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2018 and 2017 are as follow:

	1 January-31 December 2018	1 January-31 December 2017
Foreign exchange gains from operations	37.192.353	15.136.357
Late charges and interest income	484.445	2.612.959
Interest income from time deposits	251.198	304.988
Other income	233.950	261.641
	38.161.946	18.315.945

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

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

The details of other expense from operating activities for the years ended 31 December 2018 and 2017 are as follow:

	1 January-31 December 2018	1 January-31 December 2017
Foreign exchange losses from operations	34.991.549	12.225.182
Late charges and interest expense	-	1.021.253
Other expenses	1.423.181	16.984
	36.414.730	13.263.419

19. INCOME AND EXPENSES FROM INVESTMENTS ACTIVITIES

The details of income from investments activities for the years ended 31 December 2018 and 2017 are as follow:

Income from Investing Activities	1 January-31 December 2018	1 January-31 December 2017
Gain on disposal of property, plant and equipment	2.602.022	-
	2.602.022	-

20. FINANCIAL INCOME / (EXPENSES)

The details of financial income and expenses for the years ended 31 December 2018 and 2017 are as follow:

Financial income / (expenses), net

	1 January-31 December 2018	1 January-31 December 2017
Interest expenses	2.617.472	2.456.292
Foreign exchange expenses / (income), (net)	15.913.186	6.535.540
Financial lease interest expense	2.024.114	2.202.496
Other finance expenses	1.375.758	261.256
	21.930.530	11.455.584

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

21. OTHER COMPREHENSIVE INCOME ELEMENTS

	1 January-31 December 2018	1 January-31 December 2017
Properties revaluation reserves	44.555.690	35.085.680
Accumulated loss on remeasurement of benefit plans	(1.595.764)	(1.293.600)
Foreign currency translation reserve	(1.306.790)	(541.409)
	41.653.136	33.250.671

Properties revaluation reserves	1 January-31 December 2018	1 January-31 December 2017
Balance at the beginning of the year	35.085.680	17.738.889
Increase arising on revaluation of properties	11.010.470	20.507.206
Deferred tax liability arising on revaluation	(1.527.087)	(3.134.599)
Transferred to retained earnings	(13.373)	(25.816)
Balance at the end of the year	44.555.690	35.085.680

Accumulated loss on remeasurement of benefit plans	1 January-31 December 2018	1 January-31 December 2017
Balance at the beginning of the year	(1.293.600)	(1.357.469)
Change in current period	(377.705)	79.836
Deferred tax asset	75.541	(15.967)
Balance at the end of the year	(1.595.764)	(1.293.600)

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

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

	31 December 2018	31 December 2017
Current tax liability		
Current corporate tax provision	2.787.310	624.650
Less: prepaid taxes and fuds	-	(56.278)
	2.787.310	568.372

Tax expense consists of below:	1 January- 31 December 2018	1 January- 31 December 2017
Current tax expense	4.602.648	624.650
Deferred tax (expense) / income	(316.687)	(1.309.088)
	4.285.961	(684.438)

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 31 December 2018 is 22 % (31 December 2017: 20 %) for the Group.

The effective tax rate in UK in 2018 is 19 % (2017: 20 %).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2018 is 22 %. (31 December 2017: 20 %).

With the Law No. 7061 "Amendment of Some Tax Laws and Some Other Laws" adopted on 28 November 2017, the 20% tax rate stipulated in the first paragraph of Article 32 of the Corporate Tax Law No: 5520 is temporary changed to 22% tax rate for the tax years of 2018,2019,2020.

In addition, the same Corporate Tax Law No. 5520 of Article 5 first paragraph section e states "The profits ,from the sale of the immovables in the assets of the institutions for at least two full years, tax exempted portion is changed from75 % to 50%". Therefore, timing differences in the deferred tax calculation processing companies in Turkey in 2020, which is 22% ; in the transactions with short and longer maturities, the deferred tax asset and liability is calculated according to 22% and 20% by taking into consideration the time dimension of the effect.

There is no procedure for a final and definitive agreement on tax assessment in Turkey. 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.

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

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

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.

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.

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.

Since the Turkish Tax Legislation does not permit a parent company and its subsidiaries to prepare a consolidated tax return, the tax provisions have been calculated on a separate-entity basis, as reflected in the accompanying consolidated financial statements. In this context, deferred tax assets and liabilities of the consolidated entities are presented separately in the accompanying consolidated financial statements.

In the consolidated financial statements as of December 31, 2018, deferred tax assets and liabilities are calculated with the tax rate of 22% for temporary tax losses that will be effected in 2018, 2019 and 2020, and 20% for temporary differences in 2021 taxable and subsequent periods.

Temporary timing differences taken as a basis for deferred tax	31 December 2018	31 December 2017
- Depreciation and amortization differences of property, plant and equipment and intangible assets, foreign exchange and interest expensed and revaulation differences	(47.024.918)	(32.431.631)
- Inventory profit margin elimination adjustment	5.904.321	3.729.049
- Provision for employement termination benefits	5.114.424	4.209.250
- Unused vacation pay accruals	364.476	260.328
- Provision for impairment of inventories	717.925	518.220
- Prepaid expenses adjustment	-	228.750
- Other	3.602	553.368
	(34.920.170)	(22.932.666)

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

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

Deferred tax assets / (liabilities)	31 December 2018	31 December 2017
- Depreciation and amortization differences of property, plant and equipment and intangible assets, foreign exchange and interest expensed and revaulation differences	(5.119.695)	(3.740.223)
- Inventory profit margin elimination adjustment	1.298.951	559.448
- Provision for employement termination benefits	1.022.885	1.102.793
- Unused vacation pay accruals	72.895	57.272
- Provision for impairment of inventories	157.944	114.008
- Prepaid expenses adjustment	-	50.325
- Other	6.710	386.094
	(2.560.310)	(1.470.283)

Movement of deferred tax assets:	1 January- 31 December 2018	1 January- 31 December 2017
Opening balance at 1 January	(1.470.283)	357.287
Charged to statement of profit or loss	316.687	1.309.088
Charged to equity	(1.406.714)	(3.136.658)
Closing balance as at 31 December	(2.560.310)	(1.470.283)

	31 December 2018	31 December 2017
Deferred tax assets	1.437.976	576.088
Deferred tax liabilities	(3.998.286)	(2.046.371)
	(2.560.310)	(1.470.283)

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

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

Deferred tax	1 January- 31 December 2018	1 January- 31 December 2017
Recognized in equity:		
-Properties revaluation reserves	(1.519.494)	(3.120.691)
-Actuarial gain	75.541	(15.967)
Total income tax recognized in equity	(1.443.953)	(3.136.658)

Tax Effects related to components of Other Comprehensive Income:

	1 January - 31 December 2018		
	Before Tax Amount	Tax Expense / Income	Net of Tax Amount
Gains on revaluation of property, plant and equipment	11.010.470	(1.519.494)	9.490.976
Actuarial loss on post employee benefit obligations	(377.703)	75.541	(302.162)
Other comprehensive income	10.632.767	(1.443.953)	9.188.814

	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	(3.134.599)	17.372.607
Actuarial loss on post employee benefit obligations	79.836	(15.967)	63.869
Other comprehensive income	20.587.042	(3.150.566)	17.436.476

23. EARNINGS /(LOSS) PER SHARE

As of 31 December 2018 and 2017, the Group's weighted average number of shares and computation of earnings per share set out here are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Average number of shares outstanding during the period	1.657.578.750	1.657.578.750
Net (loss) for the period attributable to owners	14.421.705	9.334.973
Earning / (Loss) per share	0,0087	0,0056

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

24. FINANCIAL LIABILITIES

a) Bank Loans

Financial liabilities	31 December 2018	31 December 2017
Short term bank loans	37.566.079	27.092.481
Short term portion of long term loans	6.847.738	2.802.802
Short term leasing payables	7.213.229	3.152.543
Other financial liabilities	1.116.592	1.949.968
Total short term financial liabilities	52.743.638	34.997.794
Long term bank loans	21.063.578	2.263.600
Long term leasing payables	30.151.369	22.471.561
Total long term financial liabilities	51.214.947	24.735.161
Total financial liabilities	103.958.585	59.732.955

Currency	Weighted average effective Interest Rate	31 December 2018 Short Term	31 December 2018 Long Term
TL	%18,68	3.256.715	-
EUR	%4,79	5.265.246	21.063.578
GBP	%1,55	35.891.856	-
Bank loans		44.413.817	21.063.578

Currency	Weighted average effective Interest Rate	31 December 2017 Short Term	31 December 2017 Long Term
TL	%15,40	9.991.108	2.263.600
EUR	%5,00	1.775.389	-
GBP	%1,21	18.128.786	-
Bank loans		29.895.283	2.263.600

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

24. FINANCIAL LIABILITIES (cont'd)

a) Bank Loans (cont'd)

Maturities of bank loans are as follow:

	31 December 2018	31 December 2017
Within 1 year	44.413.817	29.895.283
Within 1 - 2 years	4.788.477	2.263.600
Within 2 - 3 years	4.482.400	-
Within 3 - 4 years	4.195.588	-
Within 4 - 5 years	3.925.638	-
More than 5 years	3.671.475	-
	65.477.395	32.158.883

As of 31 December 2018, the amount of Guarantees given related to ongoing bank loans is TL 39.122.445, TL 35.891.856 of the total amount consist of guarantee letters and rest of the remaining amount to TL 3.230.589 consist of shareholders personal sureties (31 December 2017: 18.212.875 TL letter of guarantee, 13.903.866 TL personal guarantee) (Note 11).

Except the guarantee letters mentioned above; because of the characteeristic of discount loans used by the entity, on behalf of the entity, the amount of TL 1.995.601 in bank accounts is blocked by a rate of %3,75 - %4,50 until the maturity date (31 December 2017: TL 1.746.270) (Note 13).

b) Financial Lease Payables

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
Financial lease payables	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Within one year	9.426.618	4.736.988	7.213.229	3.152.543
In the two to ten years	34.407.001	26.525.372	30.151.369	22.471.561
	43.833.619	31.262.360	37.364.598	25.624.104
Less: Future finance charges	(6.469.021)	(5.638.256)		
Present value of financial lease payables	37.364.598	25.624.104		
Less: Amounts due to settlement within twelve months (disclosed in current liabilities)	(7.213.229)	(3.152.543)		
Amounts due for settlement after 12 months	30.151.369	22.471.561		

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

24. FINANCIAL LIABILITIES (cont'd)

b) Financial Lease Payables (cont'd)

	Weighted average effective	31 December 2018	
Currency	Interest Rate	Short Term	Long Term
USD	%6,50	5.830.525	26.008.583
EUR	%6,80	1.382.704	4.142.786
Financial lease payables		7.213.229	30.151.369

	Weighted average effective	31 December 2017	
Currency	Interest Rate	Short Term	Long Term
USD	%6,50	3.013.378	22.423.236
EUR	%6,00	139.165	48.325
Financial lease payables		3.152.543	22.471.561

c) Other Financial Liabilities

Other financial liabilities	31 December 2018	31 December 2017
Credit card payables (*)	1.116.592	1.949.968
	1.116.592	1.949.968

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

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.

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

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 2018 and 2017 net debt/total capital ratio is presented below:

	31 December 2018	31 December 2017
Total borrowings	115.082.852	66.952.462
Less (-): Cash and cash equivalents	(9.885.694)	(9.059.515)
Net Liability	105.197.158	57.892.947
Total shareholders equity	62.480.902	39.687.862
Total shareholders equity	167.678.060	97.580.809
Net liability / total capital ratio	62,74%	59,33%

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.

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

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

b.1) Credit Risk Management

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2018	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**
Maximum credit risk as of balance sheet date (*)	-	54.531.265	-	401.172	9.881.571
- The part of maximum risk under guarantee with colleteral, etc.	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	-	48.016.301	-	401.172	9.881.571
B. Carrying value of financial assets that are renogiated, if not that will be accepted as part due nor impaired.	-	-	-	-	-
C. Carrying value of financial assets that are past due but not	-	6.514.964	-	-	-
- the part under guarantee with collateral, etc.	-	-	-	-	-
D. Carried value of impaired assets					
- Past due (gross carrying amount)	-	201.915	-	-	-
- Impairment	-	(201.915)	-	-	-
- The part of net value under guarantee with colleteral 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

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

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

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

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2017	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**
Maximum credit risk as of balance sheet date (*)	-	19.577.432	-	315.822	8.707.440
- The part of maximum risk under guarantee with colleteral, etc.	-	-	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	-	15.771.866	-	315.822	8.707.440
B. Carrying value of financial assets that are renogiated, if not that will be accepted as part due nor impaired.	-	-	-	-	-
C. Carrying value of financial assets that are past due but not	-	3.805.566	-	-	-
- the part under guarantee with collateral, etc.	-	-	-	-	-
D. Carried value of impaired assets					
- Past due (gross carrying amount)	-	63.968	-	-	-
- Impairment	-	(63.968)	-	-	-
- The part of net value under guarantee with colleteral 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.

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

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

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

Trade Receivables	31 December 2018	31 December 2017
Overdue 1- 30 days	4.585.346	4.782.001
Overdue 1- 3 months	1.702.817	28.373
Overdue 3- 12 months	226.801	72.920
Total overdue receivables	6.514.964	4.883.294

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.

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

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

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

31 December 2018 Maturities per contract	Carrying amount	Total cash outflow in accordance with contracts (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial instruments						
Bank loans	65.477.395	67.431.565	14.614.326	29.526.494	23.290.745	-
Obligation under finance leases	37.364.598	43.833.619	2.286.362	7.140.256	34.407.001	-
Other financial liabilities	1.116.592	1.116.592	1.116.592	-	-	-
Trade payables	33.742.785	34.227.230	30.835.656	3.391.574	-	-
Other payables	12.413.581	12.228.722	12.228.722	-	-	-
Total liabilities	150.114.951	158.837.728	61.081.658	40.058.324	57.697.746	-

31 December 2017 Maturities per contract	Carrying amount	Total cash outflow in accordance with contracts (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial instruments						
Bank loans	32.158.883	33.452.402	10.877.571	20.162.207	2.412.624	-
Obligation under finance leases	25.624.104	31.262.360	1.571.617	3.165.371	20.877.645	5.647.727
Other financial liabilities	1.949.968	1.949.980	1.949.980	-	-	-
Trade payables	27.224.105	27.224.105	23.201.022	4.023.083	-	-
Other payables	9.072.700	9.509.199	180.176	274.693	9.054.330	-
Total liabilities	96.029.760	103.398.046	37.780.366	27.625.354	32.344.599	5.647.727

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

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:

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

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

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

31 December 2018	TL Equivalent	US Dollar	EUR	GBP	CHF	Other
1. Trade Receivables	20.592.435	930.566	1.917.165	622.316	-	-
2a. Monetary Financial Assets	8.330.165	152.962	614.938	529.848	360	207.859
2b. Non-monetary Financial Assets	793.441	-	131.626	-	-	-
3. Other	2.385.770	3.417	51.210	302.692	8.500	-
4. CURRENT ASSETS	32.101.811	1.086.946	2.714.939	1.454.856	8.860	207.859
6. Other	187.183	35.580	-	-	-	-
7. NON-CURRENT ASSETS	187.183	35.580	-	-	-	-
8. TOTAL ASSETS	32.288.994	1.122.526	2.714.939	1.454.856	8.860	207.859
9. Trade Payables	6.861.528	35.469	792.585	248.293	-	174.849
10. Financial Liabilities	59.857.014	1.004.474	3.098.991	5.395.000	-	-
11. CURRENT LIABILITIES	66.718.541	1.039.943	3.891.576	5.643.293	-	174.849
12. Financial Liabilities	51.059.450	4.856.255	4.232.113	-	-	-
13. Monetary Other Liabilities	-	-	-	-	-	-
14. NON-CURRENT LIABILITIES	51.059.450	4.856.255	4.232.113	-	-	-
15. TOTAL LIABILITIES	117.777.992	5.896.198	8.123.690	5.643.293	-	174.849
16. TOTAL LIABILITIES	117.777.992	5.896.198	8.123.690	5.643.293	-	174.849
17. Net Foreign Currency Assets/ (Liabilities) Position (7-15)	(85.488.998)	(4.773.672)	(5.408.751)	(4.188.437)	8.860	33.010
18. Monetary Items Net Foreign Currency Assets / Liabilities Position (1+2a+3+6-11-14)	(86.282.439)	(4.773.672)	(5.540.376)	(4.188.437)	8.860	33.010

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

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

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

31 December 2017	TL Equivalent	US Dollar	EUR	GBP	CHF	Other
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	421.645	-	93.377	-	-	-
3. Other	2.160.557	2.136	290.208	159.302	8.500	-
4. CURRENT ASSETS	22.795.853	544.527	2.564.852	1.758.138	15.503	155.688
5. Non-monetary Financial Assets	1.806.200	-	400.000	-	-	-
6. Other	134.204	35.580	-	-	-	-
7. NON-CURRENT ASSETS	1.940.404	35.580	400.000	-	-	-
8. TOTAL ASSETS	24.736.257	580.107	2.964.852	1.758.138	15.503	155.688
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	-	-
11. CURRENT LIABILITIES	25.555.145	1.006.704	979.041	3.402.348	13.529	-
12. Financial Liabilities	22.481.088	5.944.812	12.812	-	-	-
13. Monetary Other Liabilities	9.031.000	-	2.000.000	-	-	-
14. NON-CURRENT LIABILITIES	31.512.088	5.944.812	2.012.812	-	-	-
15. TOTAL LIABILITIES	57.067.233	6.951.516	2.991.853	3.402.348	13.529	-
16. TOTAL LIABILITIES	57.067.233	6.951.516	2.991.853	3.402.348	13.529	-
17. Net Foreign Currency Assets/ (Liabilities) Position (8-16)	(32.330.976)	(6.371.409)	(27.000)	(1.644.210)	1.974	155.688
18. Monetary Items Net Foreign Currency Assets / Liabilities Position (1+2a+3+6-11-14)	(34.558.821)	(6.371.409)	(520.377)	(1.644.210)	1.974	155.688

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.

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

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

b.3.1) Foreign_currency risk management (cont'd)

	31 December 2018		**31 December 2017**	
	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	(2.511.381)	2.511.381	(2.403.232)	2.403.232
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- USD net effect (1+2)	(2.511.381)	2.511.381	(2.403.232)	2.403.232
	If Euro appreciated against TL by 10%			
4 - Euro net assets / liabilities	(3.339.739)	3.339.739	(234.976)	234.976
5 - Part of hedged from Euro risk (-)	-	-		
6- Euro net effect (4+5)	(3.339.739)	3.339.739	(234.976)	234.976
	If Sterling appreciated against TL by 10%			
7- Sterling net assets / liabilities	(2.786.483)	2.786.483	(835.308)	835.308
8- Part of hedged from Sterling risk (-)	-	-	152.409	-
9- Sterling net effect (7+8)	(2.786.483)	2.786.483	(682.899)	835.308
	If Swiss Frank appreciated against TL by 10%			
10- Swiss frank net assets/liabilities	4.727	(4.727)	761	(761)
11- Part of hedged from Swiss frank (-)	-	-	-	-
12- Swiss Frank net effect (10+11)	4.727	(4.727)	761	(761)
	If Polish Zloty appreciated against TL by 10%			
13- Polish Zloty net assets/liabilities	4.632	(4.632)	16.873	(16.873)
14- Part of hedged from Polish Zloty (-)	-	-	-	-
15- Polish Zloty net effect (13+14)	4.632	(4.632)	16.873	(16.873)
Total (3+6+9+12+15)	(8.628.244)	8.628.244	(3.303.473)	3.455.882

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

	31 December 2018	31 December 2017
Fixed Interest Rate Instruments		
Financial Liabilities	102.841.993	69.523.481

The Group has no liability for variable interest rate finance.

(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

31 December 2018	Financial assets at amortizated costs	Financial liabilities at amortizated costs	Book value
Financial Assets			
Cash and cash equivalents	9.885.694	-	9.885.694
Trade receivables	54.531.265	-	54.531.265
Other receivables	401.172	-	401.172
Other current assets	2.041.168	-	2.041.168
Financial liabilities			
Borrowings	-	103.958.585	103.958.585
Trade payables	-	33.742.785	33.742.785
Other payables	-	12.413.581	12.413.581

31 Aralık 2017	Financial assets at amortizated costs	Financial liabilities at amortizated costs	Book value
Financial Assets			
Cash and cash equivalents	9.059.515	-	9.059.515
Trade receivables	31.256.716	-	31.256.716
Other receivables	315.822	-	315.822
Other current assets	1.748.200	-	1.748.200
Financial liabilities			
Borrowings	-	59.732.955	59.732.955
Trade payables	-	27.224.105	27.224.105
Other payables	-	9.072.700	9.072.700

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

27. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

	31 December 2018	31 December 2017
Cash	16.107	9.500
Cash at banks	9.881.571	9.050.015
Demand deposits	*9.881.571*	*3.320.290*
Time deposits less than 3 months maturity	-	*5.729.725*
Expected loss provision (-)	(11.984)	-
	9.885.694	9.059.515

Currency	Interest rate (%)	Maturity	31 December 2018
Turkish Lira	-	-	-
Euro	-	-	-
			-

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

28. EVENTS AFTER REPORTING DATE

None.