Gentaş Genel Metal Sanayi ve Ticaret A.Ş.

1 January-31 December 2017
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 ("Parent Company") and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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.

F. Kerim Gökay Cad. Okul Sok. No:1-E D:16 Altunizade / Üsküdar / İSTANBUL
Ticaret Sicil No: 609033 Tel: (0216) 327 62 62 pbx Faks: (0216) 327 62 63
bilgi@yeditepedenetim.com www.yeditepedenetim.com

3. Key Audit Matters

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

Key Audit 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.

4. Other Matters

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

As of 31 December 2017, Group has a trade receivables amounting TL 10.145.530 from 4K Grup Yapı ve Orman Ürünleri İnş. San.ve Tic. A.Ş. (“4K”, related party) which has low collection rate (TL 3.428.051 notes receivables). After the balance sheet date, the Group has collected 350.000 TL in cash. In addition, the Company has obtained a note amounting to TL 1.780.000 belonging to 4K's customers. The Group management considers that collections will be continued as 4K collects its receivables from the projects it finished.

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 ındependent 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.).

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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 22 February 2018.

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 2017 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 Saat is the auditor responsible for conducting and finalizing this independent audit.

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

Mehmet SAAT
Partner
İstanbul, 09 March 2018

Additional paragraph for convenience translation to English
As explained in note 2.1, the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain reclassification requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

TABLE OF CONTENTS

(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

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

		Audited	
ASSETS	**Note**	**31 December 2017**	**31 December 2016**
Current Assets		**229.070.803**	**184.584.926**
Cash and Cash Equivalents	6	13.389.336	8.474.662
Financial Investments	7	582	521
Trade Receaivables			
- Due From Related Parties	5-9	28.480.594	28.380.828
- Due From Third Parties	9	70.735.917	51.759.484
Other Receviables	10	5.159.799	6.592.470
Inventories	11	99.714.047	82.671.233
Prepaid Expenses	12	3.557.937	2.865.832
Current Tax Related Assets	13	86.924	--
Other Current Assets	23	5.549.278	3.839.896
Subtotal		***226.674.414***	***184.584.926***
Assets Held for Sale	3	2.396.389	--
Non-Current Assets		**120.102.427**	**106.108.152**
Trade receivables from related parties	5	1.895.339	--
Other Receviables	10	45.797	31.580
Financial Investments			
- Financial Assets Available for Sale	7	889.648	889.648
Investment in Equities	14	33.487.066	24.108.796
Investment Property	15	16.221.735	17.276.585
Tangible Assets	16	65.975.181	59.879.793
Intangible Assets			
- Goodwill	18	942.792	942.792
- Other Intangible Assets	17	502.752	515.659
Defferred Tax Assets	31	142.117	2.463.299
TOTAL ASSETS		**349.173.230**	**290.693.078**

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

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

		Audited	
LIABILITIES	**Note**	**31 December 2017**	**31 December 2016**
Current Liabilities		**94.883.214**	**66.926.588**
Short-Term Borrowings	8	25.982.186	16.785.868
Short-Term Portion of Long-Term Borrowings	8	6.678.272	3.598.385
Trade Payaybles			
- Due to Related Parties	5-9	8.654.807	6.470.029
- Due to Third Parties	9	37.531.681	28.553.902
Emplyoee Benefit Obligations	19	3.434.760	2.732.291
Other Payables			
- Due to Related Parties	5-10	663.881	736.604
- Due to Third Parties	10	41.210	27.340
Deferred Income	12	7.254.179	3.419.866
Income Tax Payable	31	1.422.965	979.258
Short-Term Provisions			
- Employee Benefits	20	2.238.143	2.118.405
Other Liabilities	23	981.130	1.504.640
Non-Current Liabilities		**22.459.723**	**24.796.463**
Long-Term Borrowings	8	19.679.787	22.278.105
Other Payables	10	107	107
Provision for Employee Termination Benefits	22	2.779.829	2.518.251
EQUITY		**231.830.293**	**198.970.027**
Total Equity Attributable to Parent		**202.240.034**	**173.181.510**
Paid-in Share Capital	24	110.000.000	101.650.000
Cross Shareholding Adjustment	24	(3.874.425)	(4.883.304)
Other Comprehensive Income Items not to be Reclassified to Profit or Loss			
- Actuarial loss arising from employee benefits	24	240.182	228.419
- Foreign currency translation reserve	24	1.293.961	(123.418)
Effect of Business Combination Under Common Control	24	2.357.438	2.357.438
Restricted Reserves	24	10.361.507	9.315.257
Retained Earnings	24	50.618.994	47.020.459
Net Profit for the Year		31.242.377	17.616.659
Non-Controlling Interests	24	**29.590.259**	**25.788.517**
TOTAL EQUITY AND LIABILITIES		**349.173.230**	**290.693.078**

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 2017

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

		Audited	
	Note	**1 January – 31 December 2017**	**1 January – 31 December 2016**
Profit or Loss			
Sales	25	318.367.463	253.801.732
Cost of Sales (-)	25	(251.144.081)	(201.637.335)
Gross Profit		**67.223.382**	**52.164.397**
Marketing, Sales and Distribution Expenses (-)	26	(20.410.378)	(15.165.977)
General Administrative Expenses (-)	26	(15.236.640)	(13.487.467)
Research and Development Expenses (-)	26	(815.146)	(628.585)
Other Operating Income	28	21.814.264	19.934.477
Other Operating Expense (-)	28	(11.547.135)	(16.508.820)
Operating Profit		**41.028.347**	**26.308.025**
Profit from Equity Investment	14	4.771.917	3.125.254
Income from Investing Activities		5.488.040	1.008.586
Expense from Investing Activities (-)	29	--	(113.949)
Operating Profit Before Financial Expenses		**51.288.304**	**30.327.916**
Financial Expenses (-)	30	(9.203.165)	(6.068.566)
Profit before tax		**42.085.139**	**24.259.350**
Tax expense		**(6.561.245)**	**(3.042.022)**
- Current tax expense	31	(4.243.694)	(5.602.042)
- Deferred tax income/ (expense)	31	(2.317.551)	2.560.020
Profit for the year		**35.523.894**	**21.217.328**
Other Comprehensive Income / (Expense)			
Other comprehensive income items not to be reclassified to profit or loss			
- Actuarial loss from employee benefits		18.155	(364.623)
- Tax effect of actuarial loss from employee benefits		(3.631)	72.925
- Other Comprehensive from Investment in Equities		(1.536)	(44.145)
- Foreign currency translation reserve		1.417.379	795.460
Other Comprehensive Income / (Expense)		**1.430.367**	**459.617**
Total Comprehensive Income		**36.954.261**	**21.676.945**
Distribution of Net Income for the Year			
Non-controlling Interests		4.281.517	3.600.669
Attributable to Parent		31.242.377	17.616.659
Distribution of Total Comprehensive Income			
Non-controlling Interests		4.282.742	3.549.009
Attributable to Parent		32.671.519	18.127.936
Earnings per 100 Share	32	**0,284**	**0,160**

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 2017

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

	Paid in Capital	Cross Shareholding Adjustment	Other Gains	Foreign Currency Translation 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 shares	--	1.410.016	--	--	--	--	490.680	--	**1.900.696**	--	**1.900.696**
Free 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**
Balance at 1 January 2016	**95.000.000**	**(4.563.836)**	**512.602**	**(918.878)**	**2.357.438**	**8.780.779**	**47.703.365**	**10.301.572**	**159.173.042**	**22.535.108**	**181.708.150**
Transfer to restricted reserves	--	--	--	--	--	534.478	--	(534.478)	--	--	--
Dividend paid (Note 24)	--	--	--	--	--	--	(3.800.000)		**(3.800.000)**	(295.600)	**(4.095.600)**
Capital increase (Note 24)	6.650.000	(319.468)	--	--	--	--	--	(6.650.000)	**(319.468)**		**(319.468)**
Transfer to retained earnings	--	--	--	--	--	--	3.117.094	(3.117.094)	--	--	--
Total comprehensive income	--	--	(284.183)	795.460	--	--	--	17.616.659	**18.127.936**	3.549.009	**21.676.945**
Balance at 31 December 2016	**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**

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 2017

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

	Not	31 December 2017	31 December 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**16.545.579**	**10.081.609**
Profit (Loss)		35.523.894	21.217.328
Adjustments to Reconcile Profit (Loss)		14.495.659	17.148.015
Adjustments for depreciation and amortisation expense	27	8.580.526	7.668.768
Adjustments for Impairment Loss (Reversal of Impairment Loss)		2.511.629	4.867.140
Adjustments for (Reversal of) Provisions		1.053.502	1.733.582
Adjustments for Interest Income		4.862.598	2.961.757
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	14	4.771.917	3.125.254
Adjustments for Tax (Income) Expense	31	6.561.245	3.042.022
Other adjustments to reconcile profit (loss)		(4.301.924)	--
Changes in Working Capital		**(28.733.259)**	**(22.901.151)**
Adjustments for decrease (increase) in trade accounts receivable		(24.487.840)	(12.914.999)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		1.418.454	(3.443.839)
Adjustments for decrease (increase) in inventories		(18.475.678)	(23.270.565)
Decrease (Increase) in Prepaid Expenses		(692.105)	9.099.669
Adjustments for increase (decrease) in trade accounts payable		11.345.797	4.334.827
Adjustments for increase (decrease) in other operating payables		(58.853)	(49.656)
Increase (Decrease) in Deferred Income		3.834.313	804.324
Other Adjustments for Other Increase (Decrease) in Working Capital		(1.617.347)	2.539.088
Cash Flows from (used in) Operations		**21.286.294**	**15.464.192**
Payments Related with Provisions for Employee Benefits	22	654.031	366.551
Income taxes refund (paid)		4.086.684	5.016.032
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(14.568.040)**	**(28.606.994)**
Purchase of Investments Accounted for Using Equity Method		(3.775.000)	(5.025.000)
Proceeds from of Sale of Share in Other Investments		(61)	19.732
Proceeds from sales of property, plant, equipment and intangible assets		7.504.327	1.728.606
Purchase of Property, Plant, Equipment and Intangible Assets		19.206.949	26.323.286
Dividends received	14	666.670	682.353
Other inflows (outflows) of cash		242.973	310.601
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**1.519.756**	**16.659.606**
Proceeds from borrowings		49.957.364	32.670.471
Repayments of borrowings		43.130.751	11.915.265
Dividends Paid		5.306.857	4.095.600
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		3.497.295	(1.865.779)
Effect of exchange rate changes on cash and cash equivalents		1.417.379	795.460
Net increase (decrease) in cash and cash equivalents		**4.914.674**	(1.070.319)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**8.474.662**	**9.544.981**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**13.389.336**	**8.474.662**

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.

As at 31 December 2017 and 2016, 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. Gentas Italy has bought assets (equipments, inventories etc) of Liri Industriale S.P.A in 2015 with the amount of Euro 3.100.000

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 2017, the number of personnel employed within the Group is 729 personnel (31 December 2016 : 695 personnel).

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 9 March 2018. 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.

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

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.

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

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

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

2.5 Basis of Consolidation (Continued)

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.

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

Title of the partnership	**Proportion of effective interest (%)**	
	31 December 2017	**31 December 2016**
GBS Gentaş	53,65	53,65
Genmar	96,50	96,50
Gentas Italy	100,00	100,00
Genpaz	48,04	48,04
Gentaş Kimya	14,50	14,50
5K	40,00	30,00

2.6 The New Standards, Amendments and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2017 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 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2017 are as follows:

TAS 7 Statement of Cash Flows (Amendments)

These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments did not have an impact on the financial position or performance of the Group.

TAS 12 Income Taxes (Amendments)

The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets. The amendments did not have an impact on the financial position or performance of the Group.

Annual improvements 2014-2016

TFRS 12 "Disclosure of interests in other entities": This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information. The amendments did not have an impact on the financial position or performance of the Group.

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

2.6 The New Standards, Amendments and Interpretations (Continued)

Standards issued but not yet effective and not early adopted:

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 is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 4 Insurance Contracts (Amendments)

Effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amendments will not have an impact on the financial position or performance of the Group.

TAS 40 Investment Property (Amendments)

Effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The amendments will not have an impact on the financial position or performance of the Group.

TFRS 2 Share Based Payments (Amendments)

Effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. he amendments will not have an impact on the financial position or performance of the Group.

Annual improvements 2014-2016

Effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards: TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10. TAS 28, 'Investments in associates and

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

2.6 The New Standards, Amendments and Interpretations (Continued)

Annual improvements 2014-2016 (Continued)

joint venture' regarding measuring an associate or joint venture at fair value. The amendments will not have an impact on the financial position or performance of the Group.

TFRIC 22, 'Foreign Currency Transactions and Advance Consideration

Effective from annual periods beginning on or after 1 January 2018. This TFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The amendments will not have an impact on the financial position or performance of the Group.

TAS 28 Investments in Associates and Joint Venture (Amendments)

Effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9. The amendments will not have an impact on the financial position or performance of the Group.

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

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

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

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the

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

2.6 The New Standards, Amendments and Interpretations (Continued)

IFRS 17 Insurance Contracts (Continued)

comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

Annual Improvements 2015-2017

The amendments are effective as of 1 January 2019. IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured. IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

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.

2.9 Going Concern

The Group consolidated financial statements are prepared on going concern basis.

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

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.

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

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

2.10 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)
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 and Equipment	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)

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.

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 available for sale
The financial assets that are available for sale are valued with their fair values provided that they are reliably measurable after they are processed into the records. The marketable securities the fair value of which cannot be reliably measured and which do not have an active market are carried at their historical cost. The profits or losses in relation to the financial assets available for sale are specified in the statement of income of the related term period. The changes in the reasonable value of such assets are carried at the equity accounts. In the event of disposal or impairment of the relevant asset, the amount in the equity accounts is transferred into the statement of income as income / loss.

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.

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

2.10 Summary of Significant Accounting Policies (Continued)

Business combinations (Continued)
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.

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
Goods sales:
In the event that the risk and benefit of the sold goods are transferred to the acquirer, the economic benefit pertaining concerning the sale is possible to flow into the operation, and the income amount can be reliably calculated, then income is considered to be realized. For retail sales, if the customer is furnished with a warranty that the sold good shall unconditionally be taken back in case the customer is not satisfied, it is accepted that the significant risks and profits related with ownership are also transferred to the acquirer. The revenue and expenses related with the same process are taken into the simultaneous financial statements. In the events where cash or cash equivalents are used in return for sales, the revenue is the amount of the cash or cash equivalents in question. However, in cases where cash inflow is deferred, the fair value of the sales price may be lower than the nominal value of the cash to be acquired. In the event that the transaction is realized in the form of a financing transaction such as in cases where the Group makes interest free sales or an interest limit lower than the current interest rate is implemented, the fair value of the sales price is found out by reducing the receivables into their present value. In the determination of the present value of the receivables, the interest rate valid for the similar financial instruments of an operation with similar credit rating, or the interest rate that reduces the nominal value of the financial instrument into cash sales price is used.

In the event that the receivables concerned with the previously recorded revenue become doubtful, on the other hand, the related amount is taken into the financial statements by writing off as expense, rather than the adjustment of the revenue. It consists of the invoiced sales price after the deduction of net sales, discounts, and returns. In the sales of goods by the Group, the conditions that allow for the sold

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

2.10 Summary of Significant Accounting Policies (Continued)

Revenue (Continued)

Goods sales: (Continued)

good to be considered as revenue are generally deemed as realized by taking the goods out of the factory plant.

Dividends and interest income:

The interest income is accrued in the related term period at the rate of the effective interest rate that reduces the residual outstanding principal and the estimated cash inflows to be acquired from the relevant financial asset throughout its expected life into the book value of the said asset. The dividend income to be acquired from the share investments are recorded when the shareholders are entitled to receive dividends.

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 2017	**31 December 2016**
USD	3,7719	3,5192
Euro	4,5155	3,7099

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.

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.

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

2.10 Summary of Significant Accounting Policies (Continued)

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.

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

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

2.10 Summary of Significant Accounting Policies (Continued)

Taxation on income
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.

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

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

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

2.11 Critical Accounting Estimates and Assumptions (Continued)

Receivable / Payable Discount: (Continued)
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 2017	31 December 2016
Gebze Kimya İhtisas Organize Sanayi land*	2.176.389	--
Apartment	220.000	--
	2.396.389	**--**

* sold to Gentaş Kimya on February 9, 2018 for a price of TL 5.599.720.

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

NOTE 4 – SEGMENT REPORTING

The Group management has identified the reportable segments of the Company as companies entering the consolidation. Group companies operate in the same sector, but each is managed and reported separately.

Balance sheet reporting;

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

31 December 2016

	Domestic			**Abroad**		
	Gentaş	**GBS Gentaş**	**Genmar**	**Italy**	**Eliminations**	**Consolidated**
Total assets	226.036.188	71.648.153	23.069.668	14.886.511	(44.947.442)	290.693.078
Total liabilities	54.959.851	16.624.863	12.247.950	11.364.968	(3.474.581)	91.723.051
Net assets	**171.076.337**	**55.023.290**	**10.821.718**	**3.521.543**	**(41.472.861)**	**198.970.027**
Depreciation and amortization	3.891.878	2.957.016	333.353	486.521	--	7.668.768
Investment in progress	3.322.691	--	--	--	--	3.322.691

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

NOTE 4 – SEGMENT REPORTING (Continued)

Profit or loss reporting;

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 4 – SEGMENT REPORTING (Continued)

Profit or loss reporting; (Continued)

1 January – 31 December 2016;

	Domestic			Abroad		
	Gentaş	**GBS Gentaş**	**Genmar**	**Gentas Italy**	**Eliminations**	**Consolidated**
Sales	171.855.890	77.400.432	42.783.329	6.675.983	(44.913.902)	253.801.732
Cost of Sales (-)	(134.136.468)	(66.099.554)	(34.464.748)	(11.902.444)	44.965.879	(201.637.335)
Gross Profit	**37.719.422**	**11.300.878**	**8.318.581**	**(5.226.461)**	**51.977**	**52.164.397**
Marketing, Sales and Distribution Expenses (-)	(10.075.519)	(2.411.872)	(3.521.778)	(66.365)	909.557	(15.165.977)
General Administrative Expenses (-)	(8.997.192)	(2.246.223)	(794.987)	(1.449.065)	--	(13.487.467)
Research and Development Expenses (-)	(628.585)	--	--	--	--	(628.585)
Other Operating Income	13.933.806	5.508.431	1.401.797	--	(909.557)	19.934.477
Other Operating Expense (-)	(13.310.678)	(1.856.241)	(1.232.250)	(109.651)	--	(16.508.820)
Operating Profit	**18.641.254**	**10.294.973**	**4.171.363**	**(6.851.542)**	**51.976**	**26.308.025**
Profit from Equity Investment	4.278.391	(1.153.137)	--	--	--	3.125.254
Income from Investing Activities	1.778.159	--	34.827	2.037.291	(2.841.691)	1.008.586
Expense from Investing Activities (-)	(113.949)	--	--	--	--	(113.949)
Operating Profit Before Financial Expenses	**24.583.855**	**9.141.836**	**4.206.190**	**(4.814.251)**	**(2.789.715)**	**30.327.916**
Financial Expenses (-)	(2.630.561)	(1.506.122)	(1.778.857)	(153.026)	--	(6.068.566)
Profit before tax	**21.953.294**	**7.635.714**	**2.427.333**	**(4.967.277)**	**(2.789.715)**	**24.259.350**
Tax expense						
- Current tax expense	(3.617.367)	(1.432.199)	(552.476)	--	--	(5.602.042)
- Deferred tax income/ (expense)	1.080.271	1.418.736	61.013	--	--	2.560.020
Profit for the year	**19.416.198**	**7.622.251**	**1.935.870**	**(4.967.277)**	**(2.789.715)**	**21.217.328**

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

NOTE 5 – RELATED PARTIES DISCLOSURES

a) *Sales/Purchases;*

	1 January – 31 December 2017				**1 January – 31 December 2016**			
	Purchases		**Sales**		**Purchases**		**Sales**	
	Goods	**Services**	**Goods**	**Services**	**Goods**	**Services**	**Goods**	**Services**
Gentaş Kimya Sanayi Ticaret A.Ş.	68.079.016	4.620	4.483	307.125	60.711.062	809.579	718.056	335.848
Genpaz Orman Ürünleri Tic.ve Paz.A.Ş.	5.046.747	345.086	35.108.567	867.191	3.633.417	673.358	31.429.827	1.060.090
2K Yapı Uygulama Tasarım Sanayi ve Tic. Ltd. Şti.	--	69.817	3.524.179	3.000	6.934	1.194	3.781.947	6.213
4K Grup Yapı ve Orm.Ürün.İnş.San.ve Tic.A.Ş.	718.723	5.972	2.681.948	7.844	4.723.117	56.256	22.287.247	1.224.422
Kahramanlar Ağaç Sanayi ve Tic.A.Ş.	11.185	270.434	10.634.704	10.951	32.504	145.012	6.436.638	5.198
5K Yüzey Teknolojileri A.Ş.	2.460.452	250.219	3.585.011	599.461	604.438	15.534	2.778.546	128.431
Yaşar Çelik Orman Ür. Kim.Nak. İnş. San. A.Ş.*	--	6.761	7.775.705	--	--	--	--	--
	76.316.123	**952.909**	**63.314.597**	**1.795.572**	**69.711.472**	**1.700.933**	**67.432.261**	**2.760.202**

* GBS is the company of Gentaş's own partners.

	1 January – 31 December 2017		**1 January – 31 December 2016**	
Other purchases *	Buildings	Other property, plant and equipment	Buildings	Participation share
4K Grup Yapı ve Orm.Ürün.İnş.San.ve Tic.A.Ş.	1.475.000	883.059	12.000.000	4.500.000
	1.475.000	**883.059**	**12.000.000**	**4.500.000**

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

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 2017 is TL 2.554.743. Total balance is composed of wages. (1 January- 31 December 2016: TL 2.475.248). The Group has determined the members of the board of directors, general manager and its deputies as the key management personnel.

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

NOTE 5 – RELATED PARTIES DISCLOSURES (Continued)

c) Payables /Receivables;

	31 December 2017			31 December 2016	
	Short- term Trade Receivables	Long- term Trade Receivables	Trade Payables	Trade Receivables	Trade Payables
2K Yapı Uygulama Tasarım Sanayi ve Tic. Ltd.Şti.	750.206	--	--	2.152.879	--
4K Grup Yapı ve Orm.Ürün.İnş.San.ve Tic.A.Ş. ("4K")	7.654.805	2.490.725	--	14.594.140	--
Genpaz Orman Ürünleri Tic.ve Paz.A.Ş.	11.328.531	--	14.705	9.212.507	463.178
Kahramanlar Ağaç Sanayi ve Tic.A.Ş.	2.253.918	--	--	1.112.435	--
5K Yüzey Teknolojileri Orman Ür. Mob. San.AŞ	4.502.220	--	--	2.666.190	--
Yaşar Çelik Orman Ürn.Kimya Nak. İnş. San. ve Tic. A.Ş.	2.235.795	--	--		
Gentaş Kimya Sanayi Ticaret A.Ş.	863.015	--	8.703.717	--	6.041.192
Ertelenmiş finansman geliri	(1.107.896)	(595.386)	(63.615)	(1.357.323)	(34.341)
	28.480.594	**1.895.339**	**8.654.807**	**28.380.828**	**6.470.029**

In additons as of 31 December 2017: Unpaid dividend due to shareholders TL 663.881 (31 Aralık 2016: TL 736.604) and as of 31 December 2016: GBS Gentaş has other receviables from 5K TL 1.100.000.

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

NOTE 6 – CASH AND CASH EQUIVALENTS

	31 December 2017	**31 December 2016**
Cash in hand	70.129	22.751
Banks		
- Demand deposit	3.681.766	5.886.910
- Time deposit	3.409.317	--
Other cash and cash equivalents	6.228.124	2.565.001
	13.389.336	**8.474.662**

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

NOTE 7 – FINANCIAL INVESTMENTS

	31 December 2017		**31 December 2016**	
	Percentage (%)	**Amount**	**Percentage (%)**	**Amount**
Financial assets available for sale				
Orta Anadolu İhr. Birl. (Mosaş A.Ş.)	2,00	7.635	2,00	7.635
Ankersan Orm. Ürünleri A.Ş.	10,64	882.013	10,64	882.013
		889.648		**889.648**

The financial assets available for sale, as their fair values cannot be reliably measured and as they do not have an active market, are carried at their historical cost.

Short-term financial assets are consist of B type liquid fund amounting TL 582 (31 December 2016: TL 521.

NOTE 8 – BORROWINGS

The borrowings of the Group at 31 December 2016 and 2015 are all due to bank loans and detailed as follows;

	31 December 2017		**31 December 2016**	
	Rate	**Amount**	**Rate**	**Amount**
Short-term bank loans				
- TL loans	% 13 – 17	18.271.943	% 9,5 – 12	4.868.585
- Euro loans	% 0,65	7.676.562	% 0,77- 2	8.161.780
- USD loans		--	% 3 – 4	3.747.554
Other	--	33.681	--	7.949
		25.982.186		**16.785.868**
Short-term portion of long-term bank loans				
- Euro loans	%0,76 – 2	6.608.819	%0,77-2	3.217.007
Car purchasing loans	--	69.453	--	381.378
		6.678.272		**3.598.385**

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

NOTE 8 – BORROWINGS (Continued)

	31 December 2017		31 December 2016	
	Rate	**Amount**	**Rate**	**Amount**
Long-term bank loans				
- Euro loans	%0,76 – 2	19.679.787	%0,77 -2	22.278.105
		19.679.787		**22.278.105**

Maturities of the loans as follow;

	31 December 2017	31 December 2016
Between 1-2 years	3.924.069	5.457.718
Between 2-5 years	10.295.323	10.830.509
Over 5 years	5.460.395	5.989.878
	19.679.787	**22.278.105**

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	31 December 2017	31 December 2016
Short term trade receivables		
Trade receivables	47.305.070	38.450.244
Notes and cheques receivable	54.348.978	44.091.067
Doubtful trade receivables	13.588.525	12.587.952
	115.242.573	95.129.263
Deferred financial income (-)	(2.437.537)	(2.400.999)
Allowances for doubtful trade receivables (-)	(13.588.525)	(12.587.952)
	99.216.511	**80.140.312**

As of the date of 31 December 2017, the average period for the collection of receivables is 107 days (31 December 2016; 115 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 2017 and 2016 are as follows:

	2017	**2016**
1 January	12.587.952	7.749.608
Provisions reserved in the period	(612.727)	(152.983)
Collections from doubtful receivables	1.608.065	4.979.020
Foreign currency translation	5.235	12.307
Balance at 31 December	**13.588.525**	**12.587.952**

	31 December 2017	**31 December 2016**
Short term trade payables		
Trade Payables	46.369.728	35.216.917
Deferred financial expenses (-)	(183.240)	(192.986)
	46.186.488	**35.023.931**

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2017	**31 December 2016**
Short term other receivables		
Receivables from tax office	4.138.005	4.723.845
Other receivables from related party (Note 5)	--	1.100.000
Receivables from personnel	327.806	243.705
Other receivables	362.304	457.010
Deposite and guarantees given	331.684	67.910
	5.159.799	**6.592.470**
Long term other receivables		
Deposite and guarantees given	45.797	31.580
	45.797	**31.580**

	31 December 2017	**31 December 2016**
Short term other payables		
Due to related parties (Note 5)	663.881	736.604
Other payables	41.210	27.340
	705.091	**763.944**

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

NOTE 11 - INVENTORIES

	31 December 2017	31 December 2016
Raw material	52.678.800	44.595.632
Semi-finished goods	5.298.011	4.151.050
Finished goods	23.391.095	22.276.437
Merchandises	8.272.679	6.940.313
Other inventories	12.208.363	5.409.838
Inventory impairment (-)	(2.134.901)	(702.037)
	99.714.047	**82.671.233**

NOTE 12 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2017	31 December 2016
Short term prepaid expenses		
Advances given for inventory	2.685.240	2.219.998
Prepaid expenses	840.140	634.830
Advances given for business purposes	32.557	11.004
	3.557.937	**2.865.832**

As of 31 December 2017 and 2016 deferred income of the Group is consist of advances received.

NOTE 13- CURRENT TAX RELATED ASSETS

Assets related to the current period tax are composed of taxes paid in advance. (31 December 2016 None).

NOTE 14 – INVESTMENTS IN EQUITY

The investments in equity of the Group as at 31 December 2017 and 2016 are as follows:

	31 December 2017		31 December 2016	
	Share (%)	**Amount**	**Share (%)**	**Amount**
Genpaz	48,04	7.559.459	48,04	5.800.765
Gentaş Kimya	14,50	19.558.691	14,50	14.443.199
5K	40,00	6.368.916	30,00	3.864.832
		33.487.066		**24.108.796**

In 2016, shares representing 30% of 5K shares were purchased by GBS Gentaş from 4K for TL 4.500.000. In 2017, 10% additional shares were purchased.

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

NOTE 14 – INVESTMENTS IN EQUITY (Continued)

The amounts associated with the statement of profit and loss as at 31 December 2016 and 2015 are as follows:

	1 Ocak - 31 December 2017	**1 Ocak - 31 December 2016**
Genpaz net income for the year	1.035.979	2.200.675
Share	48,04%	48,04%
Amount attributable to Income / Loss	**497.684**	**1.057.204**
Gentaş Kimya net income for the year	38.360.687	22.215.084
Share	14,50%	14,50%
Amount attributable to Income / Loss	**5.562.299**	**3.221.186**
5K net loss for the year	(3.220.168)	(3.843.790)
Share	40,00%	30,00%
Amount attributable to Income / Loss	**(1.288.067)**	**(1.153.137)**
	4.771.917	**3.125.254**

The financial statement details of the investments in equity as at 31 December 2017 and 2015 are as follows:

	31 December 2017			**31 December 2016**		
	Genpaz	**G. Kimya**	**5K**	**Genpaz**	**G. Kimya**	**5K**
Total Assets	41.991.025	179.571.609	43.032.981	45.132.400	131.172.542	33.222.332
Short term liabilities	14.012.117	40.870.742	46.096.921	18.731.406	24.409.783	36.629.420
Long term liabilities	663.352	2.988.254	789.545	414.089	6.660.333	188.333
Net income / loss for the year	1.035.979	38.360.687	(3.220.168)	2.200.675	22.215.084	(9.715.362)

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

NOTE 14 – INVESTMENTS IN EQUITY (Continued)

Movement of the investments in equity are as follows:

	31 December 2017			31 December 2016		
	Genpaz	**G. Kimya**	**5K**	**Genpaz**	**G. Kimya**	**5K**
Balance at 1 January	**5.800.765**	**14.443.199**	**3.864.832**	**5.075.322**	**11.929.186**	**--**
Purchase of 5K	--	--	2.200.000	--	--	4.500.000
Capital paid in cahs	--	--	1.575.000	--	--	525.000
Amount attributable to income	497.684	5.562.299	(1.288.067)	1.057.204	3.221.186	(1.153.137)
Dividend paid	(240.200)	(426.470)	--	--	(682.353)	--
Affiliate Share buy / sell	1.900.696	--	--	(319.468)	--	--
Share of acturials income /loss	1.651	(20.337)	17.151	(12.293)	(24.820)	(7.031)
Sale of share of the Company	(401.137)	--	--	--	--	--
Balance at 31 December	**7.559.459**	**19.558.691**	**6.368.916**	**5.800.765**	**14.443.199**	**3.864.832**

NOTE 15 – INVESTMENT PROPERTY

	1 January 2016	Additions	31 December 2016	Additions	Transfer	31 December 2017
Buildings and apartments	4.824.437	12.000.000	16.824.437	1.475.000	--	18.299.437
Lands	--	2.152.356	2.152.356	24.032	(2.176.388)*	--
Accumulated amortization	(1.462.381)	(237.828)	(1.700.208)	(377.494)	--	(2.077.702)
Net book value	**3.362.056**	**13.914.528**	**17.276.585**	**1.121.538**	**(2.176.388)**	**16.221.735**

* They are classified as 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. Gebze 5th Chemistry Specialized Industrial Zone (Gebze 5. Kimya İhtisas Organize Sanayi Bölgesi) was sold on February 9, 2018.

An amount of TL 938.491 rental income was obtained from the related properties (2016: TL 423.869).

(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 2017 and 2015 are as follows;

	1 January 2016	Additions	Disposals	Transfer	Foreign currency translation	31 December 2016	Additions	Disposals	Transfer	Foreign currency translation	31 December 2017
Cost											
Lands	3.299.732	--	--	--	5.576	3.305.308	275.400	(869.276)	--	8.439	2.719.871
Land improvements	3.560.130	71.569	--	--	--	3.631.699	264.048	--	--	--	3.895.747
Buildings	21.324.714	1.783.095	--	--	895.008	24.002.817	1.791.408	--	--	1.354.534	27.148.759
Machinery, plant	92.829.976	4.865.192	(2.675.663)	1.106.125	669.566	96.795.196	846.172	(2.142.486)	3.747.603	880.155	100.126.640
Motor vehicles	3.303.180	369.335	(68.461)	--	5.918	3.609.972	1.068.370	(889.040)	--	7.866	3.797.168
Furniture and fixtures	4.451.012	274.478	(17.653)	--	342	4.708.179	921.431	(4.725)	--	3.362	5.628.247
Other tangible assets	8.289.037	285.078	--	--	--	8.574.115	20.000	--	--	--	8.594.115
Leasehold improvements	1.076.556	549.924	--	--	--	1.626.480	1.779.194	--	--	--	3.405.674
Construction in progress	1.540.812	2.325.716	--	(1.106.125)	--	2.760.403	8.381.113	--	(3.747.603)	--	7.393.913
	139.675.149	**10.524.387**	**(2.761.777)**	**--**	**1.576.410**	**149.014.169**	**15.347.136**	**(3.905.527)**	**--**	**2.254.356**	**162.710.134**
Accumulated depreciation											
Land improvements	3.189.013	57.929	--	--		3.246.942	57.432	--	--		3.304.374
Buildings	5.340.311	536.140	--	--	15.464	5.891.915	227.127	--	--	45.093	6.164.135
Machinery, plant	60.382.543	5.712.001	(950.383)	--	55.731	65.199.892	6.337.949	(380.702)	--	142.196	71.299.335
Motor vehicles	2.279.445	394.749	(65.135)	--	1.666	2.610.725	485.808	(318.523)	--	3.099	2.781.109
Furniture and fixtures	3.497.714	280.047	(17.653)	--	38	3.760.146	350.217	(3.899)	--	294	4.106.758
Other tangible assets	7.455.682	177.785	--	--	--	7.633.467	145.796	--	--	--	7.779.263
Leasehold improvements	581.880	209.409	--	--	--	791.289	508.690	--	--	--	1.299.979
	82.726.588	**7.368.060**	**(1.033.171)**	**--**	**72.899**	**89.134.376**	**8.113.019**	**(703.124)**	**--**	**190.682**	**96.734.953**
Net book value	**56.948.561**					**59.879.793**					**65.975.181**

Current period amortization expenses amounted to TL 6,965,407 (2005: TL 6,808,787), TL 682,446 to marketing sales and distribution expenses (2016: TL 275,747) and the remaining portion is reflected in general administrative expenses.

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

NOTE 17 - INTANGIBLE ASSETS

The movements that occurred in the intangible assets and their related depreciation shares for the period ending at 31 December 2017 and 2016 are as follows;

	1 January 2016	Additions	Foreign currency translation	31 December 2016	Additions	Foreign currency translation	31 December 2017
Cost							
Rights	299.060	83.401	41.473	423.934	--	70.627	494.561
Other	846.955	22.748	--	869.703	20.434	--	890.137
	1.146.015	**106.149**	**41.473**	**1.293.637**	**20.434**	**70.627**	**1.384.698**
Amortizations							
Rights	73.565	30.348	4.589	108.502	60.595	13.955	183.052
Other	636.944	32.532	--	669.476	29.418	--	698.894
	710.509	**62.880**	**4.589**	**777.978**	**90.013**	**13.955**	**881.946**
Net book value	**435.506**			**515.659**			**502.752**

NOTE 18 – GOODWILL

	31 December 2017	31 December 2016
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 2017, in order to test against impairment, and no impairment has been detected in the amount of goodwill (2016: None).

NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

	31 December 2017	31 December 2016
Social security premiums payable	1.396.586	741.542
Taxes and funds payable	512.375	488.592
Due to personnel	1.525.799	1.502.157
	3.434.760	**2.732.291**

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

NOTE 20 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

20.1 Short term provisions:

	31 December 2017	31 December 2016
Unused vacations	2.238.143	2.118.405
	2.238.143	**2.118.405**

20.2 Lawsuits and Disputes

a) Ongoing lawsuits filed by the Group:

As of 31 December 2015 there is a total of TL 9.154.136 action of debt filed by the Group and still in progress (31 December 2016: TL 8.561.210). The Group reserves provisions for its receivables at the law suit and execution stages.

b) Ongoing lawsuits against the Group:

None (31 December 2016: None.)

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

a) GPMs given

GPMs given by the Group	31 December 2017	31 December 2016
A- Total amount of the GPMs given in the name of its own legal entity	37.576.711	35.370.306
B- Total amount of the GPMs given on behalf of fully consolidated companies	40.088.950	9.084.050
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	--	--
	77.665.661	**44.454.356**

(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)

a) GPMs given (Continued)

The details of the CPMs given by the Group as at 31 December 2017 and 2016 are as follows:

Type	Given to	31 December 2017	31 December 2016
Letter of guarantee	Government agencies	1.401.408	1.463.032
Letter of guarantee	Courts	150.000	430.000
Letter of guarantee	Banks*	35.775.303	33.415.069
Guarantee	Genmar**	3.771.900	3.519.200
Guarantee	Gentas Italy ***	6.773.250	5.564.850
Guarantee	Genpaz****	22.543.800	--
Guarantee	5K	7.000.000	--
Letter of guarantee	Other	250.000	62.205
		77.665.661	**44.454.356**

* 7.922.778 Euro (31 December 2016: 9.007.000)
** 1.000.000 USD
*** 1.500.000 Euro
**** 2.000.000 USD and 15.000.000 TL

b) GPMs received

Type	Obtained from	31 December 2017	31 December 2016
Letter of guarantee	Customers	451.550	--
Mortgage	Customers	500.000	500.000
Guarantee	Genpaz	160.421.618	94.652.563
		161.373.168	**95.152.563**

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, corporate tax (at an amount of 15 % of the investment), and SSI employer premium support.

NOTE 22- EMPLOYEE BENEFITS

Provision for employment 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.

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

NOTE 22- EMPLOYEE BENEFITS (Continued)

Provision for employment termination benefits (Continued)

The employment termination benefits to be paid as of the date of 31 December 2017 is calculated over the monthly severance pay ceiling of TL 5.001,76 valid starting from 1 January 2018 (31 December 2016: TL 4.426,16).

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 2017, 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 2017 are calculated with a real discount rate of 3,32%, based on the assumption of an annual inflation rate of 8,4% and a discount rate of 12%. (31 December 2016: 3,74% 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.

The movement table of the account for the provision for employment termination benefits of the Group as at 31 December 2017 and 2016 are as follows:

	31 December 2017	**31 December 2016**
Balance at 1 January	**2.518.251**	**1.410.571**
Payments	(654.031)	(366.551)
Interest cost	45.172	44.142
Current service cost	888.592	1.065.464
Actuarial (gains) / losses	(18.155)	364.625
Balance at 31 December	**2.779.829**	**2.518.251**

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

NOTE 23 - OTHER ASSETS AND LIABILITIES

	31 December 2017	31 December 2016
Other current assets		
Deferred VAT	5.549.278	3.785.326
Other	--	54.570
	5.549.278	**3.839.896**

	31 December 2017	31 December 2016
Other short term liabilities		
Calculated VAT	139.969	117.764
Accrued expenses	841.161	1.386.876
	981.130	**1.504.640**

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 110.000.000 (31 December 2016: TL 101.650.000). The issued capital shares of the Company are divided into 10.165.000.000 shares, each with a value of 0,01 Turkish Lira. The partnership structure of the Company as at 31 December 2016 and 2015 are as follows:

	31 December 2017		31 December 2016	
	Share	**Amount**	**Share**	**Amount**
Genpaz	7,33	8.065.001	10,00	10.165.081
M. Ziya KAHRAMAN	12,34	13.571.934	12,34	12.541.701
Ahmet KAHRAMAN	10,00	11.000.002	10,00	10.165.002
Abdurrahman KAHRAMAN (Tahsin Son)	9,20	10.124.137	9,33	9.481.300
Çelik Uluslararası Nak.Tur.Tic.A.Ş.	7,27	8.000.000	5,19	5.273.062
Seyit Mehmet MUTLU	5,99	6.583.793	5,99	6.084.024
Other	47,87	52.655.133	47,16	47.939.830
	100,00	**110.000.000**	**100,00**	**101.650.000**

In 2017 the Company increased its capital by TL 8.350.000 in cash. (2016: TL 6.650.000)

<u>Restricted reserves</u>

	31 December 2017	31 December 2016
Legal reserves	9.883.033	8.836.783
Profit of sale of investments	93.672	93.672
Profit of sale of property	384.802	384.802
	10.361.507	**9.315.257**

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

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

NOTE 24 – EQUITY (Continued)

Restricted reserves (Continued)

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 employment 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 employment 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 2017	**31 December 2016**
Extraordinary reserves	43.510.559	37.922.198
Retained earnings	7.108.435	9.098.261
	50.618.994	**47.020.459**

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 2012**.**

Foreign currency translation

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

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 10.069.861 (31 December 2016: TL 12.526.334) and the nominal value of TL 8.065.001 (31 December 2016: TL 10.165.081). The Group's percentage of the nominal value of TL 3.874.425 (31 December 2016: TL 4.883.304) accounted as "cross shareholding adjustment", The Group's percentage of the difference between the purchase price and the nominal amount accounted under "Retained Earnings".

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

NOTE 24 – EQUITY (Continued)

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.

During the year ended 31 December 2017, the Company made dividend payment to the shareholders amounting to gross TL 13.150.000 (TL 8.350.000 in cash and TL 4.800.000 in bonus share distribution) (TL 0,1294 per share) (2016: TL 6.650.000, TL 0,11 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 2017	**31 December 2016**
Extraordinary reserves	28.192.797	27.990.033
Net profit for the year	26.029.371	14.204.643
	54.222.168	**42.194.676**

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

NOTE 25 – REVENUE AND COST OF SALES

	1 January – 31 December 2017	**1 January – 31 December 2016**
Domestic sales	202.822.724	160.073.678
Foreign sales	120.280.278	100.668.020
Other sales	768.605	404.853
	323.871.607	261.146.551
Sales returns	(2.374.396)	(4.995.042)
Sales discounts	(3.129.748)	(2.349.777)
Net revenue	**318.367.463**	**253.801.732**

	1 January – 31 December 2017	**1 January – 31 December 2016**
Raw materials expensed	101.489.388	81.634.415
Direct labor cost	14.384.314	13.563.903
General production cost	60.529.054	54.490.409
Cost of goods produced	176.402.756	149.688.727
Change in semi-finished goods	(1.146.961)	(310.536)
Change in goods	(926.184)	(6.870.258)
Cost of goods sold	174.329.611	142.507.933
Merchandise at the beginning	6.971.710	5.602.767
Additions	78.115.439	60.466.948
Merchandise at the end	(8.272.679)	(6.940.313)
Cost of merchandises sold	76.814.470	59.129.402
Total cost of sales	**251.144.081**	**201.637.335**

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

	1 January – 31 December 2017	**1 January – 31 December 2016**
Research and development expenses		
Material expenses	300.199	166.402
Consultancy fee	144.592	136.553
Personnel expenses	87.230	73.355
Travel expenses	64.675	46.896
Depreciation and amortization expenses	4.844	--
Other	213.606	205.379
	815.146	**628.585**

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

NOTE 26 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Continued)

	1 January – 31 December 2017	1 January – 31 December 2016
General administrative expenses		
Personnel expenses	8.863.122	8.092.830
Material costs	373.182	508.718
Depreciation and amortization expenses	1.100.115	295.093
Consultancy expenses	771.284	803.817
Taxes, levies and duties	346.798	520.543
Rent expenses	245.563	152.393
Announcement and advertisement expenses	94.542	55.937
Banking transactions expenses	275.385	312.023
Travel expense	207.584	390.551
Communication expenses	177.202	167.813
Representation and hosting expenses	41.384	30.459
Maintenance and repair expenses	643.108	497.784
Energy expenses	250.163	130.522
Donations and grants	4.799	43.748
Other expenses	1.842.409	1.485.236
	15.236.640	**13.487.467**

Sales and distribution expenses		
Personnel expenses	4.768.789	3.403.310
Export expenses	2.430.827	2.676.593
Commission expenses	1.528.684	1.212.562
Advertisement expenses	1.728.336	1.416.803
Fair expenses	1.553.342	1.390.247
Premium expenses	2.372.053	866.508
Transportation expenses	1.319.629	696.808
Rent expenses	1.339.648	919.341
Material costs	772.544	521.642
License expenses	165.878	135.217
Maintenance and repair expenses	84.423	84.834
Travel expenses	289.156	510.530
Depreciation and amortization expenses	682.440	278.608
Other	1.374.629	1.052.974
	20.410.378	**15.165.977**

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

NOTE 27 - EXPENSES BY NATURE

	1 January – 31 December 2017	1 January – 31 December 2016
Raw materials and supplies expenses	101.489.388	81.634.415
Merchandise cost	76.814.470	59.129.402
Indirect material costs	37.672.566	28.473.052
Personnel expenses	36.479.964	33.836.279
Depreciation and amortization expenses	8.580.526	7.668.768
Export expenses	2.430.827	2.676.593
Commission expenses	1.528.684	1.212.562
Advertisement expenses	1.822.878	1.472.740
Premium expenses	2.372.053	866.508
Other expenses	18.414.889	13.949.045
	287.606.245	**230.919.364**

NOTE 28 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January – 31 December 2017	1 January – 31 December 2016
Other income		
Financial income due to credit sales	11.307.599	11.532.642
Foreign exchange income	7.180.625	5.926.685
Cancelled provision for doubtful receivables	529.300	152.983
Overdue income	119.341	388.866
Other income and profits	2.677.399	1.933.301
	21.814.264	**19.934.477**

	1 January – 31 December 2017	1 January – 31 December 2016
Other expense		
Doubtful receivables expense	1.608.065	4.979.020
Foreign exchange loss	6.243.619	5.091.332
Financial expenses due to credit sales	2.822.437	5.166.430
Other expense and losses	873.014	1.272.038
	11.547.135	**16.508.820**

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

NOTE 29 - INCOME / EXPENSE FROM INVESTING ACTIVITIES

	1 January – 31 December 2017	**1 January – 31 December 2016**
Income from investing activities		
Interest income	242.973	310.601
Rental income	938.491	423.869
Gain on sale of fixed assets	4.301.924	--
Foreign exchange income	--	269.380
Other	4.652	4.736
	5.488.040	**1.008.586**

	1 January – 31 December 2017	**1 January – 31 December 2016**
Expenses from investing activities		
Foreign exchange losses	--	113.949
	--	**113.949**

NOTE 30 - FINANCE EXPENSES

	1 January – 31 December 2017	**1 January – 31 December 2016**
Finance expenses		
Interest expenses	2.851.274	1.064.345
Foreign exchange loss / (income), net	6.245.844	4.349.278
Other	106.047	654.943
	9.203.165	**6.068.566**

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 2017 is 20 % (2016: 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. "

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

NOTE 31 - INCOME TAXES (Continued)

Corporate Tax (Continued)

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 2017, the rate of advance tax to be calculated over the corporate earnings is 20 %. (2016: %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.

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 2017 and 2016 are as follows:

Current tax liabilities	**31 December 2017**	**31 December 2016**
Corporate tax provision	4.243.694	5.602.042
Prepaid taxes and funds	(2.820.729)	(4.622.784)
Corporate tax payable	**1.422.965**	**979.258**

The corporate tax liabilities reflected to the statement of income of the Group as at 31 December 2017 and 2016 are as follows:

Income tax income / (expense)	**31 December 2017**	**31 December 2016**
Current corporate tax	(4.243.694)	(5.602.042)
Deferred income tax benefit / (expense)	(2.317.551)	2.560.020
	(6.561.245)	**(3.042.022)**

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

NOTE 31 - INCOME TAXES (Continued)

Corporate Tax (Continued)

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

	1 January – 31 December 2017	**1 January – 31 December 2016**
Profit before tax	**42.085.139**	**24.259.350**
Tax calculated over 20 % local tax ratio	8.417.028	4.851.870
Tax effect of the legally disallowable expenses	376.522	526.449
Tax effect of the exceptions and discounts to be deducted	(5.112.257)	(3.320.653)
Other	2.879.952	984.356
Corporate tax payable	**6.561.245**	**3.042.022**

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

NOTE 31 - INCOME TAXES (Continued)

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 2017		**31 December 2016**	
	Cumulative differences	Assets/ (Liabilities)	Cumulative differences	Assets/ (Liabilities)
Net difference between the book values and tax values of the inventories	2.365.079	520.317	1.014.815	202.963
tangible and intangible assets	(8.755.212)	(1.751.042)	(7.602.194)	(1.520.439)
Provision for employment termination benefits	2.547.171	509.434	2.044.122	408.824
Deferred financial income	1.228.012	270.163	810.123	162.025
Deferred financial expense	(183.240)	(40.313)	(192.986)	(38.597)
Provision for doubtful receivables	803.481	176.766	1.784.216	356.843
Unused vacation	2.238.143	452.911	2.118.405	423.681
Provisions for financial assets	17.643	3.881	(20.756)	(4.151)
Bank loans	--	--	2.472.150	2.472.150
Deferred tax assets	9.181.886	1.929.591	10.243.831	4.026.486
Deferred tax liabilities	(8.920.809)	(1.787.474)	(7.815.936)	(1.563.187)
Deferred tax liabilities, Net		**142.117**		**2.463.299**

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

NOTE 31 - INCOME TAXES (Continued)

Deferred tax (Continued)

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

	31 December 2017	31 December 2016
Balance at 1 January	2.463.298	(169.646)
Deferred tax income / (expense)	(2.317.551)	2.560.020
Reflected to equity	(3.630)	72.924
Balance at 31 December	**142.117**	**2.463.298**

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 2017 and 2016 are as follows:

	1 January – 31 December 2017	1 January – 31 December 2016
Net Income for the year (TL)	31.242.377	17.616.659
Weighted average number of the issued ordinary shares	11.000.000.000	11.000.000.000
Earnings per 100 share (TL)	**0,284**	**0,160**

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 party**	**Related party**	**Other party**	
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	--	--	--	--

(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
Previous year	**Other party**	**Related party**	**Other party**	
Maximum credit risk exposure as of reporting date (A+B+C+D)	**54.160.483**	**28.380.828**	**6.592.470**	**5.886.910**
Collateralized or secured with guarantees part of maximum credit risk	--	--	--	--
A. Neither past due nor impaired	54.160.483	28.380.828	6.592.470	5.886.910
B. Past due but not impaired	--	--		
- Guaranteed amount by commitment	--		--	--
C. Net book value of impaired assets	--	--	--	--
- Past due (Gross amount)	12.587.952	--	--	--
- Impairment (-)	(12.587.952)	--	--	--
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)

Liquidity risk

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 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	--	--	--	--

31 December 2016

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
	78.450.233	**78.677.848**	**47.920.638**	**3.647.689**	**4.831.416**	**8.669.688**	**13.608.417**
Borrowings	42.662.358	42.696.987	11.939.777	3.647.689	4.831.416	8.669.688	13.608.417
Trade payables	35.023.931	35.216.917	35.216.917	--	--	--	--
Other payables	763.944	763.944	763.944	--	--	--	--

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.

As of 31 December 2017, assuming that other variables remain constant, the 100 basis point increase / decrease in interest rates will decrease / increase the net profit for the period by TRY 34.346 (31 December 2016: TRY 33.691).

(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 2017 and 2016 are as follows:

31 December 2017	**TL equivalent**	**USD**	**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

31 December 2016	**TL equivalent**	**USD**	**Euro**
Monetary financial assets	5.328.601	23.570	1.413.961
Trade receivables	18.862.619	470.382	4.638.198
Current assets	24.191.220	493.952	6.052.159
Total assets	**24.191.220**	**493.952**	**6.052.159**
Trade payables	18.322.705	231.046	4.719.698
Borrowings	15.126.340	1.064.888	3.067.141
Short term liabilities	33.449.045	1.295.934	7.786.839
Borrowings	22.278.105	--	6.005.042
Long term liabilities	22.278.105	--	6.005.042
Total liabilities	**55.727.150**	**1.295.934**	**13.791.881**
Net Foreign Currency Position	**(31.535.930)**	**(801.982)**	**(7.739.722)**
Export	**100.691.207**	977.852	29.021.452
Import	**90.488.320**	3.408.885	22.442.803

(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 2017 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 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
Total	**(4.085.648)**	**4.085.648**	**(4.085.648)**	**4.085.648**

Foreign currency sensitivity table

	Profit / (Loss)		Equity	
31 December 2016	Increase in foreign currency	Decrease in foreign currency	Increase in foreign currency	Decrease in foreign currency
USD	(282.234)	282.234	(282.234)	282.234
Euro	(2.871.359)	2.871.359	(2.871.359)	2.871.359
Total	**(3.153.593)**	**3.153.593**	**(3.153.593)**	**3.153.593**

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.

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. Category	2. Category	3. Category
B type liquid fund	582	--	--
Orta Anadolu İhr.Birl. (Mosaş A.Ş.)	--	--	7.635
Ankersan Orman Ürünleri A.Ş.	--	--	882.013
	582	**--**	**889.648**

NOTE 35 - EVENTS AFTER THE BALANCE SHEET DATE

None.

NOTE 36 - OTHER MATTERS

None.