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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018 AND REVIEW REPORT

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

Building a better
working world

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(Convenience translation of a report and condensed consolided financial statements originally issued in Turkish)

Report on Review of Interim Condensed consolidated Financial Statements

To the Board of Directors of
Duran Doğan Basım ve Ambalaj Sanayi A.Ş.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Duran Doğan Basım ve Ambalaj Sanayi A.Ş.. (the Company) and its subsidiaries (the Group) as of June 30, 2018 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

Other matter

The financial statements of the Group prepared in accordance with financial reporting standards issued by Public Oversight Accounting and Auditing Standards Authority as of December 31, 2017 and June 30, 2017, were audited and reviewed by another audit firm whose independent auditor's report thereon dated March 12, 2018 and August 18, 2017 expressed an unqualified opinion and an unqualified conclusion.

Additional paragraph for convenience translation into English of financial statements originally issued in Turkish

As of June 30, 2018, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Onur Ünal, SMMM
Partner

August 17,2018
İstanbul, Turkey

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

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

	Notes	Reviewed Current Period 30 June 2018	Audited Prior Period 31 December 2017
ASSETS			
Current Assets		**74.572.686**	**67.273.542**
Cash and Cash Equivalents	22	7.493.159	9.059.515
Trade Receivables		34.144.610	31.256.716
Trade Receivables from Related Parties	*5*	*11.149*	-
Trade Receivables from Third Parties	*6*	*34.133.461*	*31.256.716*
Other Receivables		76.828	49.028
Other Receivables from Third Parties		*76.828*	*49.028*
Inventories	7	27.186.972	23.479.980
Prepaid Expenses		2.297.034	1.186.280
Other Current Assets		3.374.083	2.242.023
Non-Current Assets		**108.522.789**	**80.688.167**
Other Receivables		313.179	266.794
Other Receivables from Third Parties		*313.179*	*266.794*
Property, Plant and Equipment	8	104.790.691	76.830.713
Intangible Assets	9	1.652.895	1.208.372
Prepaid Expenses		-	1.806.200
Deferred Tax Assets	17	1.766.024	576.088
TOTAL ASSETS		**183.095.475**	**147.961.709**

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

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

	Notes	Reviewed Current Period 30 June 2018	Audited Prior Period 31 December 2017
LIABILITIES			
Current Liabilities		**88.486.843**	**65.727.155**
Short-Term Borrowings	19	29.926.041	30.245.024
Short-Term Portion of Long-term Borrowings	19	4.749.028	2.802.802
Other Financial Liabilities	19	1.750.037	1.949.968
Trade Payables		34.613.584	27.224.105
Trade Payables to Related Parties	*5*	*513.764*	*851.326*
Trade Payables to Third Parties	*6*	*34.099.820*	*26.372.779*
Payables Related to Employee Benefits		1.797.959	1.097.793
Other Payables		10.853.669	180.175
Other Payables to Related Parties		*10.767.144*	*138.475*
Other Payables to Third Parties		*86.525*	*41.700*
Deferred Income		2.709.285	1.013.924
Current Income Tax Liabilities		823.676	227.981
Short-Term Provisions		438.240	879.238
Short-Term Provisions for Employee Benefits		*421.803*	*873.950*
Other Short-Term Provisions		*16.437*	*5.288*
Other Current Liabilities		825.324	106.145
Non-Current Liabilities		**53.265.012**	**40.496.124**
Long-Term Borrowings	19	46.870.033	24.735.161
Other Payables			
Other Payables to Related Parties	5	-	9.031.000
Long-Term Provisions		3.997.877	4.209.250
Long-Term Provisions for Employee Benefits		*3.997.877*	*4.209.250*
Deferred Tax Liabilities	17	2.397.102	2.520.713
EQUITY		**41.343.620**	**41.738.430**
Equity Attributable to Owners of the Company		**41.315.259**	**41.710.016**
Share Capital	11	16.575.788	16.575.788
Adjustments to Share Capital		6.436.501	6.436.501
Share Premium		5.220	5.220
Restricted Reserves Appropriated from Profit	11	325.455	325.455
Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss		34.000.425	33.792.080
-Revaluation and Remeasurement Gains		*35.072.866*	*35.085.680*
-Defined Benefits		*(1.072.441)*	(1.293.600)
Other Comprehensive Income or Expenses that will be Reclassified Subsequently to Profit or Loss		(963.367)	(541.409)
-Foreing Currency Translation Differences		*(963.367)*	*(541.409)*
Accumulated Losses		(14.987.454)	(26.017.114)
Net Profit / (Loss) for the Period		(77.309)	11.133.495
Non-Controlling Interests		**28.361**	**28.414**
TOTAL LIABILITIES		**183.095.475**	**147.961.709**

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPHERENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

	Notes	Reviewed Current Period 1 January- 30 June 2018	Unreviewed Current Period 1 April- 30 June 2018	Restated Reviewed Prior Period 1 Ocak- 30 Haziran 2017	Restated Unreviewed Prior Period 1 April- 30 June 2017
PROFIT AND LOSS					
Revenue	12	77.162.407	38.117.806	63.670.417	33.621.478
Cost of sales (-)	12	(58.970.047)	(28.064.833)	(48.583.605)	(27.174.438)
GROSS PROFIT		**18.192.360**	**10.052.973**	**15.086.812**	**6.447.040**
Administrative expenses (-)	13	(6.153.565)	(3.141.847)	(5.124.240)	(2.756.829)
Marketing expenses (-)	13	(5.895.022)	(3.114.021)	(4.432.248)	(2.248.675)
Other income from operating activities	14	8.234.784	3.947.006	5.800.457	1.827.179
Other expenses from operating activities (-)	14	(4.042.623)	(1.808.315)	(4.597.784)	(1.693.058)
OPERATING PROFIT		**10.335.934**	**5.935.796**	**6.732.997**	**1.575.657**
Income from investing activities	15	1.507.695	-	-	-
OPERATING PROFIT BEFORE FINANCE EXPENSE		**11.843.629**	**5.935.796**	**6.732.997**	**1.575.657**
Financial expenses	16	(11.457.221)	(7.349.377)	(4.549.709)	(1.148.665)
PROFIT / (LOSS) BEFORE TAX		**386.408**	**(1.413.581)**	**2.183.288**	**426.992**
Tax Expense		**(463.719)**	**203.581**	**841.545**	**803.713**
Current tax expense	17	(1.803.393)	(826.248)	(1.036)	(1.036)
Deferred Tax Income / (Expense)	17	1.339.674	1.029.829	842.581	804.749
PROFIT / (LOSS) FOR THE PERIOD		**(77.311)**	**(1.210.000)**	**3.024.833**	**1.230.705**
Profit / (Loss) for the Period Attributable to					
Non-controlling interests		(2)	(3)	(17)	72
Equity holders of the parent company		(77.309)	(1.209.997)	3.024.850	1.230.633
		(77.311)	**(1.210.000)**	**3.024.833**	**1.230.705**
Profit / (Loss) Per Share	18	(0,00005)	(0,0013)	0,0018	0,0016
Other Comprehensive Income;					
Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss		**221.159**	**(72.191)**	**18.800.305**	**69.705**
Revaluation gains on tangible assets		-	-	*20.026.020*	*87.146*
Actuarial gain / (loss) on defined		*276.449*	*(90.239)*	-	-
Tax (expense) / income on other comprehensive income items		*(55.290)*	*18.048*	*(1.225.715)*	*(17.441)*
Other Comprehensive Income or Expenses that will be Reclassified Subsequently to Profit or Loss		**(421.958)**	**(226.169)**	**(124.722)**	**(16.274)**
Foreing currency translation differences		*(421.958)*	*(226.169)*	*(124.722)*	*(16.274)*
Other Comprehensive Income / (Expense)		(200.799)	(298.360)	18.675.583	53.431
Total Comprehensive Income / (Expense)		**(278.110)**	**(1.508.360)**	**21.700.416**	**1.284.136**
Total Comprehensive Income / (Expense) Distribution					
Non-controlling interests		(53)	(8)	15.028	125
Parent company shares		(278.057)	(1.508.352)	21.685.388	1.284.011

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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	Accumulated Gain/Loss on Revaluation Non-current Assets	Accumulated Loss on Remeasurement of Defined Benefit Plans	Foreing Currency Translation Differences	Restricted Reserves Appropriated from Profit	Accumulated Losses	Net (Loss) / Profit for the Period	Equity Attributable to Owners of the Company	Non-controlling Interests	Total Equity
Balance as at 1 January 2017	**16.575.788**	**6.436.501**	**5.220**	**17.738.889**	**(1.357.469)**	**(148.210)**	**325.455**	**(19.383.015)**	**(5.318.125)**	**14.875.034**	**14.457**	**14.889.491**
Transfers	-	-	-	-	-	-	-	(5.318.125)	5.318.125	-	-	-
Total Comprehensive Income												
- *Revaluation Gains*	-	-	-	18.800.305	-	-	-	-	-	18.800.305	15.045	**18.815.350**
- *Amortization effect of revaluation gains*	-	-	-	(12.907)	-	-	-	12.907	-	-	-	-
- *Foreign currency translation difference*	-	-	-	-	-	(124.722)	-	-	-	(124.722)	-	**(124.722)**
- *Net profit for the period*	-	-	-	-	-	-	-	-	4.554.390	4.554.390	(17)	**4.554.373**
Balance as at 30 June 2017	**16.575.788**	**6.436.501**	**5.220**	**36.526.287**	**(1.357.469)**	**(272.932)**	**325.455**	**(24.688.233)**	**4.554.390**	**38.105.007**	**29.485**	**38.134.492**
Effect of adjustments made in accordance with TAS 8									**(1.529.540)**	**(1.529.540)**		**(1.529.540)**
Balance as at 30 June 2017 (Restated)	**16.575.788**	**6.436.501**	**5.220**	**36.526.287**	**(1.357.469)**	**(272.932)**	**325.455**	**(24.688.233)**	**3.024.850**	**36.575.467**	**29.485**	**36.604.952**

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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	Accumulated Gain/Loss on Revaluation Non-current Assets	Accumulated Loss on Remeasurement of Defined Benefit Plans	Foreing Currency Translation Differences	Restricted Reserves Appropriated from Profit	Accumulated Losses	Net (Loss) / Profit for the Period	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**
Effect of readjustments made in accordance with TAS 8								**(116.649)**		**(116.649)**		**(116.649)**
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**	**(26.133.763)**	**11.133.495**	**41.593.367**	**28.414**	**41.621.781**
Transfers	-	-	-	-	-	-	-	11.133.495	(11.133.495)	-	-	-
Total Comprehensive Income												
- *Accumulated Loss on Remeasurement of Defined Benefit Plans*	-	-	-	-	221.159	-	-	-	-	221.159	-	**221.159**
- *Revaluation Gains*	-	-	-		-	-	-	-	-	-		-
- *Amortization effect of revaluation gains*	-	-	-	(12.814)	-	-	-	12.814	-	-	(51)	**(51)**
- *Foreign currency translation differences*	-	-	-	-	-	(421.958)	-	-	-	(421.958)	-	**(421.958)**
- *Net profit for the period*	-	-	-	-	-	-	-	-	(77.309)	(77.309)	(2)	**(77.311)**
Balance as at 30 June 2018	**16.575.788**	**6.436.501**	**5.220**	**35.072.866**	**(1.072.441)**	**(963.367)**	**325.455**	**(14.987.454)**	**(77.309)**	**41.315.259**	**28.361**	**41.343.620**

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

A. Cash flow from operating activities	**Notes**	**Reviewed Current Period 1 January- 30 June 2018**	**Restated Reviewed Prior Period 1 January- 30 June 2017**
Net Profit / (Loss) for the period		**(77.311)**	**3.024.833**
- Adjustments related to depreciation and amortization	8-9	2.769.881	3.673.903
- Adjustments related to gain/(loss) on sale of property, plant and equipment	15	(1.507.695)	-
- Adjustments related to provision for employment termination benefits		526.133	894.870
- Adjustments related to royalty provisions		16.437	8.341
- Adjustments related to provision for unused vacation		161.475	97.442
- Adjustments related to provision for doubtful receivables	6	28.776	25.004
- Adjustments related to allowance for impairment of inventory	7	781.226	(114.879)
- Fair value changes of derivative financial assets and liabilities		-	323.041
- Adjustments related to tax income/expense	17	463.719	(841.545)
- Adjustments related to interest income		-	(134.023)
- Adjustments related to interest expense	16	961.530	2.321.817
- Adjustments related to unrealized foreign currency translation differences		8.718.391	718.588
Total adjustment to net profit for the period		**12.842.562**	**9.997.392**
Changes in working capital			
- Changes in trade receivables from related parties		(11.149)	-
- Changes in trade receivables		(2.905.521)	(2.491.998)
- Changes in inventories		(4.488.218)	(4.976.901)
- Changes in other receivables and assets		(510.799)	(969.263)
- Changes in trade payables		7.727.041	7.590.439
- Changes in trade payables to related parties		(337.562)	(179.735)
- Changes in payables related to employee benefits		700.166	206.110
- Changes in other payables and liabilities		1.236.931	4.981.451
		14.253.451	**14.157.495**
- Royalty paid		(5.288)	(8.251)
- Premium paid		(613.622)	-
- Interest paid		(1.001.573)	(1.792.302)
- Interest received		-	131.068
- Termination benefits paid		(461.056)	(69.597)
- Tax paid		(227.981)	-
Net cash generated from operating activities		**11.943.931**	**12.418.413**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

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

	Notes	Reviewed Current Period 1 January- 30 June 2018	Restated Reviewed Prior Period 1 January- 30 June 2017
B. Cash flow from investing activities			
- Proceeds from sales of property, plant and equipment		1.651.720	-
- Payments for the purchase of tangible assets		(29.253.709)	(395.797)
- Payments for the purchase of intangible assets		(626.832)	(317.444)
		(28.228.821)	**(713.241)**
B. Cash flow from financing activities			
- Proceeds from loans		52.645.572	17.370.410
- Loan repayments		(36.040.062)	(26.887.623)
- Payments of finance lease liabilities		(1.372.210)	(2.176.633)
- Change in financial liabilities to related parties		-	586.200
- Change in other financial liabilities		(199.931)	(37.635)
		15.033.369	**(11.145.281)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		(1.251.521)	559.891
D.EFFECT OF EXCHANGE RATE CHANGES			
D.EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(314.814)	315.961
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(1.566.335)**	**875.852**
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 PERIOD (A+B+C+D+E)	22	**7.493.180**	**9.598.878**

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Duran Doğan Basım ve Ambalaj Sanayi A.Ş. ("Company") and its subsidiaries which are Dudo İthalat ve İhracat Pazarlama A.Ş. and Dudo UK Ltd.'s (together "Group") main activity is to 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 Turkey in 1975 and its headquarter is in Hadımköy Mahallesi Mustafa İnan Cad. No:41 Arnavutköy / İSTANBUL. Of its Subsidiaries, Dudo İthalat ve İhracat Pazarlama A.Ş. is located in Turkey and Dudo UK Ltd. is located in United Kingdom.

The Company is registered with the Capital Market Board (CMB) and its shares are traded at Istanbul Stock Exhange Market.

Total number of personnel employed at Group as of 30 June 2018 is 253 (31 December 2017: 245, 31 December 2016: 245).

Major shareholders of the 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%).

<u>Confirmation of Condensed Consolidated Financial Statements:</u>

Condensed consolidated financial statements were ratified by the Board of Directors and authorised for issue there on 17 August 2018. The General Assembly of the Company has the authority to modify the condensed consolidated financial statements.

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The condensed 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 ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") and the attachments and comments related with these standards. It was also presented in accordance with the TAS taxonomy published by the POA on June 2, 2016 with the decision numbered 30.

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

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

Basis of Presentation of Condensed Consolidated Financial Statements and Significant Accounting Policies

The Company and its Turkish subsidiaries maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC") and accounting principles defined by tax legislation.

The condensed 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 ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") and the attachments and comments related with these standards.

The CMB has permitted publicly traded companies to apply the full set or condensed presentation of interim financial statements in accordance with TMS 34 "Interim Financial Statements". Accordingly, the Group has preferred to prepare the condensed presentation of the financial statements at the interim period end as of 30 June 2018.

The descriptions and disclosures which are needed in the financial statements prepared annually complying with TAS/TFRS are summarized appropriately in accordance with TAS 34 or not mentioned. The accompanying condensed consolidated financial statements have to be considered with the consolidated financial statements which are independently audited as of 31 December 2017 and the related disclosures. Interim periods' financial statements cannot be the sole indicator of the year-end results by themselves.

The Group continues to apply the same accounting policies and accounting estimate methods which are mentioned in the consolidated financial statements as of 31 December 2017.

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

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

2.1 Basis of Presentation (cont'd)

Comparative Information and Restatement of Prior Period Consolidated Financial Statements:

The Group's condensed 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.

Due to the analysis performed by the Group management during the year 2017, they identified an error on inventory profit margin elimination related to Dudo UK Ltd inventories which is not sold as of reporting date. The restatement is considered to be an error in the consolidated financial statements in accordance with TAS 8 and needs to be adjusted retrospectively. The related adjustment is also made on the interim income statement as of 30 June 2017. The effects of the adjustment are as follows:

	Previously reported 1 January-30 June 2017	Effects of Restatement	Restated Prior Year 1 January-30 June 2017
Revenue	65.582.343	(1.911.926)	63.670.417
Deferred Tax Income	459.159	382.386	841.545
Equity	38.134.492	(1.529.540)	36.604.952
Net Profit for the Period	4.554.373	(1.529.540)	3.024.833
Profit Per Share	0,0027	(0,0001)	0,0018

Basis of Consolidation

Subsidiaries:

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to variable interests due to its relationship with the entity or has a right on these interests and at the same time has an opportunity to influence these interests with its power on the entity which it invests on. The financial statements of subsidiaries are included in the Consolidated Financial Statements as of the date on which control commenced.

The amounts corresponding to the non-controlling share of the net assets of the consolidated subsidiary are determined separately from the amount corresponding to the main partnership. The amounts attributable to non-controlling interests in the net assets consist of non-controlling interests at the date of the business combination and subsequent non-controlling interests in changes in equity after the date of the business combination. Any portion of profit or loss and other comprehensive income is transferred to the parent shareholders and non-controlling interests. Even if the entity has a negative balance in the non-controlling interests, the total comprehensive income is transferred to the parent shareholders and non-controlling interests.

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd);

As of June 30, 2018 and December 31, 2017, the Company's consolidated subsidiary ("Subsidiary"), its core business and share of direct and indirect capital are as follows:

	30 June 2018		31 December 2017	
	Direct Ownership	Indirect Ownership	Direct Ownership	Indirect Ownership
Subsidiary	%	%	%	%
Dudo İthalat ve İhracat Pazarlama A.Ş.	99,92	99,92	99,92	99,92
Dudo UK Ltd.	100,00	100,00	100,00	100,00

Adjustments in Consolidation:

The financial statements and the profit or loss statements of the companies included in the consolidation have been consolidated by using the full consolidation method and their shares in equity have been netted off against the recorded value in the Company's assets. Portions of the net assets of the subsidiaries that are not directly and / or indirectly controlled by the parent company are classified in the Consolidated Statement of Financial Position as "Non-controlling Interests". Portions of subsidiaries' net period profit or loss that are not included in the direct and / or indirect control of the parent company are classified as "Non-controlling share" in the consolidated income statement. In-group transactions and transactions between companies included in the consolidation are eliminated. Profits and losses arising from transactions between one of the Group companies and an associate or a joint venture of the Group are eliminated at the rate of the Group's interest in the relevant subsidiary / joint venture.

2.2 Change in Accounting Estimates and Errors

The Group applied TFRS 9 – Financial Instruments and TFRS 15 – Revenue from Contracts with Customers effective from 1 January 2018 and financial statements effects of the these standards are explained below.

In accordance with TFRS 9's new expected credit losses method, the Group has changed the methodology for allocating the impairment of financial assets. Financial asset items affected by this change are trade receivables and cash and cash equivalents. The Group uses the simplified approach in TFRS 9 to calculate the expected credit losses of such financial assets. This method involves accounting for expected life-time losses for all trade receivables.

Differences in the carrying amount of financial assets and financial liabilities arising from the application of TFRS 9 are recognized in retained earnings as of January 1, 2018.

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

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

2.2 Change in Accounting Estimates and Errors (cont'd)

The Group has applied TFRS 15 Revenue from Contracts with Customers by using "cumulative effect method" on the transition date of 1 January 2018. The cumulative effect adjustment for the first time of this adoption is recognized in retained earnings as of 1 January 2018 and no restatement has been required in the comparative information of the financial statements.The effects of the application of TFRS 15 are mostly attributable to the discounts, turnover premiums etc., provided to the customers by the Group, being accounted for in accordance with TFRS 15.

The summary table of the effects of the changes is as following:

	1 January 2018	**Restatement / Classification**	**1 January 2018 Restated**
Cash and Cash Equivalents	9.059.515	(12.606)	9.046.909
Trade Receivables	31.256.716	(133.207)	31.123.509
Deferred Tax Asset	-	29.163	29.163
EQUITY	**41.738.430**	-	**41.738.430**
Equity Attributable to Owners of the Company	**41.710.016**	-	**41.710.016**
Share Capital	16.575.788	-	16.575.788
Adjustment to Share Capital	6.436.501	-	6.436.501
Share Premium	5.220	-	5.220
Restricted Reserves Appropriated from Profit	325.455	-	325.455
Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss	33.792.080	-	33.792.080
-*Revaluation and Remeasurement Gains*	*35.085.680*	-	*35.085.680*
-*Defined Benefits*	(1.293.600)	-	(1.293.600)
Other Comprehensive Income or Expenses that will be Reclassified Subsequently to Profit or Loss	(541.409)	-	(541.409)
-*Foreing Currency Translation Differences*	*(541.409)*	-	*(541.409)*
Accumulated Losses	(26.017.114)	(116.649)	(26.133.763)
Net Profit / (Loss) for the Period	11.133.495	-	11.133.495
Non-Controlling Interests	**28.414**	-	**28.414**
TOTAL LIABILITIES	**147.961.709**		**147.845.060**

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

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

2.2 Change in Accounting Estimates and Errors (cont'd)

The effects of the application of TFRS 15 and TFRS 9 on the statement of financial position as at June 30, 2018 and on the statement of profit or loss for the 6-month period that ends at the same date are as follows:

	Notes	30 June 2018	TFRS-9 Effects	TFRS-15 Effects	30 June 2018 Without Effects
Current Assets					
Cash and Cash Equivalents	22	7.493.159	(10.467)	-	7.503.626
Trade Receivables	6	34.144.610	(46.366)	(410.444)	34.601.420
Current Assets other than the above items		*32.934.917*	-	-	*32.934.917*
Total Current Assets		**74.572.686**	**(56.833)**	**(410.444)**	**75.039.963**
Total Non-Current Assets		**108.522.789**	**-**	**-**	**108.522.789**
Total Assets		**183.095.475**	**(56.833)**	**(410.444)**	**183.562.752**
Total Liabilities		**141.751.855**	**-**	**-**	**141.751.855**
Equity					
Accumulated Loss		(14.987.454)	(55.630)	(90.183)	(14.841.641)
Net Profit / (Loss) for the Period		(77.309)	(1.203)	(320.261)	244.155
Equity other than the above items		*56.408.383*	-	-	*56.408.383*
Total Equity		**41.343.620**	**(56.833)**	**(410.444)**	**41.810.897**

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

2.3 The New Standards, Amendmends and Interpretations

The Group applied accounting policies adopted in preparation of the interim condensed consolidated financial statements as at June 30, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and Turkey Financial Reporting Interpretation Committee ("TFRIC") interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:

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 effective date is January 1, 2018. Two alternative applications are presented for transition to TFRS 15; full retroactive application or modified retroactive application. If modified retroactive application is preferred, prior periods will not be restated but comparative quantitative information will be provided in the footnotes of the financial statements. The Group has applied modified retrospective application method for the first time application of TFRS 15, effective from January 1, 2018, and the TFRS 15 effect for 2017 is presented in the statement of changes in equity. The effect of the standard on the financial position and performance of the Group is disclosed in Note 2.2.

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. Alternatively, entities may prefer to apply early provisions for the presentation of gains or losses of financial liabilities designated as "fair value change, profit or loss" only, without applying other standard requirements. The Group adopted the simplified method for the first time application of the TFRS 9 Financial Instruments standard effective from January 1, 2018 and recorded the amount of the impairment on the financial assets in the financial statements. The Group has presented the effects of financial instruments under IFRS 9 for the year 2017 in the current period change in equity table. The effect of the standard on the financial position and performance of the Group is disclosed in note 2.2.

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

2.3 The New Standards, Amendmends and Interpretations (cont'd)

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. The amended Standard will:

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

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

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments 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 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 amendments did not have any 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.

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.

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

2.3 The New Standards, Amendmends and Interpretations (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. The amendments are not applicable for the Group and did not have an 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:

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

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

a) Standards issued as of 30 June 2018 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 interim condensed 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. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

2.3 The New Standards, Amendmends and Interpretations (cont'd)

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

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

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

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

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

In December 2017, 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. Overall, the Group expects no significant impact on its balance sheet and equity.

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 interpretation on financial position or performance of the Group.

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

2.3 The New Standards, Amendmends and Interpretations (cont'd)

b) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) as of 30 June 2018

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements – 2011–2013 Cycle

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

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

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

2.3 The New Standards, Amendmends and Interpretations (cont'd)

Annual Improvements – 2015–2017 Cycle

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

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

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. Overall, the Group expects no significant impact on its balance sheet and equity.

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

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. the Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

3. BUSINESS COMBINATIONS

The Group does not have any business combinations to be assessed under TFRS 3.

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

4. SEGMENT REPORTING

The Group started to apply TFRS 8 from 1 January 2013. The authority who is responsible to take decisions about the Group's 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 Pacific and Turkic Republics.

	1 January - 30 June 2018						
	Turkey	Europe	USA	Middle East and Africa	Asia Pacific	Turkic Republics	Total
Gross Sales	42.443.725	25.371.649	1.715.182	6.788.617	235.834	1.778.732	78.333.739

	1 January - 30 June 2017						
	Turkey	Europe	USA	Middle East and Africa	Asia Pacific	Turkic Republics	Total
Gross Sales	34.823.183	16.204.298	970.481	8.247.241	-	3.425.214	63.670.417

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

5. RELATED PARTY DISCLOSURES

a) Receivables from and payables to related parties:

	30 June 2018			
	Receivables	Payables	Payables	Payables
	Short Term	Short Term	Short Term	Long Term
Balances with Related Parties	Trade	Trade	Non-Trade	Non-Trade
Other Companies Managed by the Parent Company				
LGR International Societe Anonyme (*)	-	440.829	10.767.144	-
LGR Emballages S.A.S	11.149	-	-	-
Duran Makina San. ve Tic.A.Ş.	-	72.935	-	-
	11.149	513.764	10.767.144	-

	31 December 2017			
	Receivables	Payables	Payables	Payables
	Short Term	Short Term	Short Term	Long Term
Balances with Related Parties	Trade	Trade	Non-Trade	Non-Trade
Other Companies Managed by the Parent Company				
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

(*) Sort-term non-trade payables to related parties represent the funds lent by LGR International Societe Anonyme's to the Group amounting to EUR 2.000.000 with a due date of 31 January 2019 and an interest rate of 3% + 12-Month EURIBOR.

Interest will not be charged to the trade payables and receivables from related parties.

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

5. RELATED PARTY DISCLOSURES (cont'd)

b) Transactions with related parties:

	1 January - 30 June 2018		
Transactions with Related Parties	Goods and Services Purchased	Goods and Services Sold	Interest Expense
Other Companies Managed by the Parent Company			
LGR International Societe Anonyme (*)	432.523	-	160.451
Duran Makina San. ve Tic.A.Ş.	361.187	4.947	-
Lgr Emballages S.A.S.	-	10.221	-
	793.710	15.168	160.451

	1 January - 30 June 2017		
Transactions with Related Parties	Goods and Services Purchased	Goods and Services Sold	Interest Expense
Other Companies Managed by the Parent Company			
LGR International Societe Anonyme (*)	348.252	-	120.974
Duran Makina San. ve Tic.A.Ş.	26.505	-	-
Lgr Emballages S.A.S.	-	-	-
	374.757	-	120.974

(*) LGR International S.A.S, invoices consulting fee to the Company equaling to 0,5% of the Company's monthly sales for financial consulting, technical consulting and foreign marketing consulting services provided to the Company.

c) The Chairman, Vice Chairman, Other Board Members, General Manager, Assistant General Manager and Financial Affairs Coordinator are included in the scope of benefits provided to top level managers. As of June 30, 2018, the total amount of benefit provided is TL 2.727.771 (June 30, 2017: TL 1.947.256).

	1 January- 30 June 2018	1 January- 30 June 2017
Salary	1.386.000	1.212.000
Bonus	231.000	202.000
Performance Premium	955.600	379.000
Attendance Fee	147.000	147.000
Other Short Term Benefits	8.171	7.256
	2.727.771	**1.947.256**

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

6. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

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

Short term trade receivables	30 June 2018	31 December 2017
Trade Receivables	31.756.633	30.943.524
Notes Receivable	2.606.412	514.000
Trade receivables from related parties (Not 5)	11.149	-
Provision for doubtful receivables (-)	(229.584)	(200.808)
	34.144.610	31.256.716

Average maturity days of trade receivables are 90 days for domestic costumers, 120 days for foreign customers. As of 30 June 2018, provision for doubtful receivables is amounting to TL 229.584 (31 December 2017: TL 200.808).

The Group has provided provision for doubtful receivables for non-collectible receivables. The provision for doubtful receivables has been determined based on past experience of non-collection. When the Group decides that its receivables can not be collected, it assesses whether there is a change in the credit quality of receivables from initial recognition to the reporting date.

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

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

Movement of provisions for doubtful receivables	1 January-30 June 2018	1 January-30 June 2017
Openning balance	200.808	63.968
Charge for the period	28.776	25.004
Closing balance	229.584	88.972

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

6. 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 payables	30 June 2018	31 December 2017
Trade payables	33.761.880	25.862.505
Expense accruals	337.940	510.274
Trade payables to related parties (Not 5)	513.764	851.326
	34.613.584	27.224.105

Average maturity days of payables related raw material purchase is 120 days. (31 December 2017: 120 days).

7. INVENTORIES

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

	30 June 2018	31 December 2017
Raw materials and supplies	11.510.017	9.710.205
Finished goods	16.458.181	14.287.995
Provision for impairment of inventories (-)	(781.226)	(518.220)
	27.186.972	23.479.980

Movements in provision for impairment on inventory during interim periods ending at 30 June 2018 and 2017 are as follow:

Movement of provision for impairment of inventories	1 January- 30 June 2018	1 January- 30 June 2017
Openning balance	(518.220)	(275.087)
Transferred to cost	518.220	275.087
Charge for the period	(781.226)	(160.208)
Closing balance	(781.226)	(160.208)

The cost of goods sold includes provision for impairment of inventories.

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

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Propert, Plant and Equipment	Vehicles	Furniture and Fixtures	Construction in Progress	Leasehold Improvements	Total
Cost and Restated Value								
Openning balance as 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	-	-	2.509.066	-	272.030	27.750.248	160.231	30.691.575
Disposals	-	-	(4.350.826)	-	-	-	-	(4.350.826)
Closing balance as at 30 June 2018	41.000.000	18.714.445	50.606.918	80.508	10.268.081	27.986.712	1.910.988	150.567.652
Accumulated Depreciation								
Openning balance as 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	-	165.484	1.900.739	8.051	324.521	-	188.777	2.587.572
Disposals	-	-	(4.206.801)	-	-	-	-	(4.206.801)
Closing balance as at 30 June 2018	8.112	2.552.673	33.835.068	9.393	7.632.667	-	1.739.048	45.776.961
Carrying value as at 30 June 2018	40.991.888	16.161.772	16.771.850	71.115	2.635.414	27.986.712	171.940	104.790.691

During the year 2018, the Group made purchase of property, plant and equipment at the value of TL 1.437.866 through financial lease (2017: None).

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

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

	Land	Buildings	Propert, Plant and Equipment	Furniture and Fixtures	Construction in Progress	Leasehold Improvements	Total
Cost and Restated Value							
Openning balance as at 1 January 2017	22.450.000	16.757.239	51.966.115	9.299.251	36.389	1.682.211	102.191.205
Transfers	-	-	31.189	-	(31.189)	-	-
Additions	-	-	95.210	267.817	21.404	11.366	395.797
Revaluation surplus	18.550.000	1.491.072	-	-	-	-	20.041.072
Disposals	-	-	-	(2.070)	-	-	(2.070)
Closing balance as at 30 June 2017	41.000.000	18.248.311	52.092.514	9.564.998	26.604	1.693.577	122.626.004
Accumulated Depreciation							
Openning balance as 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	-	174.402	2.891.053	336.690	-	176.371	3.578.516
Disposals	-	-	-	(2.070)	-	-	(2.070)
Closing balance as at 30 June 2017	8.112	2.245.310	35.061.876	6.996.924	-	1.368.488	45.680.710
Carrying value as at 30 June 2017	40.991.888	16.003.001	17.030.638	2.568.074	26.604	325.089	76.945.294

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

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

Fair value measurements of lands and buildings owned by the entity

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land and building acquired by financial leases revalued by an independent valuation company, Adres Gayrimenkul Değerleme ve Danışmanlık A.Ş. on March 13, 2017. Adres Gayrimenkul Değerleme ve Danışmanlık A.Ş. is authorized by CMB and provides real estate appraisal services in accordance with the capital market legislation and they have sufficient experience and qualifications in the fair value measurement of properties in the relevant locations.

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

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Fair value as at reporting date			
	30 June 2018	Level 1 TL	Level 2 TL	Level 3 TL
In Hadımköy facility:				
-Land	41.000.000	-	*41.000.000*	-
-Building	18.714.445	-	*18.714.445*	-

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

	Useful Life (year)
Infrastructure and land improvements	10-50
Buildings	25-50
Property, plants and equipments	4-20
Vehicles	5
Furniture and fixtures	4-20
Leasehold improvements	5-9

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

9. INTANGIBLE ASSETS

Cost Value	Rights	Capitalized development expenses	Total
Openning balance as at 1 January 2018	3.621.226	190.890	3.812.116
Additions	626.832	-	626.832
Closing balance as at 30 June 2018	4.248.058	190.890	4.438.948
Accumulated Amortization			
Openning balance as at 1 January 2018	2.493.035	110.709	2.603.744
Charge for the period	180.409	1.900	182.309
Closing balance as at 30 June 2018	2.673.444	112.609	2.786.053
Carrying value as at 30 June 2018	1.574.614	78.281	1.652.895

Cost Value	Rights	Capitalized development expenses	Total
Openning balance as at 1 January 2017	3.324.920	187.930	3.512.850
Additions	317.444	-	317.444
Closing balance as at 30 June 2017	3.642.364	187.930	3.830.294
Accumulated Amortization			
Openning balance as at 1 January 2017	2.300.720	107.108	2.407.828
Charge for the period	75.387	20.000	95.387
Closing balance as at 30 June 2017	2.376.107	127.108	2.503.215
Carrying value as at 30 June 2017	1.266.257	60.822	1.327.079

Depreciation and amortization expense amounted at TL 2.508.988 (2017: TL 3.420.364) has been charged in “cost of goods sold”, TL 900 (2017: None) in “the idle capacity expense in the cost of goods sold”, TL 131.573 (2017: 137.377) in “marketing and sales expenses” and TL 129.320 (2017: TL 116.162) in “administrative expenses”.

Useful lives of intangible assets are as follow:

	Useful Life (year)
Rights	3-15
Capitalized development expenses	5

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

10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Guarantees Given

30 June 2018	TL Equivalent	GBP	USD	TL
A. Total amount of GPM given by the Group on behalf of its own legal entity	20.971.753	3.445.000	-	367.208
B. Total amount of GPM given on behalf of the shareholders included in consolidation	-	-	-	-
C. Total amount of GPM given to provide for the liabilities of 3rd parties to carry out ordinary commercial activities	-	-	-	-
D. Total amount of other GPM given				
i. Total amount of GPM given on behalf of the Parent Company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not included in B and C items	-	-	-	-
iii. Total amount of GPM given on behalf of 3rd parties not included in C item	-	-	-	-
Total	20.971.753	3.445.000	-	367.208

31 December 2017	TL Equivalent	GBP	USD	TL
A. Total amount of GPM given by the Group on behalf of its own legal entity	18.630.454	3.585.000	-	417.578
B. Total amount of GPM given on behalf of the shareholders included in consolidation	-	-	-	-
C. Total amount of GPM given to provide for the liabilities of 3rd parties to carry out ordinary commercial activities	-	-	-	-
D. Total amount of other GPM given				
i. Total amount of GPM given on behalf of the Parent Company	-	-	-	-
ii. Total amount of GPM given on behalf of other group companies not included in B and C items	-	-	-	-
iii. Total amount of GPM given on behalf of 3rd parties not included in C item	-	-	-	-
Total	18.630.454	3.585.000	-	417.578

As of 30 June 2018, the amount of guarantees and warranty given related to outstanding bank loans is TL 28.384.524. TL 20.604.545 of the total amount consists of guarantee letters and the remaining amount of TL 7.779.979 consists of shareholders' personal securities (31 December 2017: TL 18.212.875 Guarantee Letters, TL 13.903.866 Personal Securities)

As of 30 June 2018, the rate of other GPM's given by Group to owner's equity is 0% (31 December 2017: 0%).

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

11. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 30 June 2018 and 31 December 2017 the share capital structure is as follows:

Shareholders	%	30 June 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 shares 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).

b) Restricted Reserves Appropriated from Profit

	30 June 2018	31 December 2017
Legal Reserves	325.455	325.455
	325.455	325.455

According to the Turkish Commercial Code, the general legal reserve is appropriated at a rate of 5% per annum, up to 20% of the paid-up capital of the Group (the Company). The other legal reserves are allocated at a rate of 10% of the total amount to be distributed to the shareholders after paying the shareholders a dividend of five percent. According to the Turkish Commercial Code, general legal reserves can only be used to offset losses, to keep the Company operating at the times of economic difficulties, or to prevent unemployment and mitigate its consequences, if it does not exceed the half of the capital or issued capital.

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

12. REVENUE AND COST OF SALES

Details of revenue and cost of sales for periods ended 30 June 2018 and 2017 are as follows:

a) Sales	1 January-30 June 2018	1 April-30 June 2018	1 January-30 June 2017	1 April-30 June 2017
Domestic sales	42.443.725	20.608.932	34.070.842	16.455.826
Foreign sales	35.890.014	17.978.804	30.370.773	17.558.755
Sales returns (-)	(851.071)	(284.088)	(771.198)	(393.103)
Sales discounts (-)	(320.261)	(185.842)	-	-
	77.162.407	38.117.806	63.670.417	33.621.478

b) Cost of sales (-)	1 January-30 June 2018	1 April-30 June 2018	1 January-30 June 2017	1 April-30 June 2017
Raw materials and consumables	39.772.203	19.033.936	29.475.982	16.567.643
General production expense	7.643.105	3.726.081	5.800.002	3.146.023
Personnel expenses	8.104.733	3.501.004	6.389.275	3.226.888
Depreciation and amortization expenses (Not 8,9)	2.508.988	1.280.440	3.420.364	2.159.252
Change in finished goods	(151.696)	-	2.916.499	1.774.350
Cost of goods sold	57.877.333	27.541.461	48.002.122	26.874.156
Cost of merchandises sold	183.578	100.021	135.913	58.705
Cost of other sales	908.236	423.351	444.670	241.577
Idle capacity expenses	900	-	900	-
	58.970.047	28.064.833	48.583.605	27.174.438

13. ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January-30 June 2018	1 April-30 June 2018	1 January-30 June 2017	1 April-30 June 2017
General administrative expenses	6.153.565	3.141.847	5.124.240	2.756.829
Marketing expenses	5.895.022	3.114.021	4.432.248	2.248.675
	12.048.587	6.255.868	9.556.488	5.005.504

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

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

Details of administrative expenses and marketing expenses for the periods ended 30 June 2018 and 2017 are as follows:

a) Details of General Administrative Expenses	1 January-30 June 2018	1 April-30 June 2018	1 January-30 June 2017	1 April-30 June 2017
Personnel expenses	4.055.475	1.975.814	3.387.571	1.909.785
Financial and legal consulting expenses	744.215	463.729	653.663	363.103
Motor vehicle expenses	233.788	122.361	221.397	112.978
Information technologies expenses	286.169	180.925	113.040	60.511
Depreciation and amortization expenses (Not 8,9)	129.320	51.664	116.162	60.208
Travelling expenses	88.772	52.193	63.106	42.653
Accomodation expenses	79.305	50.342	36.011	24.453
Subscription expenses	68.815	41.970	49.657	20.756
Legal and notary expenses	25.674	10.017	25.627	21.800
Services received from subcontractors	27.876	14.079	26.037	14.056
Communication and transportation expenses	17.124	7.855	20.478	10.744
Provision for doubtful receivables (Not 6)	28.776	28.776	25.004	-
Other expenses	368.256	142.122	386.487	115.782
	6.153.565	3.141.847	5.124.240	2.756.829

b) Details of marketing expenses	1 January-30 June 2018	1 April-30 June 2018	1 January-30 June 2017	1 April-30 June 2017
Foreign transportation expenses	3.059.285	1.744.315	1.983.305	1.072.099
Personnel expenses	872.588	319.451	726.410	337.561
Domestic transportation expenses	761.992	384.778	653.964	280.968
Export commission expenses	194.689	127.674	238.294	229.993
Depreciation and amortization expenses (Not 8,9)	131.573	65.191	137.377	68.087
Communication and transportation expenses	106.166	47.534	55.542	28.408
Travelling expenses	75.383	33.513	55.202	9.222
Motor vehicle expenses	85.593	46.251	72.446	36.863
Accomodation and fair expenses	96.664	83.931	131.252	56.380
Royalty expenses	29.530	17.354	17.539	9.246
Other expenses	481.559	244.029	360.917	119.848
	5.895.022	3.114.021	4.432.248	2.248.675

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

14. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other incomes from operating activities for the years ended 30 June 2018 and 2017 are as follows:

	1 January-30 June 2018	1 April-30 June 2018	1 January-30 June 2017	1 April-30 June 2017
Foreign exchange gains from operations	7.823.545	3.994.959	4.123.689	743.184
Discount and interest income	-	-	1.113.753	614.146
Interest income from time deposits	128.169	61.211	134.023	72.226
Other incomes	283.070	(109.164)	428.992	397.623
	8.234.784	3.947.006	5.800.457	1.827.179

The details of other expenses from operating activities for the years ended 30 June 2018 and 2017 are as follow:

	1 January-30 June 2018	1 April-30 June 2018	1 January-30 June 2017	1 April-30 June 2017
Foreign exchange losses from operations	3.908.857	1.858.657	3.592.004	962.166
Discount and interest expenses	-	-	658.757	386.894
Expenses from derivative financial instruments	-	-	323.041	323.041
Other expenses	133.766	(50.342)	23.982	20.957
	4.042.623	1.808.315	4.597.784	1.693.058

15. INCOME FROM INVESTMENT ACTIVITIES

Income from investment activities	1 January-30 June 2018	1 April-30 June 2018	1 January-30 June 2017	1 April-30 June 2017
Profit on sales of fixed asset	1.507.695	-	-	-
	1.507.695	-	-	-

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

16. FINANCE INCOME / (EXPENSES)

Details of finance income and expense for the years ended 30 June 2018 and 2017 are as follows:

	1 January-30 June 2018	1 April-30 June 2018	1 January-30 June 2017	1 April-30 June 2017
Interest expenses	961.530	198.658	1.335.446	839.627
Foreign exchange expenses / (income) (net)	8.879.546	5.635.183	2.092.687	(330.202)
Financial lease interest expenses	882.403	882.403	986.371	576.061
Other finance expenses	733.742	633.133	135.205	63.179
	11.457.221	7.349.377	4.549.709	1.148.665

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

Tax expense consist of the items below:	1 January-30 June 2018	1 January-30 June 2017
Current tax expense	1.463.001	1.036
Prior period investment discount withholding	340.392	-
Deferred tax expense / (income)	(1.339.674)	(842.581)
	463.719	(841.545)

Corporate Tax

The Group is subject to Turkish corporate taxes. Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, 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 the revenues exempted from tax, non-taxable revenues and other discounts (if any previous year losses, if preferred investment allowances and also R&D center incentive) are deducted.

The corporate tax rate in Turkey as of 30 June 2018 is 22% (2017: 20%).

In Turkey, advance tax is calculated and accrued on a quarterly basis. The advance tax is calculated as 22% of the corporate earnings at the stage of taxation of corporate earnings as of the taxation period in 2018 (31 December 2017: 20%).

With the Law No. 7061 on "Amendmends to Certain Tax Laws and Other Certain Laws" which was adopted on November 28, 2017, the provision that the 20% tax rate will be applied as 22% which is stated in the first paragraph of Article 32 of Corporate Tax Law No. 5520 is added as provisional article. In addition, the 75% portion of the taxable profits from the sale of immovable properties that are included in the assets of the institutions for at least two full years has been changed to 50%, which is stated in the same "omnibus bill" and in the first paragraph of Article 5 of the Corporate Tax Law No. 5520 Law.

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

Therefore, the companies in Turkey calculate deferred tax assets and liabilities at the rate of 20% for the transactions which, in calculation of advance tax, has timing difference up to 2020, and at the rate of 22% and 20% for the transactions which has short-term effects and longer maturities, by taking into account the time dimension of the effect.

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.

<u>Income Withholding Tax</u>

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 is applied as 15% in all companies starting from 23 July 2006. Dividends that are not distributed and added to the capital are not subject to income tax withholding.

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. After this date, 40% of investment incomes without incentive certificates directly related to the production activities of the companies can be deducted from taxable income. Tax incentives are not applied on investment incomes without incentive certificate.

<u>Investment Incentives</u>

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

<u>Deferred Tax</u>

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base statutory financial statements and the financial statements prepared in accordance with TAS / TFRS. Such differences are generally recognized in different periods on the financial tables of the consolidated financial statements prepared in accordance with TAS / TFRS and the basis amounts of certain income and expense items.

Since Turkish Tax Legislation does not allow the parent company and its subsidiaries to prepare a consolidated tax return, tax provisions are separately calculated for each entity, as reflected in the accompanying financial statements. In this context, deferred tax assets and liabilities of the consolidated companies in the accompanying consolidated financial statements are also presented separately without any netting.

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

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

Deferred Tax (cont'd)

Temporary timing differences taken as basis for deferred tax	30 June 2018	31 December 2018
- Depreciation and amortization of tangible and intagible assets and revaluation differences of foreign exchange and interest expenses	(33.803.500)	(32.431.631)
- Adjustment for elimination of inventory profit margin	6.889.763	2.542.946
- Provisions for employement termination benefits	3.997.877	4.209.250
- Unused vacation accruals	421.803	260.328
- Provision for impairment of inventories	781.226	518.220
- Prepaid expense adjustments	167.682	228.750
- Other	(509.706)	769.471
	(22.054.855)	(23.902.666)

Deferred tax assets / (liabilities)	30 June 2018	31 December 2017
- Depreciation and amortization of tangible and intagible assets and revaluation differences of foreign exchange and interest expenses	(3.158.011)	(3.740.223)
- Adjustment for elimination of inventory profit margin	1.515.748	559.448
- Provisions for employement termination benefits	799.575	841.850
- Unused vacation accruals	84.361	57.272
- Provision for impairment of inventories	171.870	114.008
- Prepaid expense adjustments	36.890	50.325
- Other	(81.511)	172.695
	(631.078)	(1.944.625)

	30 June 2018	31 December 2017
Deferred tax asset	1.766.024	576.088
Deferred tax liabilities	(2.397.102)	(2.520.713)
	(631.078)	(1.944.625)

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

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

Movement of deferred tax assets	1 January- 30 June 2018	1 January- 30 June 2017
Openning balance as at 1 January	(1.944.625)	301.379
Recognized at the statement of profit or loss	1.339.674	842.581
Recognized in prior year's profit or loss	29.163	-
Recognized at the statement of changes in equity	(55.290)	(1.225.715)
Closing balance as at 30 June	(631.078)	(81.755)

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

Reconciliation of total tax expense:	1 January- 30 June 2018	1 January- 30 June 2017
Profit from operations before taxation	386.408	2.183.288
Income tax rate %22 (2017: %20)	(85.010)	(436.658)
Tax effect of:		
- Non-deductable expenses	(63.928)	(51.111)
- Accumulated losses utilized in current period	45.980	1.461.041
- Tax effect on the withholding tax on investment discount for the previous perio(	(340.392)	-
- Change in provision for deferred tax assets	-	(133.827)
- Other adjustment effects	(20.369)	2.100
Tax provision expense in statement of profit or loss	(463.719)	841.545

18. EARNINGS / (LOSS) PER SHARE

The weighted average of the Company's shares and the loss per share calculations for the periods June 30, 2018 and 2017 are as follows:

	1 January- 30 June 2018	1 January- 30 June 2017
Average number of shares outstanding during the period	1.657.578.750	1.657.578.750
Net profit / (loss) for the period attributable to shareholders of the parent	(77.309)	3.024.850
Earning / (loss) per share	(0,00005)	0,0018

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

19. FINANCIAL INSTRUMENTS

Financial liabilities	30 June 2018	31 December 2017
Short term bank loans	25.161.723	27.092.481
Shor term portion of long term loans	4.749.028	2.802.802
Short term leasing payables	4.764.318	3.152.543
Other financial liabilities	1.750.037	1.949.968
Total short term financial liabilities	36.425.106	34.997.794
Long term bank loans	20.889.237	2.263.600
Long term leasing payables	25.980.796	22.471.561
Total long term financial liabilities	46.870.033	24.735.161
Total financial liabilities	83.295.139	59.732.955

		30 June 2018	
Currency	Weighted average effective interest rate	Short term	Long term
TL	%17,50	7.213.289	609.378
EUR	%4,8	2.393.907	20.279.859
GBP	%1,30	20.303.555	
Bank loans		29.910.751	20.889.237

		31 December 2017	
Currency	Weighted average effective interest rate	Short term	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

	30 June 2018	31 December 2017
Within 1 year	29.910.751	29.895.283
Within 1-2 years	4.864.482	2.263.600
Within 2-3 years	3.985.434	-
Within 3-4 years	3.730.235	-
Within 4-5 years	3.490.902	-
Within 5 years and longer term	4.818.184	-
Bank loans	50.799.988	32.158.883

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

19. FINANCIAL INSTRUMENTS (cont'd)

As of 30 June 2018, the amount of guarantees and warranty given related to outstanding bank loans is TL 28.384.524. TL 20.604.148 of the total amount consists of guarantee letters and the remaining amount of TL 7.779.979 consists of shareholders' personal securities (31 December 2017: TL 18.212.875 Guarantee Letters, TL 13.903.866 Personal Securities)

Except the guarantee letters mentioned above; because of the characteristic of discount loans used by the entity, on behalf of the entity, the amount of TL 1.362.322 in bank accounts is blocked by a rate of 2,75% - 3,75% on the loan lent, until the maturity date (31 December 2017: TL 1.746.270).

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
Financial lease payables	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Within one year	6.640.018	4.736.988	4.764.318	3.152.543
Within two to ten years	30.105.611	26.525.372	25.980.796	22.471.561
	36.745.629	31.262.360	30.745.114	25.624.104
Less: future finance charges	(6.000.515)	(5.638.256)		
Present value of financial lease payables	30.745.114	25.624.104		
Less: Amounts due to be paid within twelve months (disclosed in current liabilities)	(4.764.318)	(3.152.543)		
Amounts due to be paid after 12 months	25.980.796	22.471.561		

		30 June 2018	
Currency	Weighted average effective interest rate	Short term	Long term
USD	%6,50	4.267.539	24.934.893
EUR	%5,20	496.779	1.045.903
Financial lease payables		4.764.318	25.980.796

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

19. FINANCIAL INSTRUMENTS (cont'd)

Currencey	Weighted average effective interest rate	31 December 2017 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

Finance leases are related to production facilities with lease period of 13 years and computer software with lease period of 2 years. The Group has the option to purchase production facilities and computer software. The Group's financial lease liabilities are secured by the lessor's ownership interest on the leased asset. The interest rate applied for finance lease transactions is 6,50% for USD leases and 5,20% for EUR leases.

20. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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 and non-monetary assets and monetary and non-monetary liabilities at the reporting period are as follows:

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

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

Foreign currency risk management (cont'd)

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

30 June 2018	**TL Equivalent**	**USD**	**EUR**	**GBP**	**CHF**	**Other**
1. Trade receivables	14.744.201	558.010	960.689	1.186.891	-	-
2a. Monetary financial assets	6.793.241	112.933	969.010	165.049	360	118.018
2b. Non-Monetary financial assets	610.399	-	114.970	-	-	-
3. Other	2.131.858	15.051	127.402	228.589	4.285	-
4. CURRENT ASSETS	24.279.699	685.994	2.172.071	1.580.529	4.645	118.018
5. Non-Monetary Financial Assets	-	-	-	-	-	-
6. Other	162.270	35.580	-	-	-	-
7. NON-CURRENT ASSETS	162.270	35.580	-	-	-	-
8. TOTAL ASSETS	24.441.969	721.574	2.172.071	1.580.529	4.645	118.018
9. Trade payables	8.502.563	92.301	1.139.985	339.274	-	-
10. Financial liabilities	37.874.014	815.672	2.552.067	3.445.000	-	-
11. CURRENT LIABILITIES	46.376.577	907.973	3.692.052	3.784.274	-	-
12. Financial Liabilities	43.967.203	5.463.925	3.587.712	-	-	-
13. Other monetary liabilities	-	-	-	-	-	-
14. NON-CURRENT LIABILITIES	43.967.203	5.463.925	3.587.712	-	-	-
15. TOTAL LIABILITIES	90.343.780	6.371.898	7.279.764	3.784.274	-	-
16. TOTAL LIABILITIES	90.343.780	6.371.898	7.279.764	3.784.274	-	-
17. Net foreign currency assets/ (liabilities) position (8-15)	(65.901.811)	(5.650.324)	(5.107.693)	(2.203.745)	4.645	118.018
18. Monetary items net foreign currency assets / (liabilities) position (1+2a+3+6-11-14)	(66.512.210)	(5.650.324)	(5.222.663)	(2.203.745)	4.645	118.018

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

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

Foreign currency risk management (cont'd)

31 December 2017	**TL Equivalent**	**USD**	**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. Other monetary 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 (8-15)	(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

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

Foreign currency risk management (cont'd)

Foreign currency sensitivity analysis

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to US Dollar, Euro and British Pounds ("GBP").

The following table details the Group's sensitivity to a 10% increase and decrease in US Dollar, Eur 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 currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and shows the effect of their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity.

	30 June 2018		**30 June 2017**	
	Profit/(Loss)		**Profit/(Loss)**	
	Appereciation of foreign currency	Depreciation of foreign currency	Appereciation of foreign currency	Depreciation of foreign currency
	If US Dollar appreciated against TL by 10%			
1 - US Dollars net assets / liabilities	(2.576.943)	2.576.943	(1.941.484)	1.941.484
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- USD net effect (1 +2)	(2.576.943)	2.576.943	(1.941.484)	1.941.484
	If Euro appreciated against TL by 10%			
4 - Euro net assets / liabilities	(2.772.816)	2.772.816	(1.680.977)	1.680.977
5 - Part of hedged from Euro risk (-)	-	-	2.330.000	-
6- Euro net effect (4+5)	(2.772.816)	2.772.816	649.023	1.680.977
	If GBP appreciated against TL by 10%			
7- GBP net assets / liabilities	(1.318.060)	1.318.060	(289.993)	289.993
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	(1.318.060)	1.318.060	(289.993)	289.993
	If CHF appreciated against TL by 10%			
10- CHF net assets / liabilities	2.127	(2.127)	1.697	(1.697)
11- Part of hedged from CHF risk (-)	-	-	-	-
12- CHF net effect (10+11)	2.127	(2.127)	1.697	(1.697)
	If Polish Zloty appreciated against TL by 10%			
13- Polish Zloty net assets / liabilities	14.471	(14.471)	-	-
14- Part of hedged from Polish Zloty risk (-)	-	-	-	-
15- Polish Zloty net effect (13+14)	14.471	(14.471)	-	-
Total (3+6+9+12+15)	(6.651.221)	6.651.221	(1.580.757)	3.910.757

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

21. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

30 June 2018	Loans and receivables (incuding cash and cash equivalents)	Financial liabilities at amortized costs	Carrying value	Note
Financial Assets				
Cash and cash equivalents	7.493.159	-	7.493.159	22
Trade receivables	34.144.610	-	34.144.610	6
Other receivables	390.007	-	390.007	
Other current assets	1.364.451	-	1.364.451	
Financial Liabilities				
Borrowings	-	83.295.139	83.295.139	19
Trade payables	-	34.613.584	34.613.584	6
Other payables	-	10.853.669	10.853.669	

31 December 2017	Loans and receivables (incuding cash and cash equivalents)	Financial liabilities at amortized costs	Carrying value	Note
Financial Assets				
Cash and cash equivalents	9.059.515	-	9.059.515	22
Trade receivables	31.256.716	-	31.256.716	6
Other receivables	315.822	-	315.822	
Other current assets	1.748.200	-	1.748.200	
Financial Liabilities				
Borrowings	-	59.732.955	59.732.955	19
Trade payables	-	27.224.105	27.224.105	6
Other payables	-	9.072.700	9.072.700	

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

22. DISCLOSURES ON STATEMENT OF CASH FLOWS

	30 June 2018	31 December 2017
Cash	25.087	9.500
Cash at banks	7.478.539	9.050.015
Demand deposits	*1.834.799*	*3.320.290*
Time deposits with less than 3 months maturity	*5.643.740*	*5.729.725*
Provision for expected loss (-)	(10.467)	-
	7.493.159	9.059.515

The Group's cash and cash equivalents in the consolidated cash flow statements as of 30 June 2018 and 31 December 2017 are presented as cash and cash equivalents at cost less interest accruals:

	30 June 2018	31 December 2017
Cash and cash equivalents	7.493.159	9.059.515
Interest accruals	(10.446)	(21.232)
Compensating balance	-	-
Provision for expected loss	*10.467*	-
	7.493.180	9.038.283

Currency	Interest rate (%)	Maturity	30 June 2018
EUR	2,10% - 2,30%	up to 1 month	5.043.740
TL	15,00%	up to 1 month	600.000
			5.643.740

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

23. EVENTS AFTER THE REPORTING PERIOD

None.