Gentaş Genel Metal Sanayi ve Ticaret A.Ş.

1 January-31 December 2018

Consolidated Financial Statements and Independent Auditors' Report

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

To the Board of Directors
Gentaş Genel Metal Sanayi ve Ticaret Anonim Şirketi

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the consolidated financial statements of Gentaş Genel Metal Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 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 December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey and the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. 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 published by the Public Oversight Accounting and Auditing Standards Authority. 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. Other Matters

While not affecting our views, we would like to draw your attention to the following:

As of 31 December 2018, Group has a trade receivables amounting TL 7.750.202 (TL 4.012.496 of the amount notes receivables) from 4K Grup Yapı ve Orman Ürünleri İnş. San.ve Tic. A.Ş. ("4K", related party) which has low collection rate (31 December 2017 : TL 10.145.530) . All notes receivables the Group obtained belongs to 4K's costumers. The Group has collected real estate in exchange for the receivables in the current year. The Group management considers that collections will be continued as 4K collects its receivables from the projects it finished.

4. 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 Matters	How the Matter is Handled
Transactions with related parties The Group has intensive business transactions with non-publicly traded parties in the ordinary course of business. Commercial transactions mainly consist of purchases and sales of major business activities, real estate and share purchase and sale. Group's significant chemical raw materials are obtained from Gentaş Kimya Sanayi A.Ş. with a share of 14.50%. The Group sells its assets to its related parties with the same governing authority. For this reason, transactions with related parties are an important issue in terms of our control.	Our audit procedures of transactions with related parties with the usual procedures includes; test of whether or not the transactions with related parties occurs in the normal course of business, in the normal market conditions, test of est of whether or not the transactions with related parties occurs in the similar conditions with similar transactions with unrelated parties, test of the fair value of tangible assets and shares which was bought or sold from/to related parties The transactions with related parties are explained in Note 5.
Revenue The revenue generated by the group at a time is principally composed of laminate and werzalit products. Revenue is recognized when the control of products is transferred to the client. The information about the revenue is disclosed in Note 25. Due to the fact that over-time revenue is one of the Group's core business volume and size indicators, implementation of related accounting standards is complex and includes management estimates and judgements, this issue has been considered to be a key audit matter.	Our audit procedures included, in addition to others, the following; Controlling suitability of the accounting policy of the Group for the revenue recognition is valued. Examining that management reflected revenue from sales in the correct period in the financial statements . Performing control tests and test of details for the revenue Sending confirmations letters to the important customers Analytical review of monthly and yearly sales

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority 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 Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority, 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

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

- 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 remain solely responsible for our audit opinion.

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

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

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

B. Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirement

1) Pursuant to Article 398 of the Turkish Commercial Code ("TCC") no. 6102, the auditor's report on early detection of risk system and the authorized committee is submitted to the Parent Company's Board of Directors on 8 March 2019.

2) Pursuant to subparagraph 4, Article 402 of "TCC", no significant matter has come to our attention that causes us to believe that the Parent Company's bookkeeping activities for the period 1 January – 31 December 2018 is not in compliance with the code and provisions of the Parent Company's articles of association in relation to financial reporting.

3) Pursuant to subparagraph 4, Article 402 of "TCC", the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Mehmet Nadi Abbasoğlu is the auditor responsible for conducting and finalizing this independent audit.

Yeditepe Bağımsız Denetim Anonim Şirketi
(Associate member of PRAXITY AISBL)

Mehmet Nadi Abbasoğlu
Partner
Istanbul, 8 March 2019

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CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS AS AT 31 DECEMBER 2018

(Currency in Turkish Lira ("TL") unless otherwise stated)

		Audited	
ASSETS	**Note**	**31 December 2018**	**31 December 2017**
Current Assets		**236.796.541**	**229.070.803**
Cash and Cash Equivalents	6	29.391.554	13.389.336
Financial Investments	7	691	582
Trade Receivables			
- Due From Related Parties	5-9	23.803.312	28.480.594
- Due From Third Parties	9	51.890.883	70.735.917
Other Receivables	10	5.049.530	5.159.799
Inventories	11	116.344.083	99.714.047
Prepaid Expenses	12	3.282.859	3.557.937
Current Tax Related Assets	13	184.047	86.924
Other Current Assets	23	5.267.049	5.549.278
Subtotal		***235.214.008***	***226.674.414***
Assets Held for Sale	3	1.582.533	2.396.389
Non-Current Assets		**138.365.933**	**120.102.427**
Trade receivables from related parties	5	756.050	1.895.339
Other Receviables	10	41.993	45.797
Financial Investments	7	7.635	889.648
Investment in Equities	14	41.723.819	33.487.066
Investment Property	15	18.472.872	16.221.735
Tangible Assets	16	74.669.029	65.975.181
Intangible Assets			
- Goodwill	18	942.792	942.792
- Other Intangible Assets	17	618.884	502.752
Defferred Tax Assets	31	1.132.859	142.117
TOTAL ASSETS		**375.162.474**	**349.173.230**

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

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

GENTAŞ GENEL METAL SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS AS AT 31 DECEMBER 2018

(Currency in Turkish Lira (“TL”) unless otherwise stated)

		Audited	
LIABILITIES	**Note**	**31 December 2018**	**31 December 2017**
Current Liabilities		**80.470.741**	**94.883.214**
Short-Term Borrowings	8	23.842.748	25.982.186
Short-Term Portion of Long-Term Borrowings	8	11.911.970	6.678.272
Trade Payaybles			
- Due to Related Parties	5-9	7.763.307	8.654.807
- Due to Third Parties	9	21.851.830	37.531.681
Emplyoee Benefit Obligations	19	3.550.170	3.434.760
Other Payables			
- Due to Related Parties	5-10	353.985	663.881
- Due to Third Parties	10	192.263	41.210
Deferred Income	12	7.055.314	7.254.179
Income Tax Payable	31	85.293	1.422.965
Short-Term Provisions			
- Employee Benefits	20	2.333.651	2.238.143
Other Liabilities	23	1.530.210	981.130
Non-Current Liabilities		**23.384.161**	**22.459.723**
Long-Term Borrowings	8	19.039.160	19.679.787
Other Payables	10	107	107
Provision for Employee Termination Benefits	22	4.344.894	2.779.829
EQUITY		**271.307.572**	**231.830.293**
Total Equity Attributable to Parent		**235.704.879**	**202.240.034**
Paid-in Share Capital	24	118.800.000	110.000.000
Cross Shareholding Adjustment	24	(3.490.546)	(3.874.425)
Other Comprehensive Income Items not to be Reclassified to Profit or Loss			
- Actuarial loss arising from employee benefits	24	(603.070)	240.182
- Foreign currency translation reserve	24	2.746.351	1.293.961
Effect of Business Combination Under Common Control	24	2.357.438	2.357.438
Restricted Reserves	24	15.601.070	10.361.507
Retained Earnings	24	58.839.188	50.618.994
Net Profit for the Year		41.454.448	31.242.377
Non-Controlling Interests	24	**35.602.693**	**29.590.259**
TOTAL EQUITY AND LIABILITIES		**375.162.474**	**349.173.230**

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

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

GENTAŞ GENEL METAL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

(Currency in Turkish Lira ("TL") unless otherwise stated)

	Note	*Audited* 1 January – 31 December 2018	1 January – 31 December 2016
Profit or Loss			
Sales	25	425.026.119	318.367.463
Cost of Sales (-)	25	(317.378.925)	(251.144.081)
Gross Profit		**107.647.194**	**67.223.382**
Marketing, Sales and Distribution Expenses (-)	26	(24.526.411)	(20.410.378)
General Administrative Expenses (-)	26	(18.979.707)	(15.236.640)
Research and Development Expenses (-)	26	(1.224.036)	(815.146)
Other Operating Income	28	46.956.704	21.814.264
Other Operating Expense (-)	28	(48.413.371)	(11.547.135)
Operating Profit		**61.460.373**	**41.028.347**
Profit from Equity Investment	14	7.302.010	4.771.917
Income from Investing Activities		6.880.141	5.488.040
Expense from Investing Activities (-)	29	(303.184)	--
Operating Profit Before Financial Expenses		**75.339.340**	**51.288.304**
Financial Expenses (-)	30	(19.015.866)	(9.203.165)
Profit before tax		**56.323.474**	**42.085.139**
Tax expense		**(8.069.856)**	**(6.561.245)**
- Current tax expense	31	(8.526.072)	(4.243.694)
- Deferred tax income/ (expense)	31	456.216	(2.317.551)
Profit for the year		**48.253.618**	**35.523.894**
Other Comprehensive Income / (Expense)			
Other comprehensive income items not to be reclassified to profit or loss			
- Actuarial loss from employee benefits		(1.040.628)	18.155
- Tax effect of actuarial loss from employee benefits		208.126	(3.631)
- Other comprehensive from investment in equities		(77.530)	(1.536)
- Foreign currency translation reserve		1.452.390	1.417.379
Other Comprehensive Income / (Expense)		**542.358**	**1.430.367**
Total Comprehensive Income		**48.795.976**	**36.954.261**
Distribution of Net Income for the Year			
Non-controlling Interests		6.799.170	4.281.517
Attributable to Parent		41.454.448	31.242.377
Distribution of Total Comprehensive Income			
Non-controlling Interests		6.732.390	4.282.742
Attributable to Parent		42.063.586	32.671.519
Earnings per 100 Share	32	**0,349**	**0,263**

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

(Convenience translation of a report and financial statements originally issued in Turkish)
GENTAŞ GENEL METAL SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(Currency in Turkish Lira ("TL") unless otherwise stated)

	Paid in Capital	Cross Shareholding Adjustment	Other Gains	Foreign Currency Translatio n Reserve	Effect of Business Combination Under Common Control	Restricted Reserves	Retained Earnings	Net profit for the Year	Total Equity Attributable to Parent	Non-Controlling Interests	Total Equity
Balance at 1 January 2017	**101.650.000**	**(4.883.304)**	**228.419**	**(123.418)**	**2.357.438**	**9.315.257**	**47.020.459**	**17.616.659**	**173.181.510**	**25.788.517**	**198.970.027**
Transfer to restricted reserves	--	--	--	--	--	1.046.250	--	(1.046.250)	**--**	--	**--**
Dividend paid (Note 24)	--	--	--	--	--	--	--	(4.825.857)	**(4.825.857)**	(481.000)	**(5.306.857)**
Adjustment to corporate tax		--	--	--	--	--	(286.697)	--	**(286.697)**		**(286.697)**
Sale of subsidiary's shares	--	1.410.016	--	--	--	--	490.680	--	**1.900.696**	--	**1.900.696**
Capital increase	8.350.000	(401.137)	--	--	--	--		(8.350.000)	**(401.137)**	--	**(401.137)**
Transfer to retained earnings	--	--	--	--	--	--	3.394.552	(3.394.552)	**--**	--	**--**
Total comprehensive income	--	--	11.763	1.417.379	--	--	--	31.242.377	**32.671.519**	4.282.742	**36.954.261**
Balance at 31 December 2017	**110.000.000**	**(3.874.425)**	**240.182**	**1.293.961**	**2.357.438**	**10.361.507**	**50.618.994**	**31.242.377**	**202.240.034**	**29.590.259**	**231.830.293**
31 December 2017 - reported	**110.000.000**	**(3.874.425)**	**240.182**	**1.293.961**	**2.357.438**	**10.361.507**	**50.618.994**	**31.242.377**	**202.240.034**	**29.590.259**	**231.830.293**
TFRS 9 effect (Note 2.6)	**--**	**--**	**--**	**--**	**--**	**--**	**(1.305.603)**	**--**	**(1.305.603)**	**--**	**(1.305.603)**
1 January 2018 – Restated	**110.000.000**	**(3.874.425)**	**240.182**	**1.293.961**	**2.357.438**	**10.361.507**	**49.313.391**	**31.242.377**	**200.934.431**	**29.590.259**	**230.524.690**
Transfer to restricted reserves	--	--	--	--	--	5.239.563	--	(5.239.563)	--	--	--
Dividend paid (Note 24)	--	--	--	--	--	--	--	(7.831.587)	**(7.831.587)**	(719.956)	**(8.551.543)**
Sale of subsidiary's shares	--	642.438	--	--	--	--	154.570	--	**797.008**	--	**797.008**
Capital increase	8.800.000	(258.559)	--	--	--	--		(8.800.000)	**(258.559)**	--	**(258.559)**
Transfer to retained earnings	--	--	--	--	--	--	9.371.227	(9.371.227)	**--**	--	**--**
Total comprehensive income	--	--	(843.252)	1.452.390	--	--	--	41.454.448	**42.063.586**	6.732.390	**48.795.976**
Balance at 31 December 2018	**118.800.000**	**(3.490.546)**	**(603.070)**	**2.746.351**	**2.357.438**	**15.601.070**	**58.839.188**	**41.454.448**	**235.704.879**	**35.602.693**	**271.307.572**

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

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

GENTAŞ GENEL METAL SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(Currency in Turkish Lira ("TL") unless otherwise stated)

	Note	31 December 2018	31 December 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**39.269.762**	**16.545.579**
Profit (Loss)		48.253.618	35.523.894
Adjustments to Reconcile Profit (Loss)		22.818.557	14.495.659
Adjustments for depreciation and amortisation expense	27	8.602.477	8.580.526
Adjustments for impairment loss (reversal of impairment loss)		10.093.101	2.511.629
Adjustments for (reversal of) provisions		1.393.747	1.053.502
Adjustments for interest income		6.749.600	4.862.598
Adjustments for undistributed profits of investments accounted for using equity method	14	7.302.010	4.771.917
Adjustments for tax (income) expense	31	8.069.856	6.561.245
Other adjustments to reconcile profit (loss)		(4.788.214)	(4.301.924)
Changes in Working Capital		**(21.164.868)**	**(28.733.259)**
Adjustments for decrease (increase) in trade accounts receivable		13.182.114	(24.487.840)
Adjustments for decrease (increase) in other receivables related with operations		114.073	1.418.454
Adjustments for decrease (increase) in inventories		(19.445.077)	(18.475.678)
Decrease (increase) in prepaid expenses		275.078	(692.105)
Adjustments for increase (decrease) in trade accounts payable		(15.782.944)	11.345.797
Adjustments for increase (decrease) in other operating payables		(158.843)	(58.853)
Increase (decrease) in deferred income		(198.865)	3.834.313
Other adjustments for other increase (decrease) in working capital		849.596	(1.617.347)
Cash Flows from (used in) Operations		**49.907.307**	**21.286.294**
Payments related with provisions for employee benefits	22	773.801	654.031
Income taxes refund (paid)		9.863.744	4.086.684
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(13.263.723)**	**(14.568.040)**
Purchase of investments accounted for using equity Method		(815.000)	(3.775.000)
Proceeds from of sale of share in other investments		881.904	(61)
Proceeds from sales of property, plant, equipment and intangible assets		6.728.836	7.504.327
Purchase of property, plant, equipment and intangible assets		20.790.360	19.206.949
Dividends received	14	341.176	666.670
Other inflows (outflows) of cash		389.721	242.973
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(11.456.211)**	**1.519.756**
Proceeds from borrowings		46.575.135	49.957.364
Repayments of borrowings		49.479.803	43.130.751
Dividends Paid		8.551.543	5.306.857
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		14.549.828	3.497.295
Effect of exchange rate changes on cash and cash equivalents		1.452.390	1.417.379
Net increase (decrease) in cash and cash equivalents		**16.002.218**	**4.914.674**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	**13.389.336**	**8.474.662**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**29.391.554**	**13.389.336**

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

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE GROUP

Gentaş Genel Metal San. ve Tic. A.Ş. (the "Company") was established in 1972 and its main area of activity is the production and sale, using the license of WERZALIT Company from Germany, of table sheets, school desks, chair seats and back pieces, structural sections, impregnated board and laminate.

The company is registered in Mengen- Bolu, and its head office is located at the address Dolantı Sokak No: 21 Siteler / Ankara.

The Company is registered with the Capital Markets Board (CMB) and its shares have been quoted on the Istanbul Stock Exchange (ISE) since 1990.

The ultimate parent and controlling party of the Company is the members of Kahraman Family.

The areas of activity of the investment in equities and subsidiaries of the Company (altogether shall be referred to as the "Group") are specified as follows:

Subsidiaries;

GBS Gentaş Bolu Lam.Lif Levha Entegre Ağaç.San.A.Ş.("GBS Gentaş"): In consequence of privatization, the company has merged into Group on the date of 9 August 2000. The registered head office address of the Company is at Mudurnu Yolu 5. Km. Doğancı Köyü Bolu Turkey. The Company's main area of activity is the production of HPL plate, laminate and impregnated paper.

Genmar Orman Ürünleri Dağıtım Pazarlama San. Tic. A.Ş. ("Genmar"): It is established on the date of 14 February 2000. Genmar's main area of activity of is the promotion, marketing and sales primarily in Istanbul and the entire Marmara region of the CPL, HPL, and compact laminate and Werzalit products produced by the Group.

Gentas Italy SRL ("Gentas Italy"): It is established with the Euro 10.000 capital amount on May 2014 in Torino, Italy, due to support to expansion of the Group in Europe.

Investments in equities;

Genpaz Orman Ürünleri Paz.A.Ş. ("Genpaz"): The main area of activity of the Company is the marketing and sales of the forestry products.

Gentaş Kimya A.Ş ("Gentaş Kimya"): The main area of activity of the Company is the production and sale of chemical substances.

5K Yüzey Teknolojileri Orman Ürünleri Mobilya Sanayi ve Ticarert A.Ş. ("5K"): GBS Gentas has purchased % 30 share of 5K's capital amounting TL 7.000.000 with the amount of TL 4.500.000 on 23 October 2016. The Company's main area of activity is the production of is to cover surfaces of all kinds of forest product and obtain new products.

As of 31 December 2018, the number of personnel employed within the Group is 684 personnel (31 December 2017 : 729 personnel).

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 8 March 2019. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" (The "Communiqué"), which were published in the Official Gazette No. 28676 dated 13 June 2013.

The Group implements the Turkish Accounting Standards / Turkish Financial Reporting Standards and the annexes and interpretations thereof ("TAS / TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The accompanying consolidated financial statements and its notes are presented in accordance with the format requirements recommended by the CMB and including the requisite information.

The Company (and its Subsidiaries) maintain their books of accounts and prepare their statutory financial statements on the basis of Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance of the Republic of Turkey. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Accounting Standards issued by POA.

Additional paragraph for convenience translation to English:

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosures requirement of the POA.

2.2 Correction of Financial Statements During the Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005, announced that all publicly traded entities operating in Turkey was not obliged to apply inflationary accounting effective from 1 January 2005. In accordance with this resolution, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied to the consolidated financial statements since 1 January 2005.

2.3 Functional and Presentation Currency

Excluding the subsidiaries incorporated outside of Turkey, functional currency of all entities' included in consolidation is Turkish Lira ("TL") and they maintain their books of account in TL in accordance with Turkish Commercial Code, Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance.

2.4 Financial Statements of the Subsidiaries Which Operates and Locate in Foreign Country

Gentas Italy operates and locate in Italy. Gentas Italy's financial statements are modified with certain out-of-book adjustments and reclassifications to comply with Group's accounting policies. The assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and recognized in the Group's foreign currency translation reserve.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Basis of Consolidation

The accompanying financial statements include the accounts of the parent company and its subsidiaries and investments in equity. The basis of consolidated financial statement preparation is as follows;

- The Subsidiary is the Company in which the Company has the power to control the financial and operating policies for the benefit of the Company either through the power to exercise more than 50% of voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself; or although not having the power to exercise more than 50% of the voting rights, through the exercise of an actual dominant influence over the financial and operating policies.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

- The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition of control or up to the effective date of disposal, as appropriate. Where necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group

- The financial statements of subsidiaries are consolidated using the full consolidation method. In this context, subsidiaries' shareholders equity and their book value are offsetting. The book value of the Company's shares and dividends that arise from these shares are offsetting from related shareholders and income statement accounts.

- The receivables and liabilities of subsidiaries included in consolidation with each other, they are made to each other sales of goods and services, income and expense items with each other is formed due to the transactions are eliminated as a mutual.

- Consolidation of subsidiaries under the equity share capital account, including all items of the group, the parent company and subsidiaries to minority interests deducted from the amounts accrued and it is indicated under the name of "Non-Controlling Interest" in the consolidated financial position statement equity group.

Investments in equity accounted through the equity method are expressed initially at their historical values. After the date of purchase, the amount carried forward is increased or decreased from the profits or losses of the partnership according to the share ratio of the affiliating company. The distribution of profits from partnership decreases the value of the partnership. In the event that the change in the equity capital result from the equity items outside of profit or loss, relevant changes in relation to these items are made in the equity capital of the Company. In the event that the decrease in the value of net assets of the partnership is not temporary, the value of partnership is shown with the decreased value in the financial statements. In the event that the value of the net assets turns to negative, the relevant amount is not classified as asset or liability and displayed as zero in the financial statements

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Basis of Consolidation (Continued)

The subsidiaries included in consolidation and the shareholding percentage is set out below:

	Share (%)	
	31 December 2018	**31 December 2017**
GBS Gentaş	53,65	53,65
Genmar	96,50	96,50
Gentas Italy	100,00	100,00
Genart	48,04	48,04
Gentaş Kimya	14,50	14,50
5K	40,00	40,00

2.6 The New Standards, Amendments and Interpretations

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

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

TFRS 9 Financial Instruments
Effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group has assessed the impact of the standard on financial position. The assessment made is based on existing information and may be subject to further analysis or changes resulting from additional supportable information. The transition is accounted based on the simplifed approach. In accordance with this method, the Group the cumulative effect related to the transition of TFRS 9 in retained earnings on the first application date. The effect of TFRS 9 Financial Instruments have been disclosed below.

The Group continued to measure financial invetsments that were classified as financial asssets - fair value through profit or loss in accordance with TAS 39 at fair value.

The Group applied the expected credit loss model ("ECL") which is proposed by TFRS 9 for the financial assets to its trade receivables as shown at amortized cost. The Group has adopted a simplified method and has chosen to recognize the expected life-time losses on trade receivables. For this purpose, as of 1 January 2018, the Group allocated allowances for doubtfull receivables amounting TL 1.305.603 including deferred tax.

Changes related to the reclassification of financial assets and liabilities are as follows and these changes in the classification do not result in changes measurement explained above;

(Currency in Turkish Lira (“TL”) unless otherwise stated).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 The New Standards, Amendments and Interpretations (Continued)

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

Financial Assets	Classification according to TAS 39	Classification according to TFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Financial investments	Available-for-sale financial assets	Fair value through profit or loss

Financial liabilities	Classification according to TAS 39	Classification according to TFRS 9
Bank loans	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

ii) Standards issued but not yet effective and not early adopted as of 31 December 2018

TFRS 16 Leases
On April 2018, POA has issued the new leasing standard which will replace TAS 17 Leases, TFRSI 4 Determining Whether an Arrangement Contains a Lease, TASI 15 Operating Leases – Incentives, and TASI 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 *Investment Properties*. TFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 *Revenue from Contracts* with Customers. The Group is assessing the potential impact on its financial statements resulting from the application of TFRS 16.

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

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 The New Standards, Amendments and Interpretations (Continued)

ii) Standards issued but not yet effective and not early adopted as of 31 December 2018 (continued)

TFRSI 23 –Uncertainty Over Income Tax Treatments
On May 2018, POA issued TFRSI 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRSI 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its financial statements resulting from the application of TFRSI 23.

The revised Conceptual Framework
The revised Conceptual Framework issued on 25 October 2018 by POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

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

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

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

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 The New Standards, Amendments and Interpretations (Continued)

ii) Standards issued but not yet effective and not early adopted as of 31 December 2018 (Continued)

Amendments to TAS 19 - Plan Amendment, Curtailment or Settlement -
On 15 January 2019, POA issued Plan Amendment, Curtailment or Settlement (Amendments to TAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 19.

TFRS 17 –Insurance Contracts
On 16 February 2019, POA issued TFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of TFRS 17 will have significant impact on its financial statements.

2.7 Changes in Accounting Estimates and Corrections of Errors

The effect of a change in accounting policy is applied retrospectively. Adjustments relating to prior periods are made to the opening balance of retained earnings. The effect of a change in accounting policy should be applied prospectively only when the amount of the adjustment to the opening balance of retained earnings cannot be reasonably determined. The effect of a change in an accounting estimate should be included in the determination of net profit or loss in the period of the change, if the change affects the period only; or the period of the change and future periods, if the change affects both. The correction of fundamental errors that relate to the current period is normally included in the determination of net profit or loss for the current period. The correction of fundamental errors that relate to prior periods requires the restatement of the comparative information or the presentation of additional pro forma information. The amount of the correction of a fundamental error that relates to prior periods should be reported by adjusting the opening balance of retained earnings.

2.8 Offsetting

Financial assets and liabilities are offset and the net amount reported in the financial position statement when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.9 Going Concern

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern on the basis that the entities will be able to realize its assets and discharge its liabilities in the normal course of business.

2.10 Summary of Significant Accounting Policies

The significant accounting policies implemented during the preparation of the accompanying consolidated financial statements are as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and cash in transit. Cash and cash equivalents consist of short-term highly liquid investments including time deposits generally having original maturities of three months or less.

Foreign currency bank deposits valued at the end of period rate. Recorded value is estimated market value of other cash and bank deposits on the balance.

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are recorded at invoice values after deducting provision for doubtful trade receivables carried at amortized cost. Finance cost imputed in trade receivables is computed by discounting the receivables at the current market rate of return for government bonds quoted in an organized stock exchange or for a similar financial asset with appropriate due dates and is reflected in the financial statements. Short term trade receivables with no stated interest rate are measured at invoice amount unless the effect of imputing interest accrual is significant.

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

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 income.

Trade payables

Trade payables are carried at amortized values which reflect the fair value of goods and services purchased.

Inventories

Inventories are valued at the lower of cost or net realizable value. The costs of inventories are determined using the "monthly moving weighted average cost" method. Inventories include all purchasing costs, costs of conversion and other costs incurred in order for the inventories to be brought into their existing situation and position. The costs of conversion of the inventories include the costs directly related to production overhead, such as direct labor costs. These costs also include the amounts distributed systematically from the fixed and variable production overheads incurred during the conversion of the raw materials and supplies into finished goods. Net realizable value is yielded by the estimated sales price in the ordinary course of business, less the total estimated costs of the completion and sales to be undertaken.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment
The tangible assets are shown as cost of purchasing value less accumulated depletion and permanent depreciation. The historical cost of the tangible asset consists of the purchase price and non-refundable taxes and expenses to make the tangible asset available. The costs of tangible assets in except for land, landed property and construction in progress, are subjected to pro rata depreciation using straight-line method of depreciation based on their expected useful lives. The expected useful life, residual value and method of depreciation are reviewed each and every year for the possible effects of the changes that may occur in the estimations and accounted prospectively in case of a change in the estimations. The estimated useful lives of such assets, are stated as follows:

	years
Land improvements	8-17 years
Buildings	25 –50 years
Machinery- plant and equipment	10 years
Other tangible assets	5-10 years
Vehicles	5 years
Furniture and fixtures	4-5 years

Profits or losses from sales of property, plant and equipment are included in the other operating income and expense accounts respectively. The tangible assets purchased prior to 1 January 2005 are carried from the costs adjusted according to the effects of inflation costs adjusted according to the effects of inflation.

Impairment of assets
The Group assesses whether there is any indication of impairment in relation to an asset at each balance sheet date. If there is any such indication, the recoverable amount of that asset is estimated. Impairment occurs if the book value of the said asset or any cash generating unit pertaining to that asset is higher than the amount to be recovered through use or sale. The recoverable amount is found out by selecting the higher of its fair value less costs to sell and its value in use. Value in use is the estimated present value of the future cash flows expected to be derived from an asset after its continuous use and disposal at the end of its useful life. Impairment losses are recognized in the statement of income.

Investment property
Land and buildings or a part of the building or both, which are held in order to earn rentals or for capital appreciation or both (by the owner or by the lessee according to the leasing agreement), rather than for use in the production or supply of goods and services, or for administrative purposes or sale in the ordinary course of business, are classified as investment property.

An investment property is recognized as an asset in the event that there is a possibility of an inflow of future economic benefits pertaining to the property to the entity and that the cost of the investment property is reliably measurable.

The Group monitors investment property with historical cost value. Historical cost value denotes the amount of the cash or cash equivalents paid during the acquisition or construction of an asset or the fair value of other payments outside thereof or if possible to implement, the cost attributed to the relevant asset during the initial recognition

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Summary of Significant Accounting Policies (Continued)

Borrowing costs
The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that qualifying asset. All other borrowing costs are realized as expense in the period they are incurred.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income consist of equity instruments. The related financial assets are valued with the purchasing cost.

Business combinations
Business combinations are assessed as the combination of two separate legal persons or entities as a single reporting entity. In accordance with IFRS 3 all business combinations are accounted for by applying the purchase method.

Acquisition cost includes the fair values of the assets given at the date of purchase, capital instruments issued, the assumed or incurred liabilities as of the date of exchange and the other additional costs attributable to the acquisition. If the business combination contract contains terms that stipulate that the cost may be adjusted depending on the events that may occur in the future; when this adjustment becomes possible and its value is measurable, the acquirer entity includes this adjustment into the cost of combination at the date of combination.

If the acquisition cost incurred with regards to an entity is higher than the fair value of the identifiable assets, liabilities and contingent liabilities pertaining to the acquired entity, the difference is accounted for as goodwill in the consolidated financial statements.

Goodwill recognized in a business combination is not amortized instead it is tested for impairment annually (as of 31 December), or more frequently if events or changes in circumstances indicate that it might be impaired.

The impairment calculated over goodwill cannot be associated with the statement of income in the periods following the losses even in cases where the said impairment is removed. Goodwill is associated with the cash generating units during the impairment test.

If the fair value of the identifiable assets, liabilities and contingent liabilities acquired, exceed the cost of business combination, the difference is associated with the consolidated statement of income.

In the accounting of the business combinations realized under joint control, on the other hand, the assets and liabilities that are the subject of the business combination are taken into the consolidated financial statements with their book values. Statements of income, on the other hand, are consolidated starting with the start of the financial year that the business combination took place. The financial statements of the previous period are also restated in the same manner for the purposes of comparison. No goodwill or negative goodwill is calculated in consequence of these processes. The difference occurred as a result of the netting of the amount by the company whose shares are acquired at the rate of its share in the company capital recognized directly in equity under "effect of business combinations under joint control". The Genmar acquisition realized by the Group on the date of 19 June 2012 is not evaluated as a "business combination under joint control", and as such, IFRS 3 "Business Combination" standard is not implemented.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Summary of Significant Accounting Policies (Continued)

Bank loans

Credits are recognized initially at the proceeds received, net of transaction costs incurred from the credit amount. In the event that there is a significant difference between the discounted value and the initially recorded value, then the credits are stated over the discounted historical cost using the effective interest rate method. The difference between the remaining amount after the deduction of the transaction costs and the discounted historical cost is reflected to the statement of income as cost of financing throughout the credit period. The cost of financing arising out of the credits is recognized at the statement of income as they are incurred.

Revenue

The Group recognizes revenue when the goods are transferred to the costumer and when performance obligation is fulfilled. Goods are counted to be transferred when the control belongs to to the customers.

The Group recognizes revenue based on the following main principle;

(a) Identification of customer contracts
(b) Idenfication of performance obligation
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) Recognitions of revenue when the performance obligations are fulfilled.

Revenue involves the goods sales invoiced value. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes

Foreign currency transactions

The foreign currency transactions realized within the year are converted over the foreign exchange rates valid at the dates of transactions. The monetary assets and liabilities depending on foreign exchange are converted into Turkish Lira over the exchange rates valid at the end of the period. The exchange difference arising out of the conversions of monetary assets and liabilities depending on foreign exchange are reflected into the consolidated statement of income at the period their income or losses are realized.

The foreign exchange rates used at the end of the period are as follows:

	31 December 2018	31 December 2017
USD	5,2609	3,7719
Euro	6,0280	4,5155

Events after the balance sheet date

The events after the date of the Financial statement include all events that occurred between the date of the Financial statement and the date of authorization for the publication of the Financial statement; even if they took place after an announcement on the income for the period or a public disclosure of other selected financial information.

If events that require the adjustment occur after the date of the financial statement, the Group corrects the amounts recognized in the financial statements in compliance with this new situation.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Summary of Significant Accounting Policies (Continued)

Provisions, contingent assets and liabilities
In order for any amount of provisions to be recognized in the financial statements, the Group is to have a present legal or constructive obligation as a result of past events, it should be probable that an outflow of resources with economic benefits will be required to fulfill this obligation, and a reliable estimate of the amount of the said liability can be made. If the said criteria did not occur, then the Group discloses the said matters in the relevant notes. Contingent assets are not recognized until they are realized and only disclosed in the notes.

Contingent assets are continuously assessed in order for the true representation of the related developments in the financial statements. In the event that the inflow of economic benefit into the operation is almost certain, the relevant asset and the income related thereto are reflected into the financial statements of the term that the change occurred. In the event that the inflow of economic benefit becomes probable, the operation displays the said contingent asset in the notes of the financial statement.

Capital and dividends
Ordinary shares are classified as capital. The dividends distributed over the ordinary shares are recorded as deduced from the accumulated profit in the declared period.

Leasing transactions
As a Lessee Operating leases
Leases where a significant portion of the risks and rewards of property ownership are retained by the lesser are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight line method basis over the period of the lease.

As a Lesser Operating Leases
In operating leases, the leased assets are classified under the Property, Plant and Equipment in the consolidated balance sheet and the rental income acquired is charged to the statement of income on a straight line method basis over the period of the lease.

Related parties
Within the scope of this report, Company shareholders, affiliates, subsidiaries and other entities than subsidiaries that the Company shareholders are in a capital or administrative relationship directly or indirectly, Company or administrative personnel such as the member of Company's board of directors, general manager, etc., authorized and responsible for planning, performance and auditing of the Company operations directly or indirectly, close family members of these persons and companies under direct or indirect control of these persons are considered as the related parties. Transactions with related parties are disclosed in the notes to the financial statement.

Taxation on income
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable 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 statement of financial position date.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Summary of Significant Accounting Policies (Continued)

Taxation on income (continued)
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 is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which 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.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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. Deferred tax assets and liabilities are reflected as non-current in the financial statements.

Employee benefits
Payments to defined contribution retirement benefit plans are charged as an expense in the year in which the contributions relate to. Payments made to the Social Security Institution of Turkey and Turkish Republic Retirement Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan. The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense in the period to which the employees' service relates.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for any unrecognized past service cost. There is no funding requirement for defined benefit plans. The Group recognizes actuarial gains and losses in the consolidated statement of comprehensive income.

Earnings per share
Earnings per share are determined by dividing the net income by the weighted average number of shares that have been outstanding during the year concerned. The companies can increase their share capital by making a pro-rata distribution of their shares ("Bonus Shares") to existing shareholders from retained earnings and allowed reserves. When calculating the earnings per share, these bonus shares are considered as issued shares. Therefore, the weighted average number of shares used in the calculation of the earnings per share is obtained by implementing retrospectively the bonus issuance of the shares.

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Summary of Significant Accounting Policies (Continued)

Statement of cash flows

In the statement of cash flows, cash flows in relation to the period are reported as classified on the basis of operating activities, investment activities and financing activities. The cash and cash equivalents in the statement of cash flows include the cash and bank deposits.

2.11 Critical Accounting Estimates and Assumptions

The critical accounting estimates that have significant effect on the book values of the assets and liabilities are as follows:

Receivable / Payable Discount:

In the calculation of the cost amortized with the effective interest rate method of the trade receivables and payables, the due receipt and payment periods expected according to the existing data regarding the receivables and payables are taken into consideration. The amount of the financial income and expenses within the costs of purchases and revenues from sales are calculated on estimated basis according to the effective interest rate method using the turnover rates of the received trade receivables and payables at the related term period and classified into the financial income and expenses.

The amounts of unaccrued financial income and expenses contained in the costs of purchases and revenues from sales resulting from forward purchases and sales are determined approximately through the use of average turnover rates of trade receivables and payables

Useful life:

Tangible and intangible assets are subjected to amortization and depreciation throughout their estimated useful lives.

Employment termination benefits:

The provision for employment termination benefits is reduced to its value at the balance sheet date by calculating the personnel turnover rate based on the past year experiences and expectations.

Allowances for doubtful receivables:

The Group provides allowance for the overdue doubtful receivables by considering customers financial position, past experience and other factors and evaluating customers credit standing.

The estimations used are displayed in the relevant accounting policies or notes

NOTE 3 – ASSETS HELD FOR SALE

	31 December 2018	31 December 2017
Taraklı thermal plant* (Note 5)	1.077.533	--
Gebze Kimya İhtisas Organize Sanayi land **	--	2.176.389
Flats***	505.000	220.000
	1.582.533	**2.396.389**

* Consist of 49 timeshares obtained in exchange for receivables from 4K.
** sold to Gentaş Kimya on February 9, 2018 for a price of TL 5.599.720.
*** Consist of 2 flats in Didim and Ankara obtained by Genmar in exchange for receivables

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 4 – SEGMENT REPORTING

Balance sheet reporting;

31 December 2018

	Domestic			Abroad		
	Gentaş	**GBS Gentaş**	**Genmar**	**Italy**	**Eliminations**	**Consolidated**
Total assets	295.763.827	102.607.736	29.468.917	19.371.570	(72.049.576)	375.162.474
Total liabilities	64.813.114	26.488.729	19.792.273	15.416.580	(22.655.794)	103.854.902
Net assets	**230.950.713**	**76.119.007**	**9.676.644**	**3.954.990**	**(49.393.782)**	**271.307.572**
Depreciation and amortization	4.590.376	3.401.012	942.980	675.184	(1.007.075)	8.602.477
Investment in progress	--	--	--	--	--	--

31 December 2017

	Domestic			Abroad		
	Gentaş	**GBS Gentaş**	**Genmar**	**Italy**	**Eliminations**	**Consolidated**
Total assets	266.668.047	87.065.454	37.785.100	14.335.009	(56.680.380)	349.173.230
Total liabilities	68.716.010	24.150.247	25.036.261	9.540.699	(10.100.280)	117.342.937
Net assets	**197.952.037**	**62.915.207**	**12.748.839**	**4.794.310**	**(46.580.100)**	**231.830.293**
Depreciation and amortization	4.451.804	3.004.330	809.079	315.313	--	8.580.526
Investment in progress	2.304.814	9.963.726	--	--	(4.874.627)	7.393.913

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 4 – SEGMENT REPORTING (Continued)

Profit or loss reporting;

1 January – 31 December 2018;

	Domestic			Abroad		
	Gentaş	**GBS Gentaş**	**Genmar**	**Gentas Italy**	**Eliminations**	**Consolidated**
Sales	280.244.162	136.672.321	84.924.105	3.347.894	(80.162.363)	425.026.119
Cost of Sales (-)	(214.687.708)	(109.717.905)	(68.187.694)	(5.955.055)	81.169.437	(317.378.925)
Gross Profit	**65.556.454**	**26.954.416**	**16.736.411**	**(2.607.161)**	**1.007.074**	**107.647.194**
Marketing, Sales and Distribution Expenses (-)	(13.678.688)	(4.830.053)	(7.800.880)	(10.724)	1.793.934	(24.526.411)
General Administrative Expenses (-)	(12.785.944)	(3.155.105)	(1.154.930)	(1.883.728)	--	(18.979.707)
Research and Development Expenses (-)	(1.224.036)	--	--	--	--	(1.224.036)
Other Operating Income	30.835.621	11.422.691	6.442.106	50.220	(1.793.934)	46.956.704
Other Operating Expense (-)	(26.503.791)	(8.876.967)	(12.978.000)	(54.613)	--	(48.413.371)
Operating Profit	**42.199.616**	**21.514.982**	**1.244.707**	**(4.506.006)**	**1.007.073**	**61.460.373**
Profit from Equity Investment	7.974.752	(203.473)	--	--	(469.269)	7.302.010
Income from Investing Activities	9.859.828	16.731	40.414	2.347.539	(5.384.371)	6.880.141
Expense from Investing Activities (-)	(303.184)	--	--	--	--	(303.184)
Operating Profit Before Financial Expenses	**59.731.012**	**21.328.240**	**1.285.121**	**(2.158.467)**	**(4.846.567)**	**75.339.340**
Financial Expenses (-)	(11.617.361)	(3.576.025)	(3.775.274)	(133.244)	86.038	(19.015.866)
Profit before tax	**48.113.651**	**17.752.215**	**(2.490.153)**	**(2.291.711)**	**(4.760.529)**	**56.323.474**
Tax expense						
- Current tax expense	(5.697.021)	(2.829.051)	--	--	--	(8.526.072)
- Deferred tax income/ (expense)	384.390	(77.187)	149.013	--	--	456.216
Profit for the year	**42.801.020**	**14.845.977**	**(2.341.140)**	**(2.291.711)**	**(4.760.529)**	**48.253.618**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 4 – SEGMENT REPORTING (Continued)

Profit or loss reporting (Continued) ;

1 January – 31 December 2017;

	Domestic			Abroad		
	Gentaş	**GBS Gentaş**	**Genmar**	**Gentas Italy**	**Eliminations**	**Consolidated**
Sales	210.191.211	100.896.009	61.755.817	1.991.771	(56.467.345)	318.367.463
Cost of Sales (-)	(165.707.597)	(82.902.307)	(51.753.677)	(7.578.226)	56.797.726	(251.144.081)
Gross Profit	**44.483.614**	**17.993.702**	**10.002.140**	**(5.586.455)**	**330.381**	**67.223.382**
Marketing, Sales and Distribution Expenses (-)	(11.661.041)	(4.909.457)	(6.296.054)	(5.526)	2.461.700	(20.410.378)
General Administrative Expenses (-)	(10.276.489)	(2.490.557)	(796.384)	(1.673.210)	--	(15.236.640)
Research and Development Expenses (-)	(815.146)	--	--	--	--	(815.146)
Other Operating Income	13.606.526	6.331.552	4.025.210	312.676	(2.461.700)	21.814.264
Other Operating Expense (-)	(6.823.236)	(2.608.831)	(2.100.445)	(14.623)	--	(11.547.135)
Operating Profit	**28.514.228**	**14.316.409**	**4.834.467**	**(6.967.138)**	**330.380**	**41.028.347**
Profit from Equity Investment	6.059.984	(1.288.067)	--	--	--	4.771.917
Income from Investing Activities	6.369.894	25.236	111.910	6.935.643	(7.954.643)	5.488.040
Expense from Investing Activities (-)	--	--	--	--	--	--
Operating Profit Before Financial Expenses	**40.944.106**	**13.053.578**	**4.946.377**	**(31.495)**	**(7.624.263)**	**51.288.304**
Financial Expenses (-)	(5.173.453)	(1.996.889)	(1.919.706)	(113.117)	--	(9.203.165)
Profit before tax	**35.770.653**	**11.056.689**	**3.026.671**	**(144.612)**	**(7.624.263)**	**42.085.139**
Tax expense						
- Current tax expense	(3.154.532)	(482.692)	(606.470)	--	--	(4.243.694)
- Deferred tax income/ (expense)	(810.066)	(1.520.363)	12.878	--	--	(2.317.551)
Profit for the year	**31.806.055**	**9.053.634**	**2.433.079**	**(144.612)**	**(7.624.263)**	**35.523.894**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 5 – RELATED PARTIES DISCLOSURES

a) Sales/Purchases;

	1 January – 31 December 2018				**1 January – 31 December 2017**			
	Purchases		**Sales**		**Purchases**		**Sales**	
	Goods	**Services**	**Goods**	**Services**	**Goods**	**Services**	**Goods**	**Services**
Gentaş Kimya Sanayi Ticaret A.Ş.	101.697.759	334.303	34.067	999.445	68.079.016	4.620	4.483	307.125
Genart Mobilya Tasarım San. Ve Tic. A.Ş.	1.639.685	569.364	38.490.155	1.421.249	5.046.747	345.086	35.108.567	867.191
2K Yapı Uygulama Tasarım Sanayi ve Tic.Ltd.Şti.	832.159	5.233	3.985.961	22.200	--	69.817	3.524.179	3.000
4K Grup Yapı ve Orm.Ürün.İnş.San.ve Tic.A.Ş.	453.955	78.332	1.628.689	8.238	718.723	5.972	2.681.948	7.844
Kahramanlar Ağaç Sanayi ve Tic.A.Ş.	814.928	398.284	11.865.830	24.626	11.185	270.434	10.634.704	10.951
5K Yüzey Teknolojileri A.Ş.	2.505.582	135.446	3.263.498	716.644	2.460.452	250.219	3.585.011	599.461
Yaşar Çelik Orman Ür. Kim.Nak. İnş. San. A.Ş.	331.775	249.058	10.329.726	54.262	--	6.761	7.775.705	--
	108.275.843	**1.770.020**	**69.597.926**	**3.246.664**	**76.316.123**	**952.909**	**63.314.597**	**1.795.572**

	1 January – 31 December 2018		**1 January – 31 December 2017**	
Other purchases	Buildings	Other property, plant and equipment	Buildings	Other property, plant and equipment
4K Grup Yapı ve Orm.Ürün.İnş.San.ve Tic.A.Ş.*	1.077.533	--	1.475.000	883.059
Gentaş Kimya Sanayi Ticaret A.Ş.	3.300.000	--		
	4.377.533	**--**	**1.475.000**	**883.059**

* All related purchases were made in return for trade receivables.

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 5 – RELATED PARTIES DISCLOSURES (Continued)

b) *Compensation of key management personnel;* The total amount of wages and similar benefits paid to the key management personnel between the dates of 1 January - 31 December 2018 is TL 3.188.819. Total balance is composed of wages. (1 January - 31 December 2017 : TL 2.554.743). The Group has determined the members of the board of directors, general manager and its deputies as the key management personnel.

c) Payables /receivables;

	31 December 2018			**31 December 2017**		
	Short-term trade receivables	**Long-term trade receivables**	**Trade payables**	**Short-term trade receivables**	**Long-term trade receivables**	**Trade payables**
2K Yapı Uygulama Tasarım Sanayi ve Tic. Ltd.Şti.	973.292	--	--	750.206	--	--
4K Grup Yapı ve Orm.Ürün.İnş.San.ve Tic.A.Ş. ("4K")	6.737.702	1.012.500	--	7.654.805	2.490.725	--
Genart Mobilya Tasarım San. Ve Tic. A.Ş.	10.559.522	--	403.598	11.328.531	--	14.705
Kahramanlar Ağaç Sanayi ve Tic.A.Ş.	583.673	--	--	2.253.918	--	--
5K Yüzey Teknolojileri Orman Ür. Mob. San.AŞ	5.780.482	--	--	4.502.220	--	--
Yaşar Çelik Orm. Ürn.Kimya Nak.İnş.San. ve Tic.A.Ş	319.656	--	--	2.235.795	--	--
Gentaş Kimya Sanayi Ticaret A.Ş.	863.015	--	7.680.859	863.015	--	8.703.717
Deferred interest income/expenses	(2.014.030)	(256.450)	(321.150)	(1.107.896)	(595.386)	(63.615)
	23.803.312	**756.050**	**7.763.307**	**28.480.594**	**1.895.339**	**8.654.807**

In additons as of 31 December 2018, Unpaid dividend due to shareholders TL 353.985 (31 Aralık 2017 : TL 663.881).

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 6 – CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash in hand	33.456	70.129
Banks		
- Demand deposit	7.513.675	3.681.766
- Time deposit	10.085.964	3.409.317
Other cash and cash equivalents	11.758.459	6.228.124
	29.391.554	**13.389.336**

Details of times deposit of the Group as at 31 December 2018 are as follows :

Currency	Interest rate	Amount	TL Equivalent
Euro	3,75%	1.576.498	9.503.130
US Dollar	4,5%	110.786	582.834
			10.085.964

As of 31 December 2017, the Group's time deposits are all TL with an interest rate between 11% and 14.5%.

NOTE 7 – FINANCIAL INVESTMENTS

	31 December 2018		31 December 2017	
	Percentage (%)	Amount	Percentage (%)	Amount
Financial assets through OCI				
Orta Anadolu İhr. Birl.(Mosaş A.Ş.)*	2,00	7.635	2,00	7.635
Ankersan Orm. Ürünleri A.Ş.	--	--	10,64	882.013
		7.635		**889.648**

*Carried at their historical cost.

Short-term financial assets are consist of B type liquid fund amounting TL 691 (31 December 2017: TL 582)

NOTE 8 – BORROWINGS

The borrowings of the Group at 31 December 2018 and 2017 are all due to bank loans and detailed as follows ;

	31 December 2018		31 December 2017	
	Rate	Amount	Rate	Amount
Short-term bank loans				
- TL loans	% 28 – 35	10.551.735	% 13 – 17	18.271.943
- Euro loans	% 0,68	13.261.600	% 0,65	7.676.562
Other	--	29.413	--	33.681
		23.842.748		**25.982.186**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 8 – BORROWINGS (Continued)

	31 December 2018		31 December 2017	
	Rate	**Amount**	**Rate**	**Amount**
Short-term portion of long-term bank loans				
- Euro loans	%0,68	11.911.970	%0,76 – 2	6.608.819
Car purchasing loans	--	--	--	69.453
		11.911.970		**6.678.272**
Long-term bank loans				
- Euro loans	%0,68	19.039.160	%0,76 – 2	19.679.787
		19.039.160		**19.679.787**

Maturities of the loans as follow;

	31 December 2018	31 December 2017
Between 1-2 years	1.507.000	3.924.069
Between 2-5 years	12.665.910	10.295.323
Over 5 years	4.866.250	5.460.395
	19.039.160	**19.679.787**

NOTE 9 – TRADE RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017
Short term trade receivables		
Trade receivables	37.630.754	47.305.070
Notes and cheques receivable	40.632.768	54.348.978
Doubtful trade receivables	22.547.897	13.588.525
	100.811.419	115.242.573
Deferred financial income (-)	(2.569.427)	(2.437.537)
Allowances for doubtful trade receivables (-)	(22.547.797)	(13.588.525)
	75.694.195	**99.216.511**

As of the date of 31 December 2018, the average period for the collection of receivables is 82 days (31 December 2017; 107 days).

As of the date of balance sheet, there are no significant amount of receivables past due in the trade receivables.

The related party balances in the trade receivables are disclosed in Note 5. The nature and amounts of the guarantees obtained in consideration of the receivables are specified in Note 20.3. The risks and levels of risks that the receivables of the Group are exposed to are disclosed in Note 33. The foreign exchange balances of the trade receivables are disclosed in Note 33 foreign currency risk.

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 9 – TRADE RECEIVABLES AND PAYABLES (Continued)

The movement table of the doubtful receivables as at 31 December 2018 and 2017 are as follows :

	2018	**2017**
1 January	13.588.525	12.587.952
TFRS 9 effect	1.632.004	--
Provisions reserved in the period	(433.595)	(612.727)
Collections from doubtful receivables	7.711.655	1.608.065
Foreign currency translation	49.208	5.235
31 December bakiyesi	**22.547.797**	**13.588.525**

	31 December 2018	**31 December 2017**
Short term trade payables		
Trade Payables	30.403.544	46.369.728
Deferred financial expenses (-)	(788.407)	(183.240)
	29.615.137	**46.186.488**

NOTE 10 – OTHER RECEIVABLES AND PAYABLES

	31 December 2018	**31 December 2017**
Short term other receivables		
Receivables from tax office	4.586.575	4.138.005
Receivables from personnel	372.639	327.806
Other receivables	39.323	362.304
Deposite and guarantees given	50.993	331.684
	5.049.530	**5.159.799**
Long term other receivables		
Deposite and guarantees given	41.993	45.797
	41.993	**45.797**

	31 December 2018	**31 December 2017**
Short term other payables		
Due to related parties (Note 5)	353.985	663.881
Other payables	192.263	41.210
	546.248	**705.091**

NOTE 11 – INVENTORIES

	31 December 2018	**31 December 2017**
Raw material	63.528.319	52.678.800
Semi-finished goods	5.525.457	5.298.011
Finished goods	35.566.569	23.391.095
Merchandises	10.692.577	8.272.679
Other inventories	5.981.103	12.208.363
Inventory impairment (-)	(4.949.942)	(2.134.901)
	116.344.083	**99.714.047**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 12 – PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2018	31 December 2017
Short term prepaid expenses		
Advances given for inventory	2.180.637	2.685.240
Prepaid expenses	1.056.055	840.140
Advances given for business purposes	46.167	32.557
	3.282.859	**3.557.937**

As of 31 December 2018 and 2017 deferred income of the Group is consist of advances received.

NOTE 13 – CURRENT TAX RELATED ASSETS

As of 31 December 2018 and 2017 assets related to the current period tax are composed of taxes paid in advance .

NOTE 14 – INVESTMENTS IN EQUITY

The investments in equity of the Group as at 31 December 2018 and 2016 are as follows :

	31 December 2018		31 December 2017	
	Share (%)	Amount	Share (%)	Amount
Genart	48,04	8.500.397	48,04	7.559.459
Gentaş Kimya	14,50	26.256.849	14,50	19.558.691
5K	40,00	6.966.573	40,00	6.368.916
		41.723.819		**33.487.066**

On 14 Jabuary 2019 , the Group has sold its %10 share of 5K to Gentaş Kimya with the amount of TL 1.900.000

The amounts associated with the statement of profit and loss as at 31 December 2018 and 2017 are as follows;

	1 January - 31 December 2018	1 January - 31 December 2017
Genpaz net income for the year	846.328	1.035.979
Share	48,04%	48,04%
Amount attributable to Income / Loss	**406.576**	**497.684**
Gentaş Kimya net income for the year	52.194.317	38.360.687
Share	14,50%	14,50%
Amount attributable to Income / Loss	**7.568.175**	**5.562.299**
5K net loss for the year	(508.682)	(3.220.168)
Share	40,00%	40,00%
Amount attributable to Income / Loss	**(203.473)**	**(1.288.067)**
	7.771.279	**4.771.917**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 14 – INVESTMENTS IN EQUITY (Continued)

The financial statement details of the investments in equity as at 31 December 2018 and 2017 are as follows :

	31 December 2018			31 December 2017		
	Genart	**G.Kimya**	**5K**	**Genart**	**G.Kimya**	**5K**
Total assets	46.874.224	248.486.655	33.144.511	41.991.025	179.571.609	43.032.981
Short term liabilities	17.600.248	28.361.037	24.406.652	14.012.117	40.870.742	46.096.921
Long term liabilities	827.602	30.850.253	10.256.016	663.352	2.988.254	789.545
Net income / loss for the year	846.328	52.194.317	(508.682)	1.035.979	38.360.687	(3.220.168)

Movement of the investments in equity are as follows ;

	31 December 2018			31 December 2017		
	Genart	**G. Kimya**	**5K**	**Genart**	**G.Kimya**	**5K**
Balance at 1 January	**7.559.459**	**19.558.691**	**6.368.916**	**5.800.765**	**14.443.199**	**3.864.832**
Purchase of 5K	--	--	--	--	--	2.200.000
Capital paid in cahs	--	--	815.000	--	--	1.575.000
Amount attributable to Profit or loss	406.576	7.568.175	(203.473)	497.684	5.562.299	(1.288.067)
Dividend paid	--	(341.176)	--	(240.200)	(426.470)	--
Sale of share of the Company	538.449	--	--	1.499.559	--	--
Share of acturials income /loss	(4.087)	(59.572)	(13.870)	1.651	(20.337)	17.151
Cross Shareholding Adjustment	--	(469.269)	--	(401.137)	--	--
Closing balance	**8.500.397**	**26.256.849**	**6.966.573**	**7.559.459**	**19.558.691**	**6.368.916**

NOT 15 – YATIRIM AMAÇLI GAYRİMENKULLER

	1 January 2018	**Additions**	**Disposal**	**31 December 2018**
Buildings and apartments	18.299.437	2.800.132	(147.924)	20.951.645
Accumulated depreciations	(2.077.702)	(462.459)	61.388	(2.478.773)
Net book value	**16.221.735**	**2.337.673**	**(86.536)**	**18.472.872**

	1 January 2017	**Additions**	**Transfers**	**31 December 2017**
Buildings and apartments	16.824.437	1.475.000	--	18.299.437
Lands	2.152.356	24.032	(2.176.388)*	--
Accumulated depreciations	(1.700.208)	(377.494)	--	(2.077.702)
Net book value	**17.276.585**	**1.121.538**	**(2.176.388)**	**16.221.735**

* transfer to assets held for sale.

The investment properties consist of the factory plants rented by the Group to Genpaz and Gentaş Kimya and 3 apartments rented to third parties.

An amount of TL 1.204.606 rent income was obtained from the related propertie (2017 : TL 938.491).

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

The movements that occurred in the tangible assets and their related accumulated depreciation for the period ending at 31 December 2018 and 2017 are as follows ;

	1 January 2017	Additions	Disposals	Transfer	Foreign currency translation	31 December 2017	Additions	Disposals	Transfer	Foreign currency translation	31 December 2018
Cost											
Lands	3.305.308	275.400	(869.276)	--	8.439	2.719.871	952.633	--	--	15.850	3.688.354
Land improvements	3.631.699	264.048	--	--	--	3.895.747	253.500	--	--	--	4.149.247
Buildings	24.002.817	1.791.408	--	--	1.354.534	27.148.759	1.419.722	--	--	2.543.115	31.111.596
Machinery, plant	96.795.196	846.172	(2.142.486)	3.747.603	880.155	100.126.640	2.849.225	(1.281.140)	14.103.321	1.314.402	117.112.448
Motor vehicles	3.609.972	1.068.370	(889.040)	--	7.866	3.797.168	325.542	(347.911)	--	6.270	3.781.069
Furniture and fixtures	4.708.179	921.431	(4.725)	--	3.362	5.628.247	721.744	(80.949)	--	9.551	6.278.593
Other tangible assets	8.574.115	20.000	--	--	--	8.594.115	110.916	--	--	--	8.705.031
Leasehold improvements	1.626.480	1.779.194	--	--	--	3.405.674	658.176	--	--	--	4.063.850
Construction in progress	2.760.403	8.381.113	--	(3.747.603)	--	7.393.913	6.709.408	--	(14.103.321)	--	--
	149.014.169	**15.347.136**	**(3.905.527)**	**--**	**2.254.356**	**162.710.134**	**14.000.866**	**(1.710.000)**	**--**	**3.889.188**	**178.890.188**
Accumulated depreciation											
Land improvements	3.246.942	57.432	--	--		3.304.374	91.590	--	--	--	3.395.964
Buildings	5.891.915	227.127	--	--	45.093	6.164.135	633.959	--	--	121.973	6.920.067
Machinery, plant	65.199.892	6.337.949	(380.702)	--	142.196	71.299.335	5.623.062	(609.291)	--	321.204	76.634.310
Motor vehicles	2.610.725	485.808	(318.523)	--	3.099	2.781.109	470.851	(345.650)	--	3.768	2.910.078
Furniture and fixtures	3.760.146	350.217	(3.899)	--	294	4.106.758	448.777	(68.295)	--	1.030	4.488.270
Other tangible assets	7.633.467	145.796	--	--	--	7.779.263	151.082	--	--	--	7.930.345
Leasehold improvements	791.289	508.690	--	--	--	1.299.979	642.146	--	--	--	1.942.125
	89.134.376	**8.113.019**	**(703.124)**	**--**	**190.682**	**96.734.953**	**8.061.467**	**(1.023.236)**	**--**	**447.975**	**104.221.159**
Net book value	**59.879.793**					**65.975.181**					**74.669.029**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 17 – INTANGIBLE ASSETS

	1 January 2017	Additions	Foreign currency translation	31 December 2017	Additions	Disposals	Foreign currency translation	31 December 2018
Cost								
Rights	423.934	--	70.627	494.561	--	(457.541)	130.985	168.005
Other	869.703	20.434	--	890.137	454.507	--	--	1.344.644
	1.293.637	**20.434**	**70.627**	**1.384.698**	**454.507**	**(457.541)**	**130.985**	**1.512.649**
Amortizations								
Rights	108.502	60.595	13.955	183.052	23.978	(104.075)	37.343	140.298
Other	669.476	29.418	--	698.894	54.573	--	--	753.467
	777.978	**90.013**	**13.955**	**881.946**	**78.551**	**(104.075)**	**37.343**	**893.765**
Net book value	**515.659**			**502.752**				**618.884**

NOTE 18 – GOODWILL

	31 December 2018	31 December 2017
Goodwill generated from acquisition of GBS Gentaş	942.792	942.792
	942.792	**942.792**

Goodwill was also reviewed as of the date of 31 December 2018, in order to test against impairment, and no impairment has been detected in the amount of goodwill (2017 : None).

NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

	31 December 2018	31 December 2017
Social security premiums payable	1.013.452	1.396.586
Taxes and funds payable	811.441	512.375
Due to personnel	1.725.277	1.525.799
	3.550.170	**3.434.760**

NOTE 20 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

20.1 Short term provisions:

	31 December 2018	31 December 2017
Unused vacations	2.333.651	2.238.143
	2.333.651	**2.238.143**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 20 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

20.2 Lawsuits and Disputes

a) Ongoing lawsuits filed by the Group:

As of 31 December 2018 there is a total of TL 21.647.041 action of debt filed by the Group and still in progress (31 December 2017: TL 9.154.136). The Group reserves provisions for its receivables at the law suit and execution stages

b) Ongoing lawsuits against the Group: None (31 December 2017:None.)

20.3 Provided / received guarantees, pledge and mortgages ("GPM"):

a) GPMs given

GPMs given by the Group	**31 December 2018**	**31 December 2017**
A- Total amount of the GPMs given in the name of its own legal entity	54.211.370	37.576.711
B- Total amount of the GPMs given on behalf of fully consolidated companies	44.055.465	40.088.950
C- CPMs given on behalf of the other third parties debt for the continuation of their ordinary economic activities	--	--
D- Total amount of other GPMs	--	--
i- Total amount of GPMs given on behalf of parent company shareholder	--	--
ii- Total amount of CPMs given on behalf of other group companies which do not fall into the scope of items B and C	--	--
iii- Total amount of GPMs given on behalf of third parties which do not fall into the scope of item C	--	--
	98.266.835	**77.665.661**

The details of the CPMs given by the Group as at 31 December 2018 and 2017 are as follows :

Type	**Given to**	**31 December 2018**	**31 December 2017**
Letter of guarantee	Government agencies	752.800	1.401.408
Letter of guarantee	Suppliers	150.000	150.000
Letter of guarantee	Banks*	52.508.570	35.775.303
Guarantee	Genmar**	--	3.771.900
Guarantee	Gentas Italy ***	1.205.600	6.773.250
Guarantee	Genart****	20.043.800	22.543.800
Guarantee	5K*****	22.806.065	7.000.000
Letter of guarantee	Other	800.000	250.000
		98.266.835	**77.665.661**

* 8.710.778 Euro (31 December 2017: 7.922.778 Euro)
** 31 December 2017: 1.000.000 US Dollar
*** 200.000 Euro (31 December 2017: 1.500.000 Euro)
**** 2.000.000 US Dollar ve 9.522.000 TL (31 December 2017; 2.000.000 US Dollar and TL 15.000.000)
***** 1.170.000 Euro, 1.450.000 USD ve 8.125.000 TL

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 20 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

20.3 Provided / received guarantees, pledge and mortgages ("GPM") (Continued):

b) GPMs received

Type	Obtained from	31 December 2018	31 December 2017
Letter of guarantee	Customers	2.039.435	451.550
Mortgage	Customers	1.300.000	500.000
Guarantee	Genart	193.005.305	160.421.618
		196.344.740	**161.373.168**

NOTE 21 – GOVERNMENT GRANTS AND INCENTIVES

The Company and GBS Gentaş have investment incentive certificate within the scope of the related certificate, the Company benefited from the VAT exemption from investment expenditures, customs exemption, 50 % discount for corporate tax (at an amount of 15 % of the investment), and SSI employer premium support.

NOTE 22 – EMPLOYEE BENEFITS

Provision for employee termination benefits

Within the framework of the existing laws in Turkey, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or completes a total of 20 years of service for women and 25 years for men or achieves the retirement age. Monthly severance pay ceiling should not be exceeded in the calculations.

The employment termination benefits to be paid as of the date of 31 December 2018 is calculated over the monthly severance pay ceiling of TL 6.017,60, valid starting from 1 January 2019 (31 December 2017 : TL 5.001,76).

The employment termination benefits liability is not subject to any legal funding.

Employment termination benefits liability is calculated according to the estimated present value of the potential future liability arising out of the retirement of the Group employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed in order to estimate the liabilities of the company under defined benefit plans. Accordingly, actuarial assumptions that were used in the calculation of the total liabilities are specified below.

The basic 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. In the accompanying financial statements as at 31 December 2018, the provisions have been calculated through estimating the present value of the potential future liabilities arising out of the retirement of the employees. The provisions as at 31 December 2018 are calculated with a real discount rate of 3,40 %, based on the assumption of an annual inflation rate of 11,8 % and a discount rate of 15,6 %. (31 December 2017 : 3,32 real discount rate) The estimated ratio of the amounts of employment termination benefits to be retained by the Group as they are not paid due to voluntary leaves of employment is also taken into consideration.

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 22 – EMPLOYEE BENEFITS (Continued)

The movement table of the account for the provision for employment termination benefits of the Group as at 31 December 2018 and 2017 are as follows :

	31 December 2018	31 December 2017
Balance at 1 January	**2.779.829**	**2.518.251**
Payments	(773.801)	(654.031)
Interest cost	82.531	45.172
Current service cost	1.215.708	888.592
Actuarial (gains) / losses	1.040.627	(18.155)
Balance at 31 December	**4.344.894**	**2.779.829**

NOTE 23 – OTHER ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Other current assets		
Deferred VAT	5.259.567	5.549.278
Other	7.482	--
	5.267.049	**5.549.278**

	31 December 2018	31 December 2017
Other short term liabilities		
VAT	656.789	139.969
Accrued expenses	873.421	841.161
	1.530.210	**981.130**

NOTE 24 – EQUITY

The upper limit of the registered capital of the Company is 120.000.000 TL, divided into 12.000.000.000 shares to the name, at an amount of 0,01 TL each. The issued capital of the Company, on the other hand, is TL 118.800.000 (31 December 2017: TL 110.000.000). The issued capital shares of the Company are divided into 11.880.000.000 shares, each with a value of 0,01 Turkish Lira. The partnership structure of the Company as at 31 December 2018 and 2017 are as follows :

	31 December 2018		31 December 2017	
	Share	**Amount**	**Share**	**Amount**
Genart	6,12	7.265.918	7,33	8.065.001
M. Ziya KAHRAMAN	12,34	14.657.688	12,34	13.571.934
Ahmet KAHRAMAN	0,00	--	10,00	11.000.002
Abdurrahman KAHRAMAN (Tahsin Oğlu)	10,02	11.905.078	9,20	10.124.137
Çelik Uluslararası Nak.Tur.Tic.A.Ş.	6,81	8.094.227	7,27	8.000.000
Seyit Mehmet MUTLU	5,99	7.110.497	5,99	6.583.793
Other	58,73	69.766.592	47,87	52.655.133
	100,00	**118.800.000**	**100,00**	**110.000.000**

The Company increase its capital by bonus issue amounting TL 8.800.000 (2017: TL 8.350.000)

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 24 – EQUITY (Continued)

Restricted reserves

	31 December 2018	31 December 2017
Legal reserves	11.833.302	9.883.033
Profit of sale of investments	93.672	93.672
Profit of sale of property	3.674.096	384.802
	15.601.070	**10.361.507**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. 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 paid in share capital. The second legal reserves, on the other hand, is 10 % of the distributed profits exceeding 5 % of the paid in share capital. According to the Turkish Commercial Code, 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 share capital.

Actuarial gain / loss fund for provision for employee termination benefits

With the amendment made in the TAS - 19 "Employee Benefits" the actuarial losses and earnings taken into consideration in the calculation of the provision for employee termination benefits are not allowed to be accounted for in the statement of income. The losses and earnings that occurred in consequence of the change in the actuarial assumptions are accounted for in the equity.

Previous years profit

	31 December 2018	31 December 2017
Extraordinary reserves	58.086.783	43.510.559
Retained earnings	752.405	7.108.435
	58.839.188	**50.618.994**

Non-controlling interests

The amounts corresponding to the minority interests outside of the interests of the parent company and subsidiaries are deduced from the entire account group of equity capital within the scope of consolidation including paid in / issued capital and displayed in the equity capital account group of the consolidated balance sheet under the account group name of "Non-controlling interests".

Effect of business combination under common control

It is accounted for under the positive / negative equity that occur during the initial recognition of the business combinations under joint control. It is resulted from the acquisition of Genmar that the Group has acquired within the year 2013**.**

Foreign currency translation

Exchange differences arising from translation of Gentas Italy financial statement into TL

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 24 – EQUITY (Continued)

Adjustment of cross shareholding

The amount consists of The Group's percentage (% 48,04) of the share owned by Genpaz with the cost of TL 9.116.791 (31 December 2017: TL 10.069.861) and the nominal value of TL 7.265.918 (31 December 2017: TL 8.065.001) . The Group's percentage of the nominal value of TL 3.490.546 (31 December 2017 : TL 3.874.425) accounted as "cross shareholding adjustment" , The Group's percentage of the difference between the purchase price and the nominal amount accounted under "Retained Earnings".

Profit distribution

According to the "Communiqué on the Share of Profits" Series : II No. 19.1, partnerships distribute their profits with the decision of the general assembly within the framework of the profit distribution policies to be determined by their general assembly and in compliance with the provisions of the related legislation. The profit share in partnerships is distributed equally pro rata shares to all the existing shareholders as of the date of distribution without taking into account their dates of issue and acquisition. According to the TCC, unless the provisional sums required and the profit share determined for the shareholders in the articles of incorporation or profit share policy are reserved, it is not possible to decide for the reservation of any other provisional sums, profit transfer to the next year, and distribution of profits to the owners of usufruct shares, members of the board of directors, employees of the partnership and to persons other than the shareholders, whereas shares from profit cannot be distributed to these persons unless the profit share determined for the shareholders is paid in cash. It is obligatory that the profit distribution table is disclosed to the public at the latest as of the date that the ordinary general assembly agenda is announced. The part of the retained losses of the partnerships that exceed the total of the amounts resulting from the retained income, general statutory provisional sum including premiums in relation to the shares, amounts due to the adjustment of the equity items except capital according to inflation accounting is taken into consideration as a discount item in the calculation of the net distributable profit for the period.

In 2018 , the Company made dividend payment to the shareholders amounting to gross TL 7.831.587 (TL 0,150588 per share) (2017: TL 4.825.857, TL0,1294 per share).

As long as it is possible to cover from the resources stated in the company statutory records, it is permitted to calculate the amount of the profits they will distribute by taking into consideration the net profits of the period found in the financial statements prepared within the framework of the Communiqué series II No. 14.1 on the Basis of Financial Reporting in Capital Markets. The distributable equities of the Company according to the statutory records are as follows ;

	31 December 2018	31 December 2017
Extraordinary reserves	32.766.661	28.192.797
Net profit for the year	32.973.303	26.029.371
	65.739.964	**54.222.168**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 25 – REVENUE AND COST OF SALES

	1 January – 31 December 2018	1 January – 31 December 2017
Domestic sales		
Laminat sales	205.603.248	143.126.920
Werzalit sales	31.919.597	33.424.106
Other sales	36.373.954	26.271.698
	273.896.799	**202.822.724**
Overseas sales		
Laminat sales	136.246.639	101.186.717
Werzalit sales	634.386	1.084.868
Other sales	20.349.384	18.008.693
	157.230.409	**120.280.278**
Other sales	**853.993**	**768.605**
	431.981.201	**323.871.607**
Sales returns	(5.463.493)	(2.374.396)
Sales discounts	(1.491.589)	(3.129.748)
	425.026.119	**318.367.463**

	1 January – 31 December 2018	1 January – 31 December 2017
Raw materials expensed	137.462.021	101.489.388
Direct labor cost	13.884.085	14.384.314
General production cost	74.459.918	60.529.054
Cost of goods produced	225.806.024	176.402.756
Change in semi-finished goods	(227.446)	(1.146.961)
Change in goods	(11.643.500)	(926.184)
Cost of goods sold	213.935.078	174.329.611
Merchandise at the beginning	8.272.679	6.971.710
Additions	105.857.828	78.115.439
Merchandise at the end	(10.686.660)	(8.272.679)
Cost of merchandises sold	103.443.847	76.814.470
Total cost of sales	**317.378.925**	**251.144.081**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 26 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January – 31 December 2018	1 January – 31 December 2017
Research and development expenses		
Material expenses	270.698	300.199
Consultancy fee	210.316	144.592
Test expenses	297.020	157.240
Personnel expenses	155.216	87.230
Travel expenses	78.285	64.675
Depreciation expenses	6.659	4.844
Other	205.842	56.366
	1.224.036	**815.146**
General administrative expenses		
Personnel expenses	10.937.042	8.863.122
Depreciation and amortization expenses	1.312.461	1.100.115
Consultancy expenses	1.119.745	771.284
Taxes, levies and duties	704.812	346.798
Material costs	456.720	373.182
Rent expenses	344.581	245.563
Announcement and advertisement expenses	136.780	94.542
Banking transactions expenses	426.007	275.385
Travel expense	236.250	207.584
Communication expenses	226.152	177.202
Representation and hosting expenses	80.377	41.384
Maintenance and repair expenses	560.032	643.108
Energy expenses	128.887	250.163
Donations and grants	56.656	4.799
Other expenses	2.253.205	1.842.409
	18.979.707	**15.236.640**
Sales and distribution expenses		
Personnel expenses	5.786.526	4.768.789
Export expenses	2.821.754	2.430.827
Commission expenses	2.202.746	1.528.684
Advertisement expenses	2.509.767	1.728.336
Fair expenses	1.649.657	1.553.342
Premium expenses	1.546.609	2.372.053
Transportation expenses	1.644.980	1.319.629
Rent expenses	1.683.605	1.339.648
Material costs	677.330	772.544
License expenses	241.059	165.878
Maintenance and repair expenses	43.848	84.423
Travel expenses	968.859	289.156
Depreciation and amortization expenses	791.858	682.440
Other	1.957.813	1.374.629
	24.526.411	**20.410.378**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 27 – EXPENSES BY NATURE

	1 January – 31 December 2018	**1 January – 31 December 2017**
Raw materials and supplies expenses	137.462.021	101.489.388
Merchandise cost	103.443.847	76.814.470
Indirect material costs	46.286.491	37.672.566
Personnel expenses	40.723.440	36.479.964
Depreciation and amortization expenses	8.602.477	8.580.526
Energy expenses	7.066.426	4.969.699
Export expenses	2.821.754	2.430.827
Commission expenses	2.202.746	1.528.684
Advertisement expenses	2.646.547	1.822.878
Premium expenses	1.546.609	2.372.053
Other expenses	9.306.721	13.445.190
	362.109.079	**287.606.245**

NOTE 28 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January – 31 December 2018	**1 January – 31 December 2017**
Other income		
Financial income due to credit sales	15.603.169	11.307.599
Foreign exchange income	27.896.635	7.180.625
Cancelled provision for doubtful receivables	433.595	529.300
Overdue income	289.739	119.341
Other	2.733.566	2.677.399
	46.956.704	**21.814.264**
Other expense		
Doubtful receivables expense	7.711.655	1.608.065
Foreign exchange loss	30.768.112	6.243.619
Financial expenses due to credit sales	8.491.930	2.822.437
Other	1.441.674	873.014
	48.413.371	**11.547.135**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 29 – INCOME / EXPENSE FROM INVESTING ACTIVITIES

	1 January – 31 December 2018	1 January – 31 December 2017
Income from investing activities		
Interest income	389.721	242.973
Rental income	1.204.606	938.491
Gain on sale of fixed assets	4.788.214	4.301.924
Foreign exchange income	487.795	--
Other	9.805	4.652
	6.880.141	**5.488.040**

Expenses from investing activities		
Loss on sale of financial investment	303.184	--
	303.184	**--**

NOTE 30 – FINANCE EXPENSES

	1 January – 31 December 2018	1 January – 31 December 2017
Finance expenses		
Interest expenses	5.358.301	2.851.274
Foreign exchange loss / (income),net	11.414.160	6.245.844
Other	2.243.405	106.047
	19.015.866	**9.203.165**

NOTE 31 – INCOME TAXES

Corporate tax

The required provisions are reserved in the accompanying consolidated financial statements for the estimated tax liabilities with regards to the current period operating results of the Group.

The ratio of the corporate tax to be accrued over the taxable corporate income is calculated over the base remaining after the addition of the expenses written off as expense in the determination of the trade earnings which cannot be deduced from the tax base, and the deduction of the earnings exempt from tax, tax free income and other discounts (retained losses and investment discounts used on demand, if any). The corporate tax ratio applied in the year 2018 is 22 % (2017: 20%)."The Law on the Amendment of Certain Tax Laws and Some Other Laws (No. 7061)" (Law No. 7061) published on December 5, 2017 and the corporate tax rate was determined to be 22% for corporate earnings for taxation periods of 2018, 2019 and 2020. "

Advance taxes in Turkey are calculated and accrued on a quarterly basis. At the taxation stage as of the advance tax periods of the corporate earnings for the year 2018, the rate of advance tax to be calculated over the corporate earnings is 22 %. (2017: %20).)."The rate related to Law No. 7061 has been determined as 22% for the years 2018, 2019 and 2020 as of May 14, 2018." The losses can be carried over for a maximum period of 5 years to be deduced from the taxable income to be generated in the coming years. However, the incurred losses are not deduced retrospectively from the retained income.

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 31 – INCOME TAXES

Corporate tax (continued)

With regards to the taxes to be paid in Turkey, there is no practice of reconciliation with the tax authority. The corporate tax returns are submitted to the respective tax office until the evening of the 25th day of the fourth month following the month that the accounting period is closed. Notwithstanding, the tax authorities have the right to audit tax returns may inspect the related accounting records for a period of five years and in case an erroneous transaction is detected, then the amounts of taxes payable may change.

In addition to the corporate tax, except for those distributed to fully obliged institutions that acquire share from profits in the event they are distributed and declares these shares from profits by including them into the earnings of the institution, and to the braches of foreign companies in Turkey, income tax withholding should separately be calculated over the shares of profits. The income tax withholding is applied at the rate of 15 %.

The tax legislation in Turkey does not permit a parent company and the entities in the scope of consolidation to file a consolidated tax return. Therefore, the tax provisions as reflected in the consolidated financial statements have been calculated separately on entity basis.

The corporate tax liabilities reflected to the balance sheet of the Group as at 31 December 2018 and 2017 are as follows:

Current tax liabilities	**31 December 2018**	**31 December 2017**
Corporate tax provision	8.526.072	4.243.694
Prepaid taxes and funds	(8.440.779)	(2.820.729)
Corporate tax payable	**85.293**	**1.422.965**

The corporate tax liabilities reflected to the statement of income of the Group as at 31 December 2018 and 2017 are as follows :

Income tax income / (expense)	**31 December 2018**	**31 December 2017**
Current corporate tax	(8.526.072)	(4.243.694)
Deferred income tax benefit / (expense)	456.216	(2.317.551)
	(8.069.856)	**(6.561.245)**

The reconciliation of the tax expense of the period with the income for the period is as follows :

	1 January – 31 December 2018	**1 January – 31 December 2017**
Profit before tax	**56.323.474**	**42.085.139**
Tax calculated over 20 % local tax ratio	12.391.164	8.417.028
Tax effect of the legally disallowable expenses	701.138	376.522
Tax effect of the exceptions and discounts to be deducted	(6.130.321)	(5.112.257)
Other	1.107.875	2.879.952
Corporate tax payable	**8.069.856**	**6.561.245**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 31 – INCOME TAXES

Deferred tax

The Group accounts for the deferred tax assets and liabilities for the temporary timing differences resulting from the differences between the statutory financial statements that set the basis of the tax and the financial statements prepared according to TAS / TFRS. The said differences in general result from the financial statements that set the basis of the tax, as well as their being in different periods in the financial statements prepared according to TAS / TFRS, and these differences in question are specified below.The calculation of deferred tax assets and liabilities is based on tax rates of 22% for the years 2018, 2019 and 2020 and 20% for the other periods, which are expected to be applied in the periods when the assets are converted to income or when the liabilities are paid (31 December 2016: %20).

	31 December 2018		**31 December 2017**	
	Cumulative differences	Assets/ (Liabilities)	Cumulative differences	Assets/ (Liabilities)
Net difference between the book values and tax values of the inventories	5.863.031	1.289.867	2.365.079	520.317
tangible and intangible assets	(11.977.056)	(2.395.411)	(8.755.212)	(1.751.042)
Provision for employment termination benefits	4.067.915	813.583	2.547.171	509.434
Deferred financial income	362.361	79.719	1.228.012	270.163
Deferred financial expense	(788.407)	(173.450)	(183.240)	(40.313)
Provision for doubtful receivables	4.738.183	1.042.400	803.481	176.766
Unused vacation	2.333.651	473.050	2.238.143	452.911
Bank loans	14.095	3.101	17.643	3.881
Investment incentive	--	--	--	--
Deferred tax assets	17.365.141	3.698.619	9.181.886	1.929.591
Deferred tax liabilities	(12.751.368)	(2.565.760)	(8.920.809)	(1.787.474)
Deferred tax assets, Net		**1.132.859**		**142.117**

The movements of the deferred tax assets / liabilities of the Group are as follows ;

	31 December 2018	**31 December 2017**
Balance at 1 January	142.117	2.463.298
TFRS 9 effect	326.400	--
Deferred tax income / (expense)	456.216	(2.317.551)
Reflected to equity	208.126	(3.630)
31 December	**1.132.859**	**142.117**

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 32 – EARNINGS / (LOSSES) PER SHARE

Earnings per share are calculated by dividing the net income of the shareholders by the weighted average number of ordinary shares. The earnings per share of the Group as at 31 December 2018 and 2017 are as follows :

	1 January – 31 December 2018	**1 January – 31 December 2017**
Net income for the year	41.454.448	31.242.377
Weighted average number of the issued ordinary shares	11.880.000.000	11.880.000.000
Earnings per 100 share (TL)	**0,349**	**0,263**

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Capital risk management

The Company aims at increasing its profits by ensuring the sustainability of its operating activities on the one hand, while using its equity capital balance at the most efficient manner, on the other. The capital structure of the Company is composed of equity capital items containing payables also including credits, cash and cash equivalents and issued capital respectively, profit reserves as well as retained earnings.

The general strategy of the Company overall does not display any difference from the previous period. The table of the major risks that the Group is exposed to is provided as follows ;

Credit risk

Credit risk is the risk of failure by a party among those who made investment on a financial instrument to fulfill its liabilities, incurring financial losses to the other party. The Company manages the credit risk by restricting its transactions with certain third persons and continuously reviewing the credit risks of third persons.

The credit risk of the Group results predominantly from its trade receivables.

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

The Group's financial instruments exposed to credit risk and their amounts are as follows ;

	Trade receivables		**Other receivables**	**Banks**
Current year	**Other**	**Related**	**Other**	
Maximum credit risk exposure as of reporting date (A+B+C+D) [(1)]	**54.460.210**	**23.803.312**	**5.049.530**	**17.599.639**
Collateralized or secured with guarantees part of maximum credit risk	--	--	--	--
A. Neither past due nor impaired	54.460.210	23.803.312	5.049.530	17.599.639
B. Past due but not impaired	--	--		
- Guaranteed amount by commitment	--		--	--
C. Net book value of impaired assets	--	--	--	--
- Past due (Gross amount)	22.547.797	--	--	--
- Impairment (-) (-)	(22.547.797)	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--

(1) In the determination of the amounts, the elements that increase the loan credibility, such as the received guarantees, are not taken into consideration.

	Trade receivables		**Other receivables**	**Banks**
Current year	**Other**	**Related**	**Other**	
Maximum credit risk exposure as of reporting date (A+B+C+D) [(1)]	**73.173.454**	**28.480.594**	**5.159.799**	**7.091.083**
Collateralized or secured with guarantees part of maximum credit risk	--	--	--	--
A. Neither past due nor impaired	73.173.454	28.480.594	5.159.799	7.091.083
B. Past due but not impaired	--	--		
- Guaranteed amount by commitment	--		--	--
C. Net book value of impaired assets	--	--	--	--
- Past due (Gross amount)	13.588.525	--	--	--
- Impairment (-) (-)	(13.588.525)	--	--	--
D. Off-balance sheet items with credit risk	--	--	--	--

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Likidite riski

Liquidity risk is the possibility of the failure to perform net funding liabilities by the Group. The Group management manages the liquidity risk by distributing the funding sources and making available sufficient amount of cash and equivalent resources in order to fulfill its possible obligations

The liquidity risk table of the Group is as follows ;

31 December 2018

Contractual cash flows	Book value	Contractual cash outflow totals	less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years
	84.955.263	**86.116.875**	**54.792.540**	**9.289.885**	**2.645.924**	**6.759.364**	**12.629.162**
Borrowings	54.793.878	55.167.083	23.842.748	9.289.885	2.645.924	6.759.364	12.629.162
Trade payables	29.615.137	30.403.544	30.403.544	--	--	--	--
Other payables	546.248	546.248	546.248	--	--	--	--

31 December 2017

Contractual cash flows	Book value	Contractual cash outflow totals	less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Over 2 years
	99.231.824	**101.823.251**	**73.057.005**	**1.041.801**	**4.713.658**	**7.590.697**	**15.420.090**
Borrowings	52.340.245	54.748.432	25.982.186	1.041.801	4.713.658	7.590.697	15.420.090
Trade payables	46.186.488	46.369.728	46.369.728	--	--	--	--
Other payables	705.091	705.091	705.091	--	--	--	--

Market riski

Market risk is the changes in interest rates, exchange rates and values of other financial contracts, which has a negative impact of the Group. The fluctuations to occur in the related instruments lead to changes in the statement of income and equity of the Group.

Interest rate risk

The Group's financial instruments with variable interest rate are not exposed to the interest rate risk as they do not have significance. Even though there is no risk in their bank credits with fixed interest rate and time deposits, for the continuation of their operations it is affected from the future interest rates for the credits and deposits in the coming periods.

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Currency risk

The financial instruments of the Group in foreign exchange are exposed to currency risk due to the changes in foreign exchange rates. The foreign currency position of the Group as at 31 December 2018 and 2017 are as follows :

31 December 2018	**TL equivalent**	**USD**	**Euro**
Monetary financial assets	16.223.957	199.017	2.517.742
Trade receivables	28.816.504	274.314	4.541.036
Current assets	45.040.461	473.331	7.058.778
Total assets	**45.040.461**	**473.331**	**7.058.778**
Trade payables	15.427.343	98.121	2.473.646
Borrowings	25.173.567	--	4.176.106
Short term liabilities	40.600.910	98.121	6.649.752
Borrowings	19.039.161	--	3.158.454
Long term liabilities	19.039.161	--	3.158.454
Total liabilities	**40.600.910**	**98.121**	**6.649.752**
Net Foreign Currency Position	**4.439.551**	**375.210**	**409.026**
Export	**166.971.188**	753.639	27.039.660
Import	**161.536.486**	8.036.974	19.783.447

31 December 2017	**TL Karşılığı**	**ABD Doları**	**Euro**
Monetary financial assets	2.083.774	46.659	422.496
Trade receivables	19.444.558	207.135	4.133.156
Current assets	21.528.332	253.794	4.555.652
Total assets	**21.528.332**	**253.794**	**4.555.652**
Trade payables	29.322.747	1.507.176	5.234.820
Borrowings	13.382.280	--	2.963.632
Short term liabilities	42.705.027	1.507.176	8.198.452
Borrowings	19.679.787	--	4.358.274
Long term liabilities	19.679.787	--	4.358.274
Total liabilities	**62.384.814**	**1.507.176**	**12.556.726**
Net Foreign Currency Position	**(40.856.482)**	**(1.253.382)**	**(8.001.074)**
Export	**123.386.642**	891.487	28.406.718
Import	**124.228.834**	7.279.528	21.776.794

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 33 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Currency risk(continued)

Sensitivity analysis;

As at the date of 31 December 2018 and 2016, against the increase or decrease in the value of foreign currency, with the condition that all the other variables remain constant, the equity and profits before tax would be as higher / lower as the amounts provided below.;

Foreign currency sensitivity table

	Profit / (Loss)		**Equity**	
31 December 2018	Increase in foreign currency	Decrease in foreign currency	Increase in foreign currency	Decrease in foreign currency
USD	197.394	(197.394)	197.394	(197.394)
Euro	246.561	(246.561)	246.561	(246.561)
	443.955	**(443.955)**	**443.955**	**(443.955)**

Foreign currency sensitivity table

	Profit / (Loss)		**Equity**	
31 December 2017	Increase in foreign currency	Decrease in foreign currency	Increase in foreign currency	Decrease in foreign currency
USD	(472.763)	472.763	(472.763)	472.763
Euro	(3.612.885)	3.612.885	(3.612.885)	3.612.885
	(4.085.648)	**4.085.648**	**(4.085.648)**	**4.085.648**

NOTE 34 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES)

The current value is the amount that a financial instrument can be handed over in a current transaction, other than a compulsory sale or liquidation, between voluntary parties, and is best determined with the realized market price, if any.

Estimations are used in the estimation of current value and interpretation of the market data. Accordingly, the estimations presented hereby may not be able to display the amounts that the Group can acquire from an actual market transaction.

The methods and assumptions provided below are used to estimate the current value of each one of the financial instruments in the events where it is possible to determine the current value.

Financial assets
The carried values of the cash and cash equivalent financial assets are thought to be close to their current values. The carried values of trade receivables after the deduction of doubtful receivables are thought to be close to their current values. The monetary items in foreign currency are converted using the exchange rates as at the end of the period. Off board financial assets are displayed over their costs.

(Currency in Turkish Lira ("TL") unless otherwise stated).

NOTE 34 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES) (Continued)

Financial liabilities
The monetary items in foreign currency are converted using the exchange rates as at the end of the period. The trade payables and other monetary liabilities, as they are short term liabilities, are accepted to have current values close to their carried values. On the other hand, the carried values of the short term credits, due to their short term, are assumed to reflect the current value.

Categories for fair value measurements ;
The Group created 3 categories for the fair value measurements in order to comply with the implementations of TFRS 7. These categories are created according to the data used in the fair value measurements and provided as follows ;

1. Category : Price quoted in active markets
2. Category : Directly or indirectly detectable data other than quoted prices in the active market
3. Category : Information not based on any market data

The financial assets the fair values of which are measured according to the categories above are as follows :

	1.Kategori	2.Kategori	3.Kategori
B type liquid fund	691	--	--
Orta Anadolu İhr.Birl.(Mosaş A.Ş.)	--	--	7.635
	691	**--**	**7.635**

NOTE 35 – EVENTS AFTER THE BALANCE SHEET DATE

In the Board of Directors meeting dated February 28, 2019;

The land which is 15.020 m2 and registered in Ankara- Akyurt province İmar neighborhood, 1608 island, 7 parcel, and the factory building which is on the same place and 3.200 m2 (both are rented to 5K) are decided to sell with the amount of TL 8.898.000,

Six duplex Office numbered 25, 31, 32, 34, 35, 36 in which Genmar is tenant and registered in İstanbul, Başakşehir - İkitelli province İkitelli Organize Sanayi Bölgesi, Keresteciler Sitesi, 690 island 1 Parcel is decided to bue with the amount of TL 8.898.000.

Selling and purchasing process are ongoing.

NOTE 36 – OTHER MATTERS

None.