ALKİM KAĞIT SANAYİ VE TİCARET
ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION INTO ENGLISH -
THE TURKISH TEXT IS AUTHORITATIVE

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Alkim Kağıt Sanayi ve Ticaret A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Alkim Kağıt Sanayi ve Ticaret A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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

Key audit matter	How our audit adressed the key audit matter
Recoverability of trade receivables: Trade receivables amounting to TL35.417.261 from non-related parties as of 31 December 2018 are material to the financial statements. However, the Company management takes into account the guarantees received from its customers, past collection performance and maturity analysis of receivables when evaluating recoverability. The determination of doubtful receivables together with the respective provisions includes Company management's estimations and assumptions. Related assumptions are sensitive to expected market conditions. For these reasons, the recoverability of trade receivables was determined to be a key audit matter.	The following audit procedures were addressed in our audit work on the recoverability of trade receivables: - The Company's credit risk management policy, including credit limit and collection management, were reviewed and assessed. - Investigations were made to determine whether there were any disputes or lawsuits regarding the collectability of trade receivables from non-related parties, and evaluations of the ongoing lawsuits were obtained from the Company's legal counsellors. - The aging of trade receivable balances from non-related parties and aging model were analysed. - The reasonableness of Company management's assumptions and judgements underlying the calculations of impairment of trade receivables were assessed. - Trade receivables from non-related parties were tested on a sample basis by sending confirmation letters. - The subsequent collections were tested on a sample basis. - The guarantee letters received from customers were tested on a sample basis. - The compliance of the disclosures of recoverability of trade receivables from non-related parties in the financial statements with the relevant accounting standards was evaluated. In the result of audit procedures due to recoverability of trade receivables, no material finding issued.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

5. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of "material misstatement" in the 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.

- Assess the 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 Company'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 Company 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 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 independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also 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 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. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 27 February 2019.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Baki Erdal, SMMM
Partner

İstanbul, 27 February 2019

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ
INDEX TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2018

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF BALANCE SHEETS
AT 31 DECEMBER 2018 AND 2017

(Amount expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2018	31 December 2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	64,303,404	65,441,709
Trade receivables		35,417,261	24,559,238
- Trade receivables from related parties	5	-	2,122
- Trade receivables from third parties	6	35,417,261	24,557,116
Other receivables		107,273	125,395
- Other receivables from third parties		107,273	125,395
Inventories	7	65,055,037	40,201,877
Prepaid expenses		1,722,781	1,852,031
- Prepaid expenses to related parties	5	1,493,781	1,130,159
- Prepaid expenses to third parties	8	229,000	721,872
Current Period Tax Assets Related		-	-
Other current assets		22,364,047	13,272,202
- Other current assets from third parties	15	22,364,047	13,272,202
TOTAL CURRENT ASSETS		**188,969,803**	**145,452,452**
NON CURRENT ASSETS			
Investments in associates accounted for using equity method	3	849,093	512,276
Property, plant and equipment	9	30,074,050	29,015,437
- Land		2,906,021	2,906,021
- Land improvements		676,366	742,539
- Buildings		3,006,392	3,288,358
- Machinery and equipments		18,682,461	19,764,692
- Vehicles		1,459,661	714,729
- Furniture and fixtures		1,518,229	1,202,071
- Construction-in-progress		1,824,920	397,027
Intangible assets	10	190,578	146,322
Prepaid expenses	8	137,894	1,261,074
- Prepaid expenses to third parties		137,894	1,261,074
TOTAL NON-CURRENT ASSETS		**31,251,615**	**30,935,109**
TOTAL ASSETS		**220,221,418**	**176,387,561**

These financial statements at 1 January - 31 December 2018 and for the year then ended were approved for issue by the Board of Directors of Alkim Kağıt Sanayi ve Ticaret A.Ş. on 28 February 2018. General Assembly and specified regulatory bodies have the right to make amendments after statutory financial statements issued.

The accompanying notes are an integral part of these financial statements..

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF BALANCE SHEETS
AT 31 DECEMBER 2018 AND 2017

(Amount expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2018	31 December 2017
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings	11	4,137	19,237,281
Short-term borrowings to third parties		4,137	19,237,281
- Bank borrowings		4,137	19,237,281
Other financial liabilities	11	24,831,593	2,053,121
Short-term portion of long-term borrowings	11	-	2,263,140
- Short-term portion of long-term borrowings to third parties		-	2,263,140
- Bank borrowings		-	2,263,140
Trade payables		28,423,642	13,334,288
- Trade payables due to related parties	5	1,499,209	1,115,926
- Trade payables due to third parties	6	26,924,433	12,218,362
Payables related to employee benefits	13	2,228,178	1,783,878
Deferred income		5,917,027	1,700,536
- Deferred income from third parties	8	5,917,027	1,700,536
Current income tax liability	21	289,739	1,928,849
Short term provisions		402,326	361,937
- Provision for employee benefits	13	313,373	245,822
- Other short term provisions	12	88,953	116,115
Other current liabilities		191,329	87,978
- Other current liabilities due to third parties Other short term liabilities		191,329	87,978
TOTAL CURRENT LIABILITIES		**62,287,971**	**42,751,008**
NON-CURRENT LIABILITIES			
Provisions for Employee Benefits	12	6,687,559	5,243,519
Deferred Taxes	21	212,650	202,364
TOTAL NON-CURRENT LIABILITIES		**6,900,209**	**5,445,883**
TOTAL LIABILITIES		**69,188,180**	**48,196,891**
EQUITY			
Share capital	16	52,500,000	52,500,000
Adjustment to share capital	16	32,414,361	32,414,361
Restricted reserves	16	11,931,406	8,421,546
Other accumulated comprehensive income / (loss) that will not be reclassified to profit or loss		(2,777,015)	(2,056,708)
- Actuarial loss arising from defined benefit plans		(2,777,015)	(2,056,708)
Retained earnings		9,629,078	9,629,078
Net profit for the year		47,335,408	27,282,393
TOTAL EQUITY		**151,033,238**	**128,190,670**
TOTAL EQUITY AND LIABILITIES		**220,221,418**	**176,387,561**

The accompaying notes are an integral part of these financial statements.

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED AT 1 JANUARY - 31 DECEMBER 2018 AND 2017

(Amount expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Note	1 January - 31 December 2018	1 January - 31 December 2017
PROFIT OR LOSS			
Revenue	17	352,927,369	235,732,825
Cost of sales (-)	17	(286,605,106)	(195,884,054)
GROSS PROFIT		**66,322,263**	**39,848,771**
Marketing expenses (-)	18	(7,255,675)	(6,239,169)
General administrative expenses (-)	18	(7,591,144)	(5,653,789)
Research and development expenses (-)		(95,039)	(82,514)
Other income from operating activities	19	55,129,578	22,466,026
Other expense from operating activities (-)	19	(30,665,757)	(13,633,408)
OPERATING PROFIT		**75,844,226**	**36,705,917**
Income from investment activities		664,313	209,779
Share of results of investment-in-associates	3	336,817	98,379
OPERATING PROFIT BEFORE FINANCE INCOME/ (EXPENSE)		**76,845,356**	**37,014,075**
Financial income	20	9,057,300	4,128,625
Financial expense (-)	20	(24,988,551)	(6,832,043)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**60,914,105**	**34,310,657**
Tax expense of continuing operations		(13,578,697)	(7,028,264)
- Current period tax expense	21	(13,388,334)	(7,199,941)
- Deferred tax income / (expense)	21	(190,363)	171,677
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**47,335,408**	**27,282,393**
PROFIT FOR THE YEAR		**47,335,408**	**27,282,393**
Earnings per Share		**0,009**	**0,0052**
Earnings per 1 Kr number of 100 shares from continuing operations	22	0,009	0,0052
OTHER COMPREHENSIVE INCOME/ LOSS			
Other Comprehensive Income that will not be reclassified to Profit or Loss			
Gains (losses) on remeasurements of defined benefit plans		(900,384)	207,857
Gains (losses) on remeasurements of defined benefit plans, tax effect	21	180,077	(41,571)
OTHER COMPREHENSIVE INCOME/ LOSS		**(720,307)**	**166,286**
TOTAL COMPREHENSIVE INCOME		**46,615,101**	**27,448,679**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2018 AND 2017

(Amount expressed in Turkish Lira ("TL") unless otherwise indicated.)

				Other Accumulated Comprehensive Income/ (Expense) not to be Reclassified in Profit or Loss	Retained Earnings		
	Share Capital	Adjustment to Share Capital	Restricted Reserves	Gains (Losses) on Remeasurements of Defined Benefit Plans	Retained Earnings	Profit for the year	Total Equity
1 January 2017	**52,500,000**	**32,414,361**	**5,296,522**	**(2,222,994)**	**8,911,882**	**26,454,866**	**123,354,637**
Transfers	-	-	-	-	26,454,866	(26,454,866)	-
Dividend (Notes 5.f)			3,125,024	-	(25,737,670)	-	(22,612,646)
Total comprehensive income / (loss)	-	-	-	166,286	-	27,282,393	27,448,679
- Profit for the year	-	-	-	-	-27,282,393	27,282,393	
- Other comprehensive loss	-	-	-	166,286	-	-	166,286
31 December 2017	**52,500,000**	**32,414,361**	**8,421,546**	**(2,056,708)**	**9,629,078**	**27,282,393**	**128,190,670**
1 January 2018	**52,500,000**	**32,414,361**	**8,421,546**	**(2,056,708)**	**9,629,078**	**27,282,393**	**128,190,670**
Transfers	-	-	-	-	27,282,393	(27,282,393)	-
Dividend (Notes 5.f)	-	-	3,509,860	-	(27,282,393)	-	(23,772,533)
Total comprehensive income / (loss)	-	-	-	(720,307)	-	47,335,408	46,615,101
Profit for the year	-	-	-	-	-	47,335,408	47,335,408
Other comprehensive loss	-	-	-	(720,307)	-	-	(720,307)
31 December 2018	**52,500,000**	**32,414,361**	**11,931,406**	**(2,777,015)**	**9,629,078**	**47,335,408**	**151,033,238**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise.)

	Notes	1 January - 31 December 2018	1 January - 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES		**10,024,563**	**20,739,743**
Profit for the year			
Profit from Continuing Operations		47,335,408	27,282,393
Adjustments Related to Reconciliation of Net Profit for The Year		**10,481,110**	**9,077,892**
Adjustments for tax expense	21	13,578,697	7,028,264
Adjustments for depreciation and amortisation expense		6,374,204	5,810,793
Provision for impairment of inventories		(30,490)	(7,540)
Adjustments for interest expense and interest gain		(1,008,982)	(806,978)
Adjustments for interest gain		(2,344,126)	(1,661,790)
Adjustments for interest expense		1,534,522	859,556
Unearned finance income from futures		(388,372)	(69,631)
Unearned Financial Revenue from Term Sales		188,994	64,887
Adjustments for undistributed profits of investments accounted for using equity method		(336,817)	(98,379)
Adjustments for provisions		1,190,833	704,781
Adjustments for provisions related with employee benefits		1,190,833	704,781
Adjustments for losses (gains) arised from sale of fixed assets		(664,314)	(209,779)
Adjustments for losses (gains) arised from sale of tangible assets		(664,314)	(209,779)
Adjustments for unrealized foreign currency translation differences		(8,622,021)	(3,343,270)
Changes in Working Capitals		**(32,117,334)**	**(6,471,051)**
Adjustments related to decrease/ (increase) in trade receivables		(4,147,414)	6,406,367
Decrease (increase) in trade receivables from related parties	5	2,122	(2,122)
Decrease (increase) in trade receivables from non-related parties		(4,149,536)	6,408,489
Adjustments related to decrease/ (increase)in inventories		(24,822,670)	(15,685,063)
Adjustments related to decrease/ (increase) in other receivables		18,122	252,407
Decrease (increase) in other receivables related with operations from non-related parties		18,122	252,407
Decrease (increase) in prepaid expenses		383,566	(578,897)
Adjustments for increase (decrease) in trade payable		590,655	1,678,685
Increase in trade payables to related parties	5	383,283	74,391
Increase (decrease) in trade payables to non-related parties		207,372	1,604,294
Increase (decrease) in payables related to employee benefits	13	444,300	372,585
Increase (decrease) in deferred income	8	4,216,491	1,329,466
Other adjustments for other increase (decrease) in working capital		(8,800,384)	(246,601)
Decrease (increase) in other assets related with operations		(8,944,120)	(515,231)
Increase (decrease) in other payables related with operations		143,736	268,630
Cash Flows from Operations		**25,699,184**	**29,889,234**
Payments related with provisions for employee benefits		(647,177)	(686,488)
Income taxes refund (paid)		(15,027,444)	(8,463,003)

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

STATEMENTS OF CASH FLOWS
FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2018 AND 2017

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise.)

	Note	1 January - 31 December 2018	1 January - 31 December 2017
CASH FLOWS FROM INVESTING ACTIVITIES		**(3,535,936)**	**(1,693,907)**
Interest received		2,407,959	1,691,105
Cash outflows due to purchase of fixed assets		(7,523,538)	(4,269,061)
Cash outflows due to purchase of tangible assets	9	(7,417,115)	(4,157,559)
Cash outflows due to purchase of intangible assets		(106,423)	(111,502)
Cash inflows due to purchase of fixed assets		710,779	331,698
Repayments from loans and cash advances given		868,864	552,351
Other repayments from loans and cash advances given		868,864	552,351
CASH FLOWS FROM FINANCING ACTIVITIES		**(24,024,867)**	**(25,552,543)**
Cash outflows from financial borrowings		-	(34,092,730)
Paybacks of borrowings		-	(34,092,730)
Cash inflows from financial borrowings		1,656,687	31,902,184
Cash inflows from loans		1,656,687	31,902,184
Dividends paid		(23,772,533)	(22,612,646)
Interest Paid		(1,909,021)	(749,351)
Net Increase (Decrease) In Cash and Cash Equivalents Before Effect of Foreign Currency Translation Differences		**(17,536,240)**	**(6,506,707)**
Effect of currency translation differences on cash and cash equivalents		16,461,768	4,209,629
Net increase (decrease) in cash and cash equivalents	4	(1,074,472)	(2,297,078)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**65,275,797**	**67,572,875**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**64,201,325**	**65,275,797**

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The main activity of Alkim Kağıt San. ve Tic. A.Ş. ("the Company") is the production and sale of woodfree paper, coated paper and photocopy paper, electricity and heat energy production to meet its own needs, sales in case of production surplus. Alkim Alkali Kimya A.Ş. ("Alkim Kimya"), which has a share of 79.93% of the Company. Alkim Kimya is the main shareholder of the Company (Note 16).

The Company is subject to the regulations of the Capital Market Board ("CMB") and 20.00% (31 December 2017: 20.00%) of its shares are quoted on the Borsa Istanbul ("BIST"). The Company is registered with the Capital Markets Board ("CMB")..

The average number of personnel is 207 as of 31 December 2017 (31 December 2017: 192 personnel).

The company's registered office address is Organized Industrial Zone Kirovasi Mevkii Kemalpaşa - Izmir.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") and its addendum and interpretations issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The financial statements are presented in accordance with the "Announcement on TAS Taxonomy" issued by the POAASA on 2 June 2016 and the formats specified in the Financial Statement Examples and Usage Guidelines issued by CMB.

The Company maintains its books of account and prepares its statutory financial statements in accordance with the principles and conditions set forth by the CMB, the Turkish Commercial Code ("TCC"), the tax legislation and the requirements of the Uniform Chart of Accounts issued by the Ministry of Finance.

These financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS/TFRS. The Company's functional and reporting currency is Turkish Lira ("TL").

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the Company have been prepared accordingly. Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year starting from 1 January 2005.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in International Financial Reporting Standards

a) New standards, amendments and interpretations that are in progress and adopted by the Company at December 2018:

- **IFRS 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.

- **IFRS 15, 'Revenue from contracts with customers';** effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally

- **Amendment to IFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

  - Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2019.
  - IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10
  - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- **IFRIC 22, 'Foreign currency transactions and advance consideration';** effective from annual periods beginning on or after 1 January 2018. This IFRIC 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

b) Standards, amendments and interpretations applicable from 31 December 2017 are not listed as they are not related to the operations of the Company or do not have a material effect on the financial statements.

c) Standards, amendments and interpretations effective after 1 January 2018:

- **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in International Financial Reporting Standards(Continued)

- **Amendment to IAS 28, 'Investments in associates and joint venture';** 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 IFRS 9.

- **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in International Financial Reporting Standards(Continued)

- **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and;
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements',and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

  - use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting,
  - clarify the explanation of the definition of material; and
  - incorporate some of the guidance in IAS 1 about immaterial information

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The Company will determine the effects of these amendments above on the operations of the Company and will apply after effective date. The above mentioned amendments and interpretations are not expected to have significant impact on the Company's financial statements. New standards and amendments effective after 31 December 2018 which are not related with operations of the Company, are not listed above.

d) Foreign currency translation

The financial statements of the Company and each subsidiary are measured in terms of the currency in which the entity is located and the main currency in which the operations are carried out ("functional currency"). The financial statements have been prepared in Turkish Lira ("TL"), which is the functional currency of the Company.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, within finance income and expense and other operating income and expense except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.3 Basis of Consolidation

The Company does not have any subsidiary to be consolidated in the financial statements. The investments-in-associates are accounted for using the equity method and are initially recognised at cost. These are undertakings over which the Company has between 20% and 50% of the voting rights, or over which the Company has significant influence, but which not control. Unrealised gains on transactions between the Company has significant influence, but which not control. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves, such as fair value changes in available-for-sale financial assets, revaluation of property, plant and equipments, depreciation transfer and derecognition of such reserves, is recognised in statement of changes in equity and statement in comprehensive income. Dividends to be received or receivable from associates are accounted for as a reduction of the carrying amount of the investment..

The accounting policies of the investing entity accounted for using the equity method of accounting have been amended accordingly to ensure consistency with the accounting policies applied by the Company.

The table below sets out the associates and the proportion of ownership interest as of 31 December 2018 and 2017:

	Shareholding (%)	
Investments-in-associates	**31 December 2018**	**31 December 2017**
Alkim Sigorta Aracılık Hiz. Ltd. Şti. (Residing in Turkey)	50.00	50.00

2.4 Netting / Offset

All items that are significant in terms of content and amount are shown separately in the financial statements, even if they are of a similar nature. Non-significant amounts are shown as aggregated by items similar to each other in terms of principles or functions. In the event that the essence of the transaction and the event necessitates the offsetting, it is not treated as a violation of the rule of non-offsetting, whether the transaction and the event are shown over the net amounts or the assets are followed over their amounts after deducting the impairment. As a result of the transactions carried out in the normal course of business, revenues other than the revenues defined in the "Revenue" section are presented over their net values, provided that they correspond to the essence of the transaction or event.

2.5 Comparative information

Financial statements of the Company are prepared in comparison with prior financial period in order to enable determination of the financial situation and performance trends. The Company has prepared its balance sheet as of 31 December 2018 in comparison with the balance sheet as of 31 December 2017, and its statement of comprehensive income, cash flow and changes in equity in
1January - 31 December 2018 financial period in comparison with 1 January - 31 December 2017 financial period.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.6 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

The Company has applied consistent accounting policies in the preparation of financial statements presented in the period between 1 January - 31 December 2018 with the financial statements prepared in 31 December 2017, except for the changes in the stadards of TFRS 9 and 15 which were applicable as of 1 January 2018.

2.6.1. Revenue recognition

The Company transfers the committed goods or services to its customers and records the revenue in its financial statements as it fulfills or fulfills the performance obligation. When an asset is checked (or passed) by the customer, the asset is transferred.

The Company records the proceeds in accordance with the following basic principles:

(a) Determination of contracts with customers,
(b) Determination of performance obligations in the contract,
(c) Determining the transaction price in the contract,
(d) Allocation of the transaction price to the performance obligations in the contract,
(e) Accounting of revenue when every performance obligation is met.

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined whether the performance obligations will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements. Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

In the event that all of the following conditions are met, the Company recognizes a contract with its customer as revenue:

(a) The parties to the Convention have ratified the contract (in accordance with written, oral or other commercial practices) and undertakes to carry out their own actions,
(b) The Company may define the rights related to the goods or services to be transferred by each party,
(c) The Company may define the payment terms related to the goods or services to be transferred,
(d) The contract is essentially commercial,
(e) It is probable that the Company will be charged for the goods or services to be transferred to the customer. When evaluating whether the collectability of a price is probable, the entity shall consider only the customer's ability to pay the price at the due date and its intent.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.6.1. Revenue recognition (Continued)

Revenue from product sales

The company generates revenue by producing and selling the first pulp paper, coated paper and copier paper products. Revenue is recognized when the control of products is transferred to the customer.

The Company evaluates the transfer of control of the goods sold to the customer,

a) ownership of the right to collect goods or services
b) ownership of the right of the customer
c) the transfer of the physical possession of the goods
d) ownership of significant risks and benefits of property ownership
e) takes into account the conditions of the customer's acceptance of the goods.

For each performance obligation, the Company determines whether it has fulfilled its performance obligation at the beginning of the contract or whether the performance obligation fulfilled at a certain point in time. The Company records revenue from product sales in the financial statements following the transfer of control to the customer.

In the event that the Company has the right to collect a price directly corresponding to the value of its customer (from the delivery of products), the Company pays the revenue to the financial statements for the amount that it has the right to invoice.

The Company reflects a return obligation to the financial statements if the company expects to pay back some or all of the amount charged to a customer to this customer. The obligation of return is calculated over the part of the enterprise (or the cost) that is collected by the entity. The obligation to return is updated at the end of each reporting period, taking into account the changes in the conditions.

TFRS 15, First transition to 'Revenue from contracts with customers'

TFRS 15, which replaces the TAS 18 'Revenue' standard, evaluates the cumulative effect of the standard application for the first time as of 1 January 2018, as of 1 January 2018, which is the first application date and has concluded that there is no significant impact on the past in the context of this assessment.

2.6.2. TFRS 9 - Financial assets

Classification and measurement

The company classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.6.2. TFRS 9 - Financial assets (Continued)

Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables", "cash and cash equivalents" and "other receivables" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Impairment

The company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, the company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the company and its expectations for the future indications.

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

	Classification under TAS 39	**Classification under TFRS 9**
Financial assets		
Cash and cash equipments	Loans and receivables	Amortised cost
Financial Investments	Financial Assets for-Sale	Fair value is reflected other comprehensive income
Derivative instruments	Fair value is reflected current profit or loss	Fair value is reflected current profit or loss
Trade receivables	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost

	Classification under TAS 39	**Classification under TFRS 9**
Financial liabilities		
Financial payables	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost
Derivative instruments	Fair value is reflected current profit or loss	Fair value is reflected current profit or loss
Other payables	Amortised cost	Amortised cost

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

First time adoption of IFRS 9 - Financial Instruments

The Company has applied TFRS 9 'Financial instruments' standard as of 1 January 2018, replacing TAS 39. It includes requirements for the classification and measurement of financial assets and liabilities, as well as the expected credit risk model to replace the currently used impairment model. The Company evaluated the transition effect of the standard according to the simplified method and concluded that there is no significant impact on the past as of 1 January 2018 within the scope of this evaluation.

2.7 Summary of Significant Accounting Policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

2.7.1 Revenue recognition

The Company transfers the committed goods or services to its customers and records the revenue in its financial statements as it fulfills or fulfills the performance obligation. When an asset is checked (or passed) by the customer, the asset is transferred.

The Company records the proceeds in accordance with the following basic principles:

(a) Determination of contracts with customers,
(b) Determination of performance obligations in the contract,
(c) Determining the transaction price in the contract,
(d) Allocation of the transaction price to the performance obligations in the contract,
(e) Accounting of revenue when every performance obligation is met.

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined whether the performance obligations will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements. Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

In the event that all of the following conditions are met, the Company recognizes a contract with its customer as revenue:

(a) The parties to the Convention have ratified the contract (in accordance with written, oral or other commercial practices) and undertakes to carry out their own actions,
(b) The Company may define the rights related to the goods or services to be transferred by each party,
(c) The Company may define the payment terms related to the goods or services to be transferred,
(d) The contract is essentially commercial,
(e) It is probable that the Company will be charged for the goods or services to be transferred to the customer. When evaluating whether the collectability of a price is probable, the entity shall consider only the customer's ability to pay the price at the due date and its intent.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

Revenue from product sales

Şirket, birinci hamur kağıt, kuşe ve fotokopi kağıdı ürünleri üreterek ve satarak hasılat elde etmektedir. Hasılat, ürünlerin kontrolü müşteriye devredildiğinde kaydedilir.

The Company evaluates the transfer of control of the goods sold to the customer,

- ownership of the right to collect goods or services
- ownership of the right of the customer
- the transfer of the physical possession of the goods
- ownership of significant risks and benefits of property ownership
- takes into account the conditions of the customer's acceptance of the goods.

For each performance obligation, the Company determines whether it has fulfilled its performance obligation at the beginning of the contract or whether the performance obligation fulfilled at a certain point in time. The Company records revenue from product sales in the financial statements following the transfer of control to the customer.

In the event that the Company has the right to collect a price directly corresponding to the value of its customer (from the delivery of products), the Company pays the revenue to the financial statements for the amount that it has the right to invoice.

The Company reflects a return obligation to the financial statements if the company expects to pay back some or all of the amount charged to a customer to this customer. The obligation of return is calculated over the part of the enterprise (or the cost) that is collected by the entity. The obligation to return is updated at the end of each reporting period, taking into account the changes in the conditions.

2.7.2 Inventories

Inventories of the Company consist of cellulose inventories, convolved or sized semi-finishing and fnished goods, chemicals, operating supplies and spare parts. Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the monhtly weighted average basis (Note 7).

2.7.3 Property and equipment

Property, plant and equipments acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any.

Property, plant and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. Residual values of property, plant and equipment are deemed as negligible.

Buildings, land and land improvements and machinery and equipments are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. Residual values of property, plant and equipment are deemed as negligible.
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NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

The advances given for the property, plant and equipment purchases are classified in prepaid expenses under the other non-current assets until the related asset is capitalised. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively.

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 9). Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipments are as follows:

	Rate (%)
Land and land improvements	2-13
Buildings	2-4
Machinery and equipments	4-25
Motor vehicles	10-25
Furniture and fixtures	5-50

Subsequent costs are included in the asset's carrying value recognised as seperate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, plant and equipment are reviewed for impairment losses, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, property plant and equipment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.The Company derecognizes the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets. Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and re included in the related income and expense accounts, as appropriate (Note 19).

2.7.4 Intangible assets

Intongible assets consist of nights, information systems and computer software. Intangible assets acquired separately from business are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives (5-15 years). If any impoirment occurs, the carrying amount of intangible assets are recorded at recoverable amounts.

2.7.5 Impairment of assets

Impairment of financial assets:

Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.7.6 Borrowing and borrowing cost

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 20). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 11).

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.7.7 Trade payables

Trade payables are recognized at fair value on the date they are received and subsequently measured at amortized cost (Note 6).

2.7.8 Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories: loans and receivables, available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The Company management determines the classification of its financial assets at initial recognition. The Company does not have any financial asset - held to maturity or fair value changes accounted through statements of income or expenses

Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables", "cash and cash equivalents" and "other receivables" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.7.9 Effects of currency differences

Transactions in foreign currencies have been translated into TL at the exchange rates at which the transaction was made. Monetary assets and liabilities denominated in foreign currencies are translated into TL using the exchange rates at the balance sheet date. Exchange differences arising as a result of these transactions are included in the comprehensive income table.

2.7.10 Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 22).

Companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year

In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

2.7.11 Subsequent events

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorised for issue (Note 25).

In the case that events require a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements. Moreover, the events that occur subsequent to the balance sheet date and that do not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

2.7.12 Provisions, contingent liabilities and contingent assets

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities (Note 11). The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable.

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are not recognized for future operating losses.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

i. Employee benefits - defined benefit obligation (Provision for employment termination benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. All actuarial gains and losses are recognized in other comprehensive income.

ii. Unused vacation provision

The Company recognizes a liability and an expense for unused vacation of the employees as of balance sheet date.

2.7.13 Related parties

a) A person or a member of his or her immediate family is deemed to be associated with the Company if:

The person in question,

(i) in the case of possession of control or joint control over the Company,
(ii) if it has significant influence over the Company,
(iii) is a member of key management personnel of the Company or a subsidiary of the Company.

b) If any of the following conditions exist, the entity is deemed to be associated with the Company:

(i) If the business and the company are members of the same group.
(ii) The operator is an affiliate or a business partner of the other business (or a member of a group that is also a member of another business).
(i) If both businesses are partnerships of the same third party.
(iv) One of the businesses is a third-party business partner and the other is a third-party affiliate.
(v) In the event of an employee having benefit plans provided after leaving the Company in relation to the employees of the Company or an enterprise associated with the Company. If there is such a plan of the company itself, sponsor employers are also associated with the Company
(v) The operator is controlled or jointly controlled by a person described in (a).
(i) has a significant effect on the business of a person identified in (i) or is a member of the key management personnel of the said entity (or its parent company

Transactions with a related party are transfers between a reporting entity and a related party, irrespective of whether a resource, service or obligation is a consideration

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.7.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that takes strategic decisions.

The chief operating decision makers regularly monitor and review the operational results based on the main products' performances in domestic and foreign markets. However, as the nature of the products, production processes, type of customers, distribution methods and regulatory environment for the operations of the Company are identical, and the operations performed in foreign markets is not material, segment reporting is not applicable.

2.7.15 Taxation on income

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date. The adjustments related to prior period tax liabilities are recognised in other operating expenses.

Deferred income tax income or expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In case, when the tax is related to items recognized directly in equity and other comprehensive income, the tax is also recognized in equity and other comprehensive income.

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled as of the balance sheet date.

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly.

2.7.16 Statement of cash flow

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investing activities indicate cash inflows and outflows resulting from property, plant and equipments and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months..

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.7.17 Trade receivables and impairment

Trade receivables that are created by the company by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 6).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the company will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of 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. Also, company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the company and its expectations for the future indications.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities.

2.7.18 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on shares are recognised as an appropriation of the profit in the period in which they are declared. Dividend income is recognized when the Company's right to receive the payment is established.

2.7.19 Offsetting

Financial assets and liabilities are shown in the balance sheet when there is a legally enforceable right to net off, with the power to enforce sanctions, and when there is an intention to collect / pay such assets or liabilities on a net basis or to concurrently conclude them.

2.7.20 Critical accounting estimates and judgements

Preparation of financial position statements (balance sheet) requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although these estimates and assumptions rely on the Company management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Company management are as follows.

DİPNOT 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.8 Significant accounting estimates and assumptions

The preparation of financial statements requires the use of estimates and assumptions that could affect the amounts of assets and liabilities reported at the balance sheet date, the explanations of contingent assets and liabilities and the amounts of income and expenses reported during the accounting period. Although these estimates and assumptions are based on the Company management's best knowledge of current events and transactions, actual results may differ from these assumptions. The Company's significant accounting assumptions and estimates are:

- The Company management believes that there is no risk of collection of overdue receivables due to past experiences and related with the related customers. The Company has made provision based on its past experience in collecting trade receivables. The management believes that there are no additional doubtful receivables other than the doubtful receivables

2.9 Compliance decleration to resolutions published by POAASA and TAS/TFRS

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority. As Company management, we declare that the current and previous period financial statements together with the summary of the important accounting policies and notes to the financial statements are prepared and presented in accordance with Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority.

NOTE 3 - INTEREST IN OTHER ENTITIES

Investments-in-associates:

	31 December 2018		31 December 2017	
	TRY	**(%)**	**TRY**	**(%)**
Alkim Sigorta	849,093	50.00	512,276	50.00
	849,093		**512,276**	

Movement in investments-in-associates during the years 2018 and 2017 are as follows:

	2018	**2017**
1 January	**512,276**	**413,897**
Share of profit of investments-in-associates - net	336,817	98,379
31 December	**849,093**	**512,276**

Condensed financial statements of investments-in -associates are as follows:

	2018	**2017**
Total assets	4,529,310	3,486,932
Total liabilities	2,831,126	2,462,381
Total equity	1,698,184	1,024,551
Net sales	699,642	576,602
Net profit of the year	673,633	196,758

Details of nature of business and business location of investment-in-associate of the Company as of 31 December 2018 and 2017 are as follows:

Associate	**Nature of business**	**Business location**
- Alkim Sigorta	Sigorta	Türkiye

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash in hand	25,574	17,807
Banks	64,047,556	65,423,902
- Time deposits	62,027,995	64,111,033
- Demand deposits	2,019,561	1,312,869
Other cash equivalents (*)	230,274	-
Cash and cash equivalents	**64,303,404**	**65,441,709**
Less: Time deposit interest accruals	(102,079)	(165,912)
Cash and cash equivalents for the cash flow statement	**64,201,325**	**65,275,797**

As of 31 December 2018 the effective weighted average interest rates of time deposits are 5.15% for USD (31 December 2017: TRY-12,2%, USD 4.75% - 3.25% p.a.) , maturity periods are less than one month (31 December 2017: 1 day and 31 days).

(*) Other cash equivalents include credit card receivables with an average maturity of 1 month (31 December 2016: 1 month)

Based on the independent data with respect to the credit risk assessment of the banks,at which the Company has deposits, the credit quality of the banks is sufficient. The market values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet date.

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2018 and 2017 are as follows:

a) Trade receivables from related parties-current

	31 December 2018	31 December 2017
Alkim Kimya (1)	-	1,466
Sodaş Sodyum A.Ş. (3)	-	656
	-	**2,122**

b) Prepaid expenses to related parties

Alkim Sigorta (2)	1,493,781	1,130,159
	1,493,781	**1,130,159**

(1) Shareholder of the Company
(2) Subsidiary of the Company
(3) The company in which the company shareholders own

c) Dividends to related parties

Alkim Sigorta (2)	1,491,827	1,108,385
Alkim Kimya (1)	7,375	7,541
Other	7	-
	1,499,209	**1,115,926**

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

d) Product sales

	1 January - 31 December 2018	1 January - 31 December 2017
Alkim Kimya (1)	21,793	10,043
Sodaş Sodyum A.Ş. (3)	1,455	9,198
	23,248	**19,241**

e) Service purchases

Alkim Sigorta (1) (**)	1,536,714	1,354,022
Alkim Kimya (2) (*)	140,616	102,107
Sodaş Sodyum A.Ş. (3)	23,380	19,900
	1,700,710	**1,476,029**

(1) Shareholder of the Company
(2) Subsidiary of the Company
(3) The company in which the company shareholders own

(*) There are various service purchases and accounted under general administrative expenses.
(**) There are insurance service purchases and accounted under general administrative expenses.

f) Dividends to related parties

Alkim Kimya	18,794,133	17,606,965
Other	4,978,400	4,642,302
	23,772,533	**22,249,267**

At the Ordinary General Assembly Meeting as of 27 March 2018, it was decided to distribute as gross dividend to shareholders amounting TRY 23,513,660 and TRY 258,873 to Board of Directors (31 December 2017: The Company has decided to distribute 22,028,375 TL gross profit share to the shareholders and 220,392 TL to the Board of Directors at the Ordinary General Assembly Meeting held on 28 March 2017).

g) Key management compensation

Key management includes members of board of directors, general manager and general manager assistant. The compensation paid or payable to key management are shown below:

Short-term benefits	3,606,644	3,037,911
	3,606,644	**3,037,911**

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties

	31 December 2018	31 December 2017
Customer current accounts, net	29,817,243	19,302,103
Cheques and notes receivable, net	5,600,018	5,255,013
Doubtful receivables (*)	32,704,995	32,704,995
	68,122,256	**57,262,111**
Less: Provision for doubtful receivables	(32,704,995)	(32,704,995)
	35,417,261	**24,557,116**

(*) As of 31 December 2017 and 31 December 2016 provisions for doubtful receivables consist of trade receivables from the Company's customer İnterpap Dış Ticaret ve Mümessilik Anonim Şirketi ("İnterpap") that are past due and legal proceeding started. T.C. İstanbul 13. Basic Commercial Court has decided bankruptcy of İnterpap in the process decided to initiate legal proceedings for the Company's overdue current accounts and cheques total amounting to USD 13,273,594. In accordance with the adjudication order, Interpap's bankruptcy was opened with İstanbul 1. Bankruptcy Department's No. 2015/8 estate and the Company registered for all trade receivables in September 2015. Expert reports submitted to the file as a result of the expert examination conducted by the Bankruptcy Department revealed that company partners made money transfers through irregular transactions. Upon this report, the bankruptcy desk was found to have committed a criminal offense to the Istanbul Chief Public Prosecutor's Office on fraudulent bankruptcy. The indictment was prepared and the indictment prepared by the prosecutor's office was accepted by the Istanbul 19th High Criminal Court. Istanbul 19th High Criminal Court convicted of fraudulent bankruptcy and a criminal case was filed with the file no. 2016/287 E. There is a personal bail of a total of TL 30,000,000 which the Company has obtained from the partners of the Interpap company. Since the legal process related to the commercial receivables from Interpap has continued, the Company has initiated legal proceedings regarding the commercial receivables for the personal bail obtained from the partners of Interpap firm and the proceedings are continuing.

As of 31 December 2018, the weighted average effective interest rates of trade receivables in TRY, USD and EUR 26.90%, 2.54% and 0.14% respectively (31 December 2016: 11.57% 1.62% and 0.36% respectively) and the weighted average duration is 2 months (31 December 2017: 45 - 60 days).

Trade receivables as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Overdue	3,559,553	3,137,868
0 - 30 days due	17,800,745	9,714,972
31 - 60 days due	9,187,949	7,713,251
61 - 90 days due	4,241,303	2,000,073
91 - 120 days due	627,711	1,178,611
121 days and over	-	812,341
	35,417,261	**24,557,116**

The Company management believes that there is no collection risk of overdue receivables due to past experiences and related with the customer relationships. In addition, TRY 1,113,666 portion of the receivables that are overdue but not yet reserved for impairment is secured by the guarantee letter.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2018, trade receivables amounting to TRY 7,220,409 are from a single customer and mainly consists of receivables matures on January 2019 (as of 31 December 2017, the amount of trade receivables are TRY 4,232,434). Besides,the Company obtains 12% of sales in 2018 from the same customer (31 December 2017: 17%). As of 31 December 2018, there is a bank guarantee letter of TRY 3,841,000 from this customer.

The Company reserved provision based on its past experience in collecting trade receivables. The management believes that there are no additional doubtful receivable.

a) Short-term trade payables to third parties

	31 December 2018	31 December 2017
Supplier current accounts	27,312,805	12,287,993
Less: Unincurred finance cost	(388,372)	(69,631)
	26,924,433	**12,218,362**

As of 31 December 2018, the weighted average effective interest rates used in the calculation of the discounted carrying amount of trade payables are 26.77%, 2.79% and 0.14% for trade payables denominated in TRY, USD and EUR respectively (31 December 2017: 13.41%, 1.04% and 0.37% for TL, USD and EUR payables, respectively) and the weighted average maturity is 30-60 days (31 December 2017: 30-60 days).

NOTE 7 - INVENTORIES

	31 December 2018	31 December 2017
Raw materials	6,934,355	8,383,842
Work in progress	10,386,369	5,583,829
Finished goods	7,478,752	3,372,488
Raw materials in transit	31,670,032	17,088,824
Other inventories	8,639,787	5,857,642
Provision for impairment of inventories (-)	(54,258)	(84,748)
	65,055,037	**40,201,877**

The costs of inventories recognised as expense and included in cost of sales amounted to TRY 229,000,016 (31 December 2017: TRY 145,744,328). Raw materials consist mainly of cellulose and chemical substances used in paper production. Other inventories mainly consist of spare parts. As of 31 December 2018, inventories amounting to TRY 257,989 and inventories amounting to TRY 54,258 were valued with net realizable value and remaining inventory items were valued with cost (31 December 2017: inventory amounting to TRY 277,082 , TRY 84,748 net of recoverable amounts, while remaining inventory is valued at cost.

NOTE 7 - INVENTORIES(Continued)

The movement of the allowance for impairment of inventories for the products for the accounting periods ending at 31 December is as follows

	2018	**2017**
1 January	**84,748**	**92,288**
Charged/ (reserved) to the statement of comprehensive income- net	(30,490)	(7,540)
31 December	**54,258**	**84,748**

NOTE 8 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2018	**31 December 2017**
Short-term prepaid expenses		
Prepaid expenses for next months	191,418	131,847
Advances given for inventories	37,582	590,025
	229,000	**721,872**
Long-term prepaid expenses		
Advances given for fixed assets	132,576	1,259,705
Prepaid expenses for next years	5,318	1,369
	137,894	**1,261,074**
Deferred income		
Advances received	5,910,443	1,700,536
Other	6,584	-
	5,917,027	**1,700,536**

Advances received consist of payments received from customers for sales to be made in the subsequent periods and it is anticipated that such advances will close within one year.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the period 1 January - 31 December 2018 were as follows:

	1 January 2018	Additions	Disposals	Transfers(*)	31 December 2018
Cost:					
Land	2,906,021	-	-	-	2,906,021
Land and land improvements	1,796,933	25,765	-	-	1,822,698
Buildings	10,571,719	124,809	-	-	10,696,528
Machinery and equipment	99,097,056	3,206,155	(76,772)	903,918	103,130,357
Motor vehicles	1,196,465	1,104,949	(230,056)	-	2,071,358
Furniture and fixtures	3,952,411	623,626	(2,859)	-	4,573,178
Construction in progress	397,027	2,331,811	-	(903,918)	1,824,920
	119,917,632	**7,417,115**	**(309,687)**	**-**	**127,025,060**
Accumulated Depreciation					
Land and land improvements	(1,054,394)	(91,938)	-	-	(1,146,332)
Buildings	(7,283,361)	(406,775)	-	-	(7,690,136)
Machinery and equipment	(79,332,364)	(5,172,472)	56,940	-	(84,447,896)
Motor vehicles	(481,736)	(334,625)	204,664	-	(611,697)
Furniture and fixtures	(2,750,340)	(306,227)	1,618	-	(3,054,949)
	(90,902,195)	**(6,312,037)**	**263,222**	**-**	**(96,951,010)**
Net book value	**29,015,437**				**30,074,050**

A significant portion of the acquisitions that occurred during the year ended 31 December 2017 consist of machinery, plant and equipment investments in order to invest in the vacuum system of the Company.

Movements of property, plant and equipment for the period 1 January - 31 December 2017 were as follows

	1 January 2017	Additions	Disposals	Transfers(*)	31 December 2017
Cost:					
Land	2,906,021	-	-	-	2,906,021
Land and land improvements	1,749,343	47,590	-	-	1,796,933
Buildings	10,409,082	162,637	-	-	10,571,719
Machinery and equipment	97,095,560	93,793	-	1,907,703	99,097,056
Motor vehicles	669,172	742,221	(214,928)	-	1,196,465
Furniture and fixtures	3,153,191	849,560	(50,340)	-	3,952,411
Construction in progress	67,010	2,261,758	-	(1,931,741)	397,027
	116,049,379	**4,157,559**	**(265,268)**	**(24,038)**	**119,917,632**
Accumulated Depreciation:					
Land and land improvements	(966,195)	(88,199)	-	-	(1,054,394)
Buildings	(6,880,354)	(403,007)	-	-	(7,283,361)
Machinery and equipment	(74,215,745)	(5,116,619)	-	-	(79,332,364)
Motor vehicles	(583,944)	(9,475)	111,683	-	(481,736)
Furniture and fixtures	(2,592,577)	(189,429)	31,666	-	(2,750,340)
	(85,238,815)	**(5,806,729)**	**143,349**	**-**	**(90,902,195)**
Net book value	**30,810,564**				**29,015,437**

(*) It has been transferred to intangible assets.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year's depreciation and amortisation charges were allocated to cost of goods sold by TRY 6,156,853 (31 December 2017: TRY 5,630,958), to general administrive expenses by TRY 208,540 (31 December 2017: TRY 190,727), to marketing expenses by TRY 8,811 (31 December 2017: TRY 8,058), to inventories by TL 331,401 (31 December 2017: TRY 23,754).

As of 31 December 2018 and 2017, there are no pledges or mortgages on assets..

NOTE 10 - INTANGIBLE ASSETS

The movements of intangible assets for the period 1 January - 31 December 2018 were as follows:

	1 January 2018	Additions	Transfers	31 December 2018
Cost:				
Rights - Software	896,232	106,423	-	1,002,655
Less: Accumulated amortisation	(749,910)	(62,167)	-	(812,077)
	146,322	**44,256**	**-**	**190,578**

The movements of intangible assets for the period 1 January - 31 December 2017 were as follows:

	1 January 2017	Additions	Transfers(*)	31 December 2017
Cost:				
Rights - Software	760,692	111,502	24,038	896,232
Less: Accumulated amortisation:	(726,896)	(23,014)	-	(749,910)
	33,796	**88,488**	**24,038**	**146,322**

(*) Transferred from property, plant and equipment assets.

3 As of 31 December 2018 and 2017, there are no pledges or mortgages on assets.

NOTE 11 - BORROWING AND BORROWING COSTS

	31 December 2018	31 December 2017
a. Bank borrowings:		
Short-term borrowings	4,137	19,237,281
Short-term portion of long-term borrowings	-	2,263,140
Short-term financial liabilities	**4,137**	**21,500,421**
Total financial liabilities	**4,137**	**21,500,421**

	31 December 2018		31 December 2017	
	Effective weighted average interest rate p.a (%)	Amount	Effective weighted average interest rate p.a (%)	Amount
Short-term bank borrowings:				
USD borrowings	-	-	4.00	19,233,997
TRY borrowings (without interest)	-	4,137	-	3,284
		4,137		**19,237,281**
Short-term portion of long-term bank borrowings:				
USD borrowings (*)	-	-	3.50	2,263,140
		-		**2,263,140**

(*) Bank loans denominated in USD consist of fixed interest loans and no guarantees are given for these loans.

The original currency values of the related loans are presented in Note 23.

The fair value of bank loans approximates the carrying value.

	31 December 2018	31 December 2017
b. Other financial liabilities:		
Other financial liabilities	24,831,593	2,053,121
Short-term financial liabilities	**24,831.593**	**2,053,121**

In 2018, the Company has other financial liabilities amounting to USD 4,720,027 equivalent of TRY 24,831,593 in consideration of purchases of goods and services made by letter of credit and policies (31 December 2017: USD 544,320 as total TRY 2,053,121). The maturities of the related financial liabilities amount to TRY 3,031,317 in January 2019, TRY 12,080,342 in February 2019 and TL 9,719,934 is June 2019.

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Other short-term provisions

	31 December 2018	31 December 2017
Litigation provisions	88,953	113,609
Other provisions	-	2,506
	88,953	**116,115**

b) Short-term provisions for employee benefits

Provisions for unused vacations	313,373	245,822
	313,373	**245,822**

c) Long-term provisions for employee benefits

Provision for employee termination benefits	6,424,347	5,119,690
Provisions for unused vacations	263,212	123,829
	6,687,559	**5,243,519**

d) Guarantees received

Letters of guarantee	14,331,566	15,637,182
Protection of trade receivables (*)	5,749,668	6,398,464
Guarantee notes	25,000	25,000
Guarantee cheques	851,744	613,504
	20,957,978	**22,674,150**

(*) Customer business refers to services from an international professional organization against receivables risks such as doubtful receivables, past due receivables, commercial and political risks.

e) Guarantees given

Letters of guarantee (*)	13,192,304	23,283,092
	13,192,304	**23,283,092**

(*) A significant portion of the letters of guarantee given by the bank consist of guarantees given to the Ministry of National Education, the Customs Directorate, the Civil Court and İzmir Specialties.

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2018 and 2017 were as follows.

	31 December 2018	31 December 2017
A. Total amount of CPM given for the Company's own legal personality	13,192,304	23,283,092
B. Total amount of CPM given on behalf of fully companies	-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM	-	-
i. Total amount of CPM given on behalf of the majority shareholder	-	-
ii. Total amount of CPM given on behalf of other	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
	13,192,304	**23,283,092**
The ratio of total amount of other CPM to Equity	%0	%0

f) Contingent assets

The sum of the personal bails obtained from the shareholders of Interpap is TL30,000,000. As of December 31, 2017, the legal process related to the trade receivables of Interpap has been continued by the Company Management. Therefore, legal proceedings have been initiated within the scope of the lawsuits related to commercial receivables for this personal guarantee received from Interpap firm shareholders. The cases related to TL 6,032,488 of the above-mentioned cases were filed on 6 December 2018 by T.C. According to the short court decision of the hearing held in the 7th Commercial Court of Istanbul, it was concluded in favor of the Company that the appeal and the judiciary were open.

NOTE 13 - EMPLOYMENT TERMINATION BENEFITS

a) Payables for employee benefits

	31 December 2018	31 December 2017
Payables to personnel	1,250,980	1,016,133
Social security premium payables	977,198	394,737
Wage income tax	-	373,008
	2,228,178	**1,783,878**

b) Short term provisions for employee benefits

Provisions for unused vacations	313,373	245,822
	313,373	**245,822**

NOTE 13 - EMPLOYEE BENEFITS (Continued)

c) Long term provisions for employee benefits

	31 December 2018	31 December 2017
Provision for employment termination benefits	6,424,346	5,119,690
Provisions for unused vacations	263,213	123,829
	6,687,559	**5,243,519**

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men.

The amount payable consists of one month's salary limited to a maximum of TRY 5,434.42 for each year of service as of 31 December 2018 (2017: TRY 4,732.48).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

TAS 19 requires the use of a number of actuarial valuation methods in the calculation of the provision for the Company's long-term employee termination benefit liability in accordance with the Employee Benefits Standard. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

Discount rate (%)	4.57	4.69
Probability of retirement (%)	97.40	98.52

The basic assumption is that the ceiling set for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected rate of actual inflation

Effective from 1 January 2018, the termination indemnity ceiling has been increased from TRY 5,434.42 to TRY 6,017.60.

Movements of the provision for employment termination benefits during the years are as follows:

	2018	2017
1 January	**5,119,690**	**5,101,397**
Interest cost	588,764	518,286
Actuarial (gains)/ losses	900,384	(207,857)
Paid during the year	(647,177)	(686,488)
Annual charge	462,685	394,352
31 December	**6,424,346**	**5,119,690**

NOTE 14 - EXPENSES BY NATURE

	1 January - 31 December 2018	1 January - 31 December 2017
Raw materials and materials	(229,000,016)	(145,744,328)
Personnel	(21,208,543)	(17,711,053)
Energy	(20,035,003)	(13,584,616)
Depreciation and amortization	(6,374,204)	(5,810,793)
Transportation	(3,750,516)	(3,238,493)
Cost of trade goods sold	(3,308,733)	(4,924,703)
Operating supplies	(3,094,607)	(2,311,914)
Repair and maintenance	(2,243,138)	(1,807,873)
Spare parts	(2,157,494)	(1,544,042)
Outsourced labor costs	(1,393,216)	(1,366,757)
Insurance	(1,183,351)	(1,209,237)
Consultancy	(807,571)	(796,170)
Advertisement	(1,360)	(335,158)
Other	(6,989,212)	(7,474,389)
	(301,546,964)	**(207,859,526)**

NOTE 15 - OTHER ASSETS

	31 December 2018	31 December 2017
Value added tax ("VAT") receivable	18,543,834	10,828,210
VAT receivable	3,731,717	2,330,327
Advances given for business	8,146	10,317
Other	80,350	103,348
	22,364,047	**13,272,202**

NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The compositions of the Company's share capital at 31 December 2018 and 2017 were as follows

	31 December 2018		31 December 2017	
Shareholder	**Ownership rate(%)**	**Ownership amount (TL)**	**Ownership rate (%)**	**Ownership rate (TL)**
Alkim Kimya	79.93	41,962,500	79.93	41,962,500
Public quotation	20	10,500,000	20	10,500,000
Other	0.07	37,500	0.07	37,500
Paid-in capital	**100**	**52,500,000**	**100**	**52,500,000**
Capital adjustment differences (*)		32,414,361		32,414,361
		84,914,361		**84,914,361**

(*) Adjustment to share capital represents the difference between the inflation adjusted amounts of the cash and cash equivalents of the paid-in capital and the amounts before the inflation adjustment.

NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

As of 31 December 2018, the company's capital consists of 5.25 billion shares (2017: 5.25 billion shares). As of 31 December 2018, the shares are valued at 0.01 TL per share (2017: 0.01 TL per share).

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. According to the Turkish Commercial Code, the first legal reserve is appropriated as 5% of the statutory net profit up to 20% of the paid-up capital of the company. The second legal reserve is 10% of the distributed profit exceeding 5% of the paid-up capital. According to the Turkish Commercial Code, the legal reserves can only be used to offset losses, unless they exceed 50% of the paid capital, and it is not possible to use them any other way.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with Turkish Financial Reporting Standards ("TFRS"). At 31 December 2018, the restricted reserves of the Company amount to TRY 11,931,406 (2017: TRY 8,421,546)

Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1 settled by CMB on 1 February 2014.

Based on CMB Communiqué, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of their articles of association and their previously publicly declared profit distribution policies.

Unless allocation of legal reserves per TCC and dividends defined in the dividend policy of companies, it cannot be decided to allocate other reserves, to transfer the profit to the retained earnings, and to distribute dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders. Furthermore, payment of dividend in cash is another requirement for distributing dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders.

Inflation adjustment differences of shareholders' equity and bonus share capital increase of extraordinary reserves; cash profit distribution or loss deduction. However, equity inflation adjustment differences will be subject to corporation tax if used for cash profit distribution.

Since the General Assembly for 2018 has not been made yet, no profit distribution decision has been taken.

NOTE 17 - REVENUE AND COST OF SALES

	1 January - 31 December 2018	1 January - 31 December 2017
Domestic sales	321,372,931	219,847,317
Export sales	32,971,430	17,758,450
Gross Sales	**354,344,361**	**237,605,767**
Less: Discounts	(1,182,030)	(652,404)
Returns	(234,962)	(1,220,538)
Net Sales	**352,927,369**	**235,732,825**
Cost of Sales	**(286,605,106)**	**(195,884,054)**
Gross Profit	**66,322,263**	**39,848,771**

NOTE 18 - GENERAL ADMINISTRATIVE EXPENSES / MARKETING EXPENSES

a) General administrive expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel	(5,719,701)	(4,206,594)
Consultancy	(693,867)	(679,057)
Taxes, duties and charges	(236,034)	(74,552)
Depreciation and amortization	(208,540)	(190,727)
Transportation	(161,309)	(143,680)
Litigation	(28,924)	(26,655)
Communication	(20,271)	(10,028)
Other	(522,498)	(322,496)
	(7,591,144)	**(5,653,789)**

b) Marketing expenses:

Transportation	(3,750,516)	(3,238,493)
Personnel	(1,850,267)	(1,553,211)
Commission	(480,265)	(215,025)
Taxes, duties and charges	(385,955)	(167,543)
Travel	(153,091)	(119,425)
Insurance	(77,332)	(155,527)
Rent	(66,000)	(60,000)
Communication	(13,717)	(31,378)
Depreciation and amortization	(8,811)	(8,058)
Advertisement	(1,360)	(335,158)
Other	(468,361)	(355,351)
	(7,255,675)	**(6,239,169)**

NOTE 19 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income:

	1 January - 31 December 2018	1 January - 31 December 2017
Foreing exchange gain	50,501,769	19,647,994
Interest income on bank deposits	2,344,126	1,661,790
Interest income on term sales	1,729,157	691,198
Scrap sales income	230,095	194,894
Insurance claims indemnity	152,387	113,049
Other	172,044	157,101
	55,129,578	**22,466,026**

b) Other operating expenses:

Foreing exchange loss	(29,067,916)	(12,817,714)
Interest expense on term sales	(1,499,077)	(762,736)
Litigation expenses	(53,530)	-
Other	(45,234)	(52,958)
	(30,665,757)	**(13,633,408)**

DİPNOT 20 - FINANCIAL INCOME/ EXPENSES

a) Financial income:

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gain	9,057,300	4,128,625
	9,057,300	**4,128,625**

b) Financial expense:

Foreign exchange loss	(23,135,141)	(5,686,107)
Interest expense	(1,534,522)	(859,556)
Other	(318,888)	(286,380)
	(24,988,551)	**(6,832,043)**

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2018	31 December 2017
Provision for corporate tax	13,388,334	7,199,941
Less: Prepaid corporate tax	(13,098,595)	(5,271,092)
Current income tax liabilities	**289,739**	**1,928,849**

Taxation on income in the statement of comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Current period corporate tax	(13,388,334)	(7,199,941)
Deferred tax income/(expense)	(190,363)	171,677
Total tax expense	**(13,578,697)**	**(7,028,264)**

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%.

Corporation tax is payable at a rate of 22% for 2018. (2017: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (31 December 2017: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2017: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government

If there is a temporary tax remaining despite the offset, this amount may be refunded in cash or deducted from any other financial liability against the state.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Tax returns are open for 5 years from the beginning of the year that follows the date of filing, during when the tax authorities have the right to examine tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Corporate Tax Law, there are many exemptions for corporations, those related to the Company are explained below:

The dividend income of the institutions from the participation of the capital of another institution subject to full liability is exempt from the corporate tax (except for the profit shares obtained from the investment certificates share certificates and investment trusts share certificates).

According to the Law No. 5520 on Corporate Income Tax, the exemption rate of the profits arising from the sale of the shares of the participations, real estates, preferential rights, founding sans and usufruct shares in the assets of the institutions for at least two full years is 75% To 50%. In order to benefit exclusively, the earning must be kept in a passive fund account and not withdrawn for 5 years. The sales price must be collected until the end of the second calendar year following the year in which the sale is made. Accordingly, the Company computes corporate tax and deferred tax calculations for earnings generated from the sale of immovable property for the years 2018, 2019 and 2020 to 22% of the remaining 50%, 20% of the remaining 50% for 2021 and subsequent periods

75% of the profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax. Accordingly, the aforementioned gains/ (losses) which have been included in trade profit/ (loss) have been taken into consideration in calculation of Company's corporate tax.

Therefore, the above mentioned gains / (losses) in the trading profit / (loss) figure are taken into consideration in the calculation of corporate tax.

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 8th article of and Corporate Tax Law, and 40th article of the Income Tax Law, together with other deductions mentioned in 10th article of Corporate Tax Law, has been taken into consideration in calculation of the Company's corporate tax.
Transfer pricing

Corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit.

Reconciliations of taxation on income for the years ended 31 December 2018 and 2017 are as follows

	1 January - 31 December 2018	1 January - 31 December 2017
Profit before taxation income	60,914,105	34,310,657
Legal tax rate	%22	%20
Tax calculated at tax rates applicable to the profit	(13,401,103)	(6,862,131)
Tax adjustment effects:		
Non-deductible expenses	(212,002)	(42,831)
Effect of investments valued by equity method	74,100	19,676
Effect of non-taxable income under exception	10,141	3,658
Other	(49,833)	(146,636)
Total taxation expense	**(13,578,697)**	**(7,028,264)**

Deferred income taxation

The company recognises deferred income tax assets and liabilities based upon temporary differences arising between its financial statements are reported in accordance with the CMB Financial Reporting Standards and its tax purpose financial statements.

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. In accordance with this Act entering into force, deferred tax assets and liabilities are calculated with a tax rate of 22% for those periods when assets are realized or liabilities are fulfilled. Realisations of temporary differences for 2021 and subsequent periods will be calculated at 20%.

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2018 and 2017 using the enacted tax rates at the balance sheet dates are as follows:

	Taxable Cumulative Temporary Differences		Deferred Income Tax Assets/ (liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Differnces due to property, plant and equipment and intangible assets	6,919,797	6,551,217	(1,522,355)	(1,310,243)
Provision for employment termination benefits	(6,424,346)	(5,119,690)	1,413,356	1,023,938
Inventories exchange difference	(797,790)	-	(159,558)	-
Provision for unused vacations	(576,587)	(369,651)	126,849	73,930
Provision for impairtment in inventories	(54,257)	(84,748)	11,937	18,645
Other	414,395	43,170	(82,879)	(8,634)
Deferred income tax assets/ (liabilities)-net			**(212,650)**	**(202,364)**

Movements in deferred income tax liabilities can be analysed as follows:

	2018	2017
1 January	**(202,364)**	**(332,470)**
Credited to startement of comprehensive income	(190,363)	171,677
Credited to other comprehensive (income)/ loss	180,077	(41,571)
31 December	**(212,650)**	**(202,364)**

NOTE 22 - EARNING PER SHARE

Earning per share disclosed in the statement of comprehensive income are determined by dividing net profit for the year by the weighted average number of shares that have been outstanding during the year concerned.

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

Earnings per share is calculated by dividing the net gain by the weighted average number of ordinary shares outstanding during the period.

		31 December 2018	31 December 2017
Net profit for the year	A	47,335,408	27,282,393
Weighted average number of shares	B	5,250,000,000	5,250,000,000
Earning per 100 shares with a Kr1 face value	**A/B**	**0,009**	**0,0052**

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

The Company activities expose it to a variety of financial risks: market risk (including currency risk, cash flow, fair value interest rate risk and price risk), capital risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Risk management is carried out by the senior management and finance department of the Company under policies approved by Board of Directors. The Board provides principles for over-all risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and capital risk and closely monitors financial and operational risks.

The financial risk management objectives of the Company are defined as follows;

- safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk;

- effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures; and

- effective monitoring and minimizing risks sourced from counterparts.

a) Credit Risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risk arises from cash and cash equivalents, deposits in banks, trade receivables from related parties and other trade receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company has established an effective control system over its dealer network and risks arising from transactions with dealers are followed by obtaining sufficient amounts of guarantees from the dealers (excluding related parties) for dealing with credit risk. The Company manages this risk from dealers and direct customers by limiting the credit lines according to the amount of the guarantees received and updating these guarantees frequently. The credit quality of each customer is re-evaluated frequently on the basis of the financial position of the customer, past experiences and other factors. Trade receivables are evaluated by Company management on the basis of past experiences and current economic conditions. After required provision is booked for doubtful receivables, the net amount is recognized in the balance sheet.

Credit risk intensification arises as a result of the fact that more than one counterparty has similar economic characteristics that will affect the ability to meet contractual obligations due to similar business activities or activity in the same geographical region or changes in economic, political and other conditions. Concentration refers to the relative sensitivity of Company performance to developments affecting a particular sector.

It has clear requirements to focus on maintaining a diversified portfolio to prevent excessive risk concentration. The credit concentration (credit) defined is controlled and managed accordingly

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

The credit risk exposure in terms of financial instruments as of 31 December 2018 and 2017 were as follows:

31 December 2018:

	Receivables					
	Trade receivables (1)			Other receivables		
Credit risks exposed by types of financial instruments	**Related Parties**	**Other Parties**	**Related Parties**	**Other Parties**	**Bank Deposits**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**2,122**	**24,557,116**	**-**	**125,395**	**65,423,902**	**90,108,535**
- The part of maximum credit risk covered with guarantees	-	18,684,129	-	-	-	18,684,129
A. Net book value of financial assets not due or not impaired (3)	2,122	31,857,708	-	107,273	64,047,556	96,014,659
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	3,559,553	-	-	-	3,559,553
- The part covered by guarantees		(1,113,666)	-	-	-	(1,113,666)
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	32,704,995	-	-	-	32,704,995
- Impairment (-)	-	(32,704,995)	-	-	-	(32,704,995)
- The part of net value covered with guarantees etc	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) The Company's trade receivables arise from offset, photocopy and coated paper sales.
(2) When determining the relevant amounts, factors that increase credit reliability such as the collateral received were not considered.
(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

The credit risk exposure in terms of financial instruments as of 31 December 2017 were as follows:

31 December 2017:

	Receivables					
	Trade receivables (1)			Other receivables		
Credit risks exposed by types of financial instruments	**Related Parties**	**Other Parties**	**Related Parties**	**Other Parties**	**Bank Deposits**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**2,122**	**24,557,116**	**-**	**125,395**	**65,423,902**	**90,108,535**
- The part of maximum credit risk covered with guarantees	-	22,674,150	-	-	-	22,674,150
A. Net book value of financial assets not due or not impaired (3)	2,122	21,419,248	-	125,395	65,423,902	86,970,667
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	3,137,868	-	-	-	3,137,868
- The part covered by guarantees		(1,534,546)	-	-	-	(1,534,546)
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	32,704,995	-	-	-	32,704,995
- Impairment (-)	-	(32,704,995)	-	-	-	(32,704,995)
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) The Company's trade receivables arise from offset, photocopy and coated paper sales.
(2) When determining the relevant amounts, factors that increase credit reliability such as the collateral received were not considered.
(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

The maturity distribution of assets that have been outstanding but not impaired as at 31 December 2018 and 2017 are as follows:

	31 December 2018 Trade receivables Other parties	31 December 2017 Trade receivables Other parties
1-30 days overdue	2,903,208	2,876,276
1-3 months overdue	634,461	186,470
3-9 months overdue	21,884	75,122
	3,559,553	**3,137,868**
The amount covered by guarantees	**(1,113,666)**	**(1,534,546)**

b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high quality lenders. In order to maintain liquidity, the Company management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Company.

The Company's liquidity analysis in respect of categories of financial liabilities as of 31 December 2018 and 2017 are as follows:

31 December 2018:

Contractual maturity dates:	Carrying Value	Total Cash Outflows peir Agreement (=I+II+III)	Less Than 3 Months (I)	3 - 12 Months (II)	1 - 5 years (III))
Non-Derivative Financial Liabilities:					
Bank borrowings	4,137	4,137	4,137	-	-
Trade payables to related parties	1,499,209	1,499,209	1,499,209	-	-
Trade payables to third parties	26,924,433	27,312,805	27,312,805	-	-
Other financial liabilities	24,831,593	24,831,593	15,111,659	9,719,934	-
	53,259,372	**53,647,744**	**43,927,810**	**9,719,934**	**-**

31 December 2017

Contractual maturity dates:	Carrying Value	Total Cash Outflows peir Agreement (=I+II+III)	Less Than 3 Months (I)	3 - 12 Months (II)	1 - 5 years (III)
Non-Derivative Financial Liabilities:					
Bank borrowings	21,500,421	22,365,371	-	22,365,371	-
Trade payables to related parties	1,115,926	1,121,753	1,121,753	-	-
Trade payables to third parties	12,218,362	12,282,166	11,958,567	161,799	161,800
Other financial liabilities	2,053,121	2,053,121	-	2,053,121	-
	36,887,830	**37,822,411**	**13,080,320**	**24,580,291**	**161,800**

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk

i) Foreign currency risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. The Company minimizes the risk through balancing foreign currency denominated assets and liabilities. These risks are closely monitored in Audit Committee and Board of Director's meetings and the foreign currency position of the Company and foreign exchange rates are closely followed up.

The following table summarizes the Company's foreign currency risk as of 31 December 2018 and 31 December 2017. The registered amounts of foreign currency assets and liabilities held by the Company are as follows according to foreign currency types

Foreign exchange risk management

31 December 2018	**Foreign Currency Position**			
	TL Equivalent	**USD**	**EUR**	**Other (TL Equivalent)**
1. Trade Receivables	24,641,082	4,242,352	385,284	-
2a. Monetary Financial Assets	-	-	-	-
(Cash, Bank accounts included	58,389,730	10,891,806	180,337	1,956
2b Non-Monetary Financial Assets				
3. Other	32	6	-	-
4 Current Assets (1+2+3)	**83,030,843**	**15,134,164**	**565,621**	**1,956**
5. Trade Receivables	-	-	-	-
6a Monetary Financial Assets	-	-	-	-
6b Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-
9. Total Assets (4+8)	**83,030,843**	**15,134,164**	**565,621**	**1,956**
10 Trade Payables	(23,194,589)	(4,092,577)	(276,037)	-
11. Financial Liabilities	(24,831,596)	(4,720,028)	-	-
12a. . Other Monetary Liabilities	(3,121,507)	(572,363)	(18,308)	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(51,147,691)**	**(9,384,968)**	**(294,345)**	-
14. Trade Payables	-	-	-	-
15. . Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	-	-	-	-
18. Total Liabilities (13+17))	**(51,147,691)**	**(9,384,968)**	**(294,345)**	-
19. Net Asset / (Liability) Position of Off - Balance Sheet Derivative Instruments (19a-19b)	-	-	-	-
19a. Amount of Asset Nature Off-Balance Sheet Derivative Instruments				
19b. Amount of Liability Nature Off-Balance Sheet Derivative Instruments	-	-	-	-
20. Net Foreign Currency (Liability)/ Asset Position (9-18+19)	**31,883,152**	**5,749,196**	**271,276**	**1,956**
21. Net Foreign Currency Asset /Liability Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	**31,883,121**	**5,749,190**	**271,276**	**1,956**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	-	-	-	-
23. Amount of foreign currency denominated assets hedged	-	-	-	-
24. Amount of foreign currency denominated liabilities hedged	-	-	-	-
25. Export	**17,758,450**	**4,671,069**	-	-
26. Import	**137,210,102**	**37,611,833**	-	-

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017	Foreign Currency Position			
	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	16,724,416	3,982,443	377,154	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	62,805,333	16,645,511	4,107	1,585
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	378,611	56,492	36,658	-
4. Current Assets (1+2+3)	**79,908,360**	**20,684,446**	**417,919**	**1,585**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**79,908,360**	**20,684,446**	**417,919**	**1,585**
10. Trade Payables	(8,698,101)	(2,177,945)	(106,967)	(101)
11. Financial Liabilities	(23,550,257)	(6,243,606)	-	-
12a. Other Monetary Liabilities	(1,428,437)	(378,705)	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(33,676,796)**	**(8,800,256)**	**(106,967)**	**(101)**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**(33,676,796)**	**(8,800,256)**	**(106,967)**	**(101)**
19. Net Asset / (Liability) Position of Off - Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Amount of Asset Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**
19b. Amount of Liability Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**
20. Net Foreign Currency (Liability)/ Asset Position (9-18+19)	**46,231,564**	**11,884,190**	**310,952**	**1,484**
21. Net Foreign Currency Asset /Liability Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	**45,852,953**	**11,827,698**	**274,294**	**1,484**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**
23. Amount of foreign currency denominated assets hedged	**-**	**-**	**-**	**-**
24. Amount of foreign currency denominated liabilities hedged	**-**	**-**	**-**	**-**
25. Export	**17,758,450**	**4,671,069**	**-**	**-**
26. Import	**137,210,102**	**37,611,833**	**-**	**-**

At 31 December 2017, foreign currency denominated assets and liabilities are translated into the following currencies:TRY5,2609 = USD 1, 6,0280 TL = 1 EUR, (31 December 2017: 3.7719 TRY = USD1, 4,5155 TL = 1 EUR).

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2018	Exchange Rate Sensitivity Analysis Table			
	Profit/Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
Change of USD by 10% against TRY:				
1- Asset/liability denominated in USD- net	(3,024,595)	3,024,595	-	-
2- The part of USD risk hedged (-)			-	-
3- USD Effect - net (1+2)	**(3,024,595)**	**3,024,595**	**-**	**-**
Change of EUR by 10% against TRY:				
4- Asset/liability denominated in EUR - net	163,525	(163,525)	-	-
5- The part of EUR risk hedged (-)			-	-
6- EUR Effect - net (4+5)	**163,525**	**(163,525)**	**-**	**-**
Change of other currencies by 10% against TRY:				
7- Asset/liability denominated in other currencies- net	194	(194)	-	-
8- The part of other currency risk hedged (-)			-	-
9- Other foreign currency effect - net (7+8)	**194**	**(194)**	**-**	**-**
TOTAL (3+6+9)	**(2,860,876)**	**2,860,876**	**-**	**-**

31 December 2017	Exchange Rate Sensitivity Analysis Table			
	Profit/Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
Change of USD by 10% against TL:				
1- Asset/liability denominated in USD- net	4,482,598	(4,482,598)	-	-
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**4,482,598**	**(4,482,598)**	**-**	**-**
Change of EUR by 10% against TL:				
4- Asset/liability denominated in EUR - net	140,410	(140,410)	-	-
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**140,410**	**(140,410)**	**-**	**-**
Change of other currencies by 10% against TL				
7- Asset/liability denominated in other currencies- net	148	(148)	-	-
8- The part of other currency risk hedged (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**148**	**(148)**	**-**	**-**
TOTAL (3+6+9)	**4,623,156**	**(4,623,156)**	**-**	**-**

NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Classification of financial instruments

The Company classifies its financial assets and liabilities as loans and receivables. Cash and cash equivalents, trade receivables and other receivables, loans and receivables from the financial assets of the Company; and are carried at amortized cost using the effective interest method. The Company's financial liabilities consist of financial liabilities, other financial liabilities, trade payables and other liabilities and are classified as financial liabilities carried at amortized cost; and are carried at amortized cost using the effective interest method.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists:

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value. Cash and cash equivalents are presented at fair values. The fair values of trade receivables are considered to approximate their carrying values due to their short-term nature.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

NOTE 25 - SUBSEQUENT EVENTS

None.

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