İZMİR DEMİR ÇELİK SANAYİ A.Ş.

CONVENIENCE TRANSLATION TO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018 WITH INDEPENDENT AUDITOR'S REPORT

(Originally Issued in Turkish)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Director of İzmir Demir Çelik Sanayi Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of İzmir Demir Çelik Sanayi Anonim Şirketi and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

Refer to Note 2.5 and Note 33 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition.

The key audit matter	How the matter was addressed in our audit
Revenue is recognized when it is probable that an entity will be able to recover the future economic benefits, the amount of the revenue can be reliably measured and significant risks and rewards of ownership are transferred to the buyer. The Group recognizes the revenue by analyzing whether the significant risks and rewards are transferred to the buyer according to the delivery arrangements of domestic and export sales. In this context, revenue recognition has been determined as one of the key audit matters since determining whether the revenue recognition criteria are met as well as determining whether the revenue is recorded in the financial statements in the correct period requires significant judgment of management	Our audit procedures in this area include the following: The appropriateness of the Group's accounting policy for the recognition of revenue has been assessed. The effectiveness of the design, implementation and operation of internal controls related to the accounting of the revenue has been assessed. The timing of the revenue recognition for different delivery terms has been assessed through examining the related provisions in the customer contracts with respect to the terms of trade and delivery. The level of revenue amount was analyzed analytically and the adequacy of disclosures made on the financial statements was assessed. Sales and sales returns realized in the subsequent period were examined and it was checked whether there were large amount of reversals and returns.

Key Audit Matters (continued)

<u>Recoverability of trade receivables</u>

Refer to Note 2.5, Note 9 and Note 50 to the consolidated financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for recoverability of trade receivables.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
Trade receivables from third parties amounting to 203,794,766 TL as of 31 December 2018, constitute a significant portion of the consolidated assets of the Group. In performing impairment analysis for trade receivables, payment capability of the debtors, the data related to the receivables that could not be collected in prior periods, the extraordinary circumstances arising in the sector and the current economic environment, the amount of collaterals held from customers, the payment performance of customers and the aging analysis of the trade receivables are taken into account and the estimations made according to these analysis are accounted. In this context, recoverability of trade receivables has been determined as one of the key audit matters since determining the amount of the allowance for doubtful receivables requires significant judgments and estimation of the management.	Our audit procedures in this area include the following: The process related to the collection follow up of trade receivables from third parties of the Group has been analyzed and the design and operational effectiveness of internal controls for credit risk have been tested. The aging analysis for trade receivables was analyzed analytically and the collection turnover rate was compared with the prior period. It has been examined whether there is any dispute or litigation related to collection of receivables and written declaration has been obtained from legal counsel regarding the receivables under legal follow up. The existence and accuracy of trade receivables from third parties were tested by sending confirmation letters through sampling. Collections subsequent to reporting period were tested through sampling. The collection risk was assessed by examining the past payment performance of customers who have overdue trade receivable balances. The appropriateness and adequacy of the disclosures in the notes to the consolidated financial statements in relation to trade receivables from third parties has been evaluated.

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

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

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

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

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

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on 5 March 2018.

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

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

ORIGINALLY ISSUED IN TURKISH

Gökhan Atılgan, SMMM
Partner
4 March 2019
İstanbul, Turkey

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2018

(Amounts expressed in TL)

ASSETS	Note	*Audited* Current period 31.12.2018	*Audited* Prior period 31.12.2017
Current Assets			
Cash and Cash Equivalents	7	116.080.037	180.180.845
Trade Receivables		248.858.138	245.307.362
Due from related parties	*6*	*45.063.362*	*12.668.675*
Other trade receivables	*9*	*203.794.776*	*232.638.687*
Other Receivables		68.284.158	1.156.167
Due from related parties	*6*	*68.031.462*	*456.370*
Due from other	*11*	*252.696*	*699.797*
Derivative Instruments	48	754.684	7.538.558
Inventories	12	847.537.909	613.620.253
Prepaid Expenses	14	11.797.959	9.893.740
Other Current Assets	31	32.083.227	1.445.448
TOTAL CURRENT ASSETS		**1.325.396.112**	**1.059.142.373**
Non-Current Assets			
Financial Investments	8	930.073	931.043
Other Receivables		2.178.730	1.297.193
Investment Properties	15	143.650.000	84.185.000
Property, Plant and Equipment	16	1.686.226.510	1.767.479.038
Intangible Assets	19	800.399	1.181.862
Prepaid Expenses	14	-	2.120.353
Deferred Tax Assets	42	236.358.982	126.791.462
TOTAL NON-CURRENT ASSETS		**2.070.144.694**	**1.983.985.951**
TOTAL ASSETS		**3.395.540.806**	**3.043.128.324**
LIABILITIES			
Current Liabilities			
Short-term Borrowings	49	1.056.993.478	393.985.710
Short-term Portion of Long-term Borrowings	49	181.843.935	195.334.391
Trade Payables		959.307.769	873.678.060
Due to related parties	*6*	*71.726*	*3.326.411*
Other trade payables	*9*	*959.236.043*	*870.351.649*
Payables for Employee Benefits	29	12.023.937	12.634.941
Other Payables		1.668.679	1.796.513
Other payables	*11*	*1.668.679*	*1.796.513*
Derivative Instruments	48	14.638.158	662.984
Current Income Tax Liability	42	-	401.665
Short-term Provisions		1.138.344	4.045.681
Other Current Liabilities	31	39.970.421	126.185.211
TOTAL CURRENT LIABILITIES		**2.267.584.721**	**1.608.725.156**
Non-current Liabilities			
Long-term Borrowings	49	606.119.033	551.528.197
Long-term Provisions		29.585.339	22.634.740
Long term provisions related to employee benefits	*29*	*29.585.339*	*22.634.740*
Deferred Tax Liabilities	42	175.574.769	176.638.172
TOTAL NON- CURRENT LIABILITIES		**811.279.141**	**750.801.109**
EQUITY			
Equity Attributable to Owners of the Company		**301.262.274**	**647.903.884**
Paid-in Capital	32	375.000.000	375.000.000
Adjustment on Capital	32	22.763.962	22.763.962
Other Accumulated Comprehensive Income/ Expense not to be Reclassified Through Profit or Loss		645.677.428	673.964.320
Gain/ loss on revaluation and remeasurement	*32*	*645.677.428*	*673.964.320*
Legal Reserves	32	25.832.374	25.832.374
Retained Earnings/(Losses)		(426.252.265)	(464.645.739)
Net Profit/(Loss) for the Period		(341.759.225)	14.988.967
Non-controlling Interests	32	**15.414.670**	**35.698.175**
TOTAL EQUITY		**316.676.944**	**683.602.059**
TOTAL LIABILITIES		**3.395.540.806**	**3.043.128.324**

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

(Amounts expressed in TL) *Audited* *Audited*

	Note	Current Period 01.01 - 31.12.2018	Prior Period 01.01 - 31.12.2017
PROFIT OR LOSS			
Revenue	33	4.666.022.227	2.977.313.462
Cost of Sales (-)	33	(4.368.349.282)	(2.770.702.815)
GROSS PROFIT		**297.672.945**	**206.610.647**
General Administrative Expenses (-)	35	(29.632.754)	(24.356.105)
Marketing Expenses (-)	35	(31.904.917)	(32.319.076)
Other Income from Operating Activities	36	88.501.440	46.232.453
Other Expenses from Operating Activities(-)	36	(323.852.359)	(76.990.212)
OPERATING PROFIT		**784.355**	**119.177.707**
Income from Investing Activities	37	110.643.547	30.895.715
Expenses from Investing Activities (-)	37	(68.586.038)	(3.116.344)
Reversal of impairment losses in compliance with TFRS 9	9	1.325.337	-
OPERATING PROFIT BEFORE FINANCE EXPENSE		**44.167.201**	**146.957.078**
Finance Income	39	23.340.512	19.073.574
Finance Expenses (-)	39	(538.640.782)	(156.453.283)
OPERATING PROFIT/(LOSS) BEFORE TAX		**(471.133.069)**	**9.577.369**
Tax Income/(Expense)		**109.095.687**	**(220.921)**
Tax Expense	42	(199.728)	(1.898.991)
Deferred Tax Income /(Expense)	42	109.295.415	1.678.070
PROFIT/(LOSS) FOR THE PERIOD		**(362.037.382)**	**9.356.448**
Profit/(Loss) Attributable to			
Non-controlling Interests		(20.278.157)	(5.632.519)
Owners of the Company		(341.759.225)	14.988.967
Diluted Profit/(Losses) Per Share	43	(0,9114)	0,0400

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 1 JANUARY 2018 – 31 DECEMBER 2018

(Amounts expressed in TL)	*Audited*	*Audited*
	Current Period 01.01 - 31.12.2018	**Prior Period 01.01 - 31.12.2017**
PROFIT/(LOSS) FOR THE PERIOD	**(362.037.382)**	**9.356.448**
OTHER COMPREHENSIVE INCOME		
Items not to be reclassified through profit or loss	**(1.344.198)**	**(520.474)**
Increase/(Decrease) on Revaluation of Tangible Assets	-	-
Actuarial Gain/(Losses) on Employee Benefits	(1.680.247)	(650.592)
Taxes Over Other Comprehensive Income/ Expenses not to be Reclassified Through Profit or Loss	336.049	130.118
OTHER COMPREHENSIVE INCOME/(LOSS)	**(1.344.198)**	**(520.474)**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**(363.381.580)**	**8.835.974**
Attributable to	**(363.381.580)**	**8.835.974**
Non-controlling Interests	(20.283.505)	(5.626.439)
Owners of the Company	(343.098.075)	14.462.413

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 JANUARY 2018 - 31 DECEMBER 2018

(Amounts expressed in TL)

				Accumulated Other Comprehensive Income/Expense that will not be Reclassified through Profit or Loss		Accumulated Profit/Loss				
	Note	**Paid-in Capital**	**Adjustment on Capital**	**Gain/ (Loss) on Revaluation and Re-measurement**	**Legal Reserves**	**Retained Earnings / (Losses)**	**Net Profit / (Loss) for the Period**	**Equity Attributable to Owners of the Company**	**Non-controlling Interests**	**Total Equity**
PRIOR PERIOD										
Balance at 1 January 2017 (Beginning of the period)	**32**	**375.000.000**	**22.763.962**	**681.212.243**	**25.832.374**	**(411.899.096)**	**(73.345.204)**	**619.564.279**	**56.618.010**	**676.182.289**
Transfers		-	-	(29.632.438)	-	(43.712.766)	73.345.204	-	-	-
Other comprehensive income/loss		-	-	(531.214)	-	-	-	(531.214)	10.740	(520.474)
Increase/decrease due to change in shareholding at subsidiary	32	-	-	24.411.933	-	(9.033.877)	-	15.378.056	(15.378.056)	-
Net profit/(loss) for the period		-	-	-	-	-	14.988.967	14.988.967	(5.632.519)	9.356.448
Capital increase		-	-	-	-	-	-	-	80.000	80.000
Other	42	-	-	(1.496.204)	-	-	-	(1.496.204)	-	(1.496.204)
Balance at 31 December 2017 (End of the period)	**32**	**375.000.000**	**22.763.962**	**673.964.320**	**25.832.374**	**(464.645.739)**	**14.988.967**	**647.903.884**	**35.698.175**	**683.602.059**
CURRENT PERIOD										
Balance at 1 January 2018 (Beginning of the period)	**32**	**375.000.000**	**22.763.962**	**673.964.320**	**25.832.374**	**(464.645.739)**	**14.988.967**	**647.903.884**	**35.698.175**	**683.602.059**
Adjustments in compliance with TFRS 9		-	-	-	-	(3.543.535)	-	(3.543.535)	-	(3.543.535)
Restated as at 1 January 2018		375.000.000	22.763.962	673.964.320	25.832.374	(468.189.274)	14.988.967	644.360.349	35.698.175	680.058.524
Transfers		-	-	(26.948.042)	-	41.937.009	(14.988.967)	-	-	-
Other comprehensive income/loss		-	-	(1.338.850)	-	-	-	(1.338.850)	(5.348)	(1.344.198)
Net profit/(loss) for the period		-	-	-	-	-	(341.759.225)	(341.759.225)	(20.278.157)	(362.037.382)
Balance at 31 December 2018 (End of the period)	**32**	**375.000.000**	**22.763.962**	**645.677.428**	**25.832.374**	**(426.252.265)**	**(341.759.225)**	**301.262.274**	**15.414.670**	**316.676.944**

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

İZMİR DEMİR ÇELİK SANAYİ A.Ş. and ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 DECEMBER 2018
(Amounts expressed in TL)

	Notes	*Audited* Current Period 01.01 - 31.12.2018	*Audited* Prior Period 01.01 - 31.12.2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		**(242.550.449)**	**153.155.024**
Net profit/(loss) for the period		(362.037.382)	9.356.448
Adjustments for net profit/loss for the period reconciliation		**490.471.429**	**262.676.944**
Adjustments for depreciation and amortization	30,36	105.723.843	113.830.440
Adjustments for provision for impairment on inventories	12	57.139.199	(342.075)
Adjustments for provision for employee severance indemnity and vacation pay liability	29	8.079.662	7.026.502
Adjustments for interest income and expenses	36,39	137.963.720	70.572.734
Adjustments to (gain)/loss on fair value of financial instruments		9.121.038	(7.367.145)
Adjustments for tax expense/(income)	42	(109.095.688)	220.921
Unrealized foreign exchange (gain)/loss		281.597.775	78.832.241
Adjustments for (gain)/loss on disposal of tangible assets	37	(58.120)	(96.674)
Changes in working capital		**(365.750.112)**	**(113.923.889)**
Adjustments for (increase)/decrease in trade receivables		(11.487.521)	52.051.303
Adjustments for (increase)/decrease in other receivables		(289.402)	1.435.246
Adjustments for (increase)/decrease in inventories		(289.189.414)	(257.191.372)
Adjustments for increase/(decrease) in trade payables		50.490.699	(420.339)
Adjustments for increase/(decrease) in other payables		(127.834)	(583.824)
Adjustments for increase/(decrease) in working capital		(115.146.640)	90.785.097
Net cash provided from operating activities		**(237.316.065)**	**158.109.503**
Employee termination benefits paid	29	(2.809.310)	(2.695.825)
Taxes paid		(2.425.074)	(2.258.654)
B. CASH FLOW USED IN INVESTING ACTIVITIES		**(78.501.035)**	**(62.298.239)**
Cash inflows by disposal of tangible and intangible assets		246.048	158.202
Cash outflows by acquisition of tangible and intangible assets		(30.923.127)	(60.829.766)
Cash inflows on derivative instruments		78.406.064	20.229.728
Cash outflows on derivative instruments		(126.230.020)	(21.936.403)
Other		-	80.000
C. NET CASH USED FOR FINANCING ACTIVITIES		**256.950.676**	**(186.935.494)**
Cash inflows from loans and borrowings		1.837.933.733	1.134.496.660
Cash outflows by repayment of loans and borrowings		(1.381.734.441)	(1.265.826.458)
Increase/(decrease) in due to related parties		(63.350.875)	9.541.255
Interest paid		(149.651.142)	(77.138.090)
Interest received		13.753.401	11.991.139
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(64.100.808)**	**(96.078.709)**
D. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD	**7**	**180.180.845**	**276.259.554**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	**7**	**116.080.037**	**180.180.845**

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

1. ORGANIZATION AND NATURE OF BUSINESS

İzmir Demir Çelik Sanayi A.Ş ("the Company") was established in 1975 to produce long steel products for domestic and international markets. Modern bar rolling mill and steel melt shop was commissioned in 1983 and 1987 respectively. Production is carried out in Aliağa heavy industrial zone at a plant located over 500,000 m² areas. The Company and its subsidiaries are engaged in production, sales, marketing, transportation of iron and steel, port services, ship operations and production, distribution and trading of energy.

The registered address of İzmir Demir Çelik Sanayi A.Ş. is Şair Eşref Bulvarı No: 23, 35210 Konak İzmir.

Subsidiaries included in the accompanying consolidated financial statements are as follows:

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Company Name	Operating Area	31 December 2018 Shareholding rate	31 December 2017 Shareholding rate
Akdemir Çelik Sanayi ve Tic. A.Ş.	Iron-steel production	%99,98	%99,98
İDÇ Liman İşletmeleri A.Ş.	Harbour operating	%99,98	%99,98
İzdemir Enerji Elektrik Üretim A.Ş.	Energy production	%92,26	%92,26

Shareholding structure:

	Share Amount (TL)	Share (%)
Şahin – Koç Çelik Sanayi A.Ş.	217.972.335	57,78
Halil Şahin	55.459.438	14,79
Şahin Şirketler Grubu Holding	20.444.300	5,25
Other (Publicly traded)	81.123.927	22,18
Total	**375.000.000**	**100**

The Company's shares are traded at Borsa İstanbul ("BIST") under the name "IZMDC".

The Company and its subsidiaries are hereby referred to as "the group" in this report.

Number of employees is as follows:

	Blue Collar	White Collar	Manager	Top Management	Total
31 December 2018	1.363	547	25	7	1.942
31 December 2017	1.357	482	26	7	1.872

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance

The Group maintains its book of accounts and prepares its statutory financial statements in TL in accordance with the Turkish Uniform Chart of Accounts, Turkish Commercial Code and Turkish Tax Code.

The accompanying consolidated financial statements have been prepared in accordance with the Turkish Accounting Standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey in line with the communiqué Serial: II, No: 14.1 "Basis for Financial Reporting in the Capital Markets" issued by CMB which is published on 13 June 2013 in the Official Gazette numbered 28676. The Turkish Accounting Standards are composed of Turkish accounting standards, Turkish Financial Reporting Standards and additional interpretations.

With the resolution on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of TAS 29 "Financial Reporting in Hyperinflationary Economies" issued by TASB is no longer required for companies operating in Turkey and accordingly effective from 1 January 2005, TAS 29 has not been applied in preparing the Group's consolidated financial statements in accordance with CMB Financial Reporting Standards.

Approval of Consolidated Financial Statements

The group's consolidated financial statements were approved by the board of directors of the Company on 4 March 2019. The General Assembly has the right to amend the financial statements after the publication of the financial statements.

Functional and presentation currency

The accompanying consolidated financial statements are presented in TL, which is the Group's functional currency. All financial information presented in TL unless otherwise stated.

Basis of Consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise to obtain benefits from its activities.

In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements starting from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Comparative Information

For the purpose of conducting a comparison of financial position, performance and cash flow trend, the Group's accompanying consolidated financial statements are prepared comparative with prior period. If there have been a change in presentation or classification on consolidated financial statements; to ensure the compatibility, the prior period consolidated financial statements are adjusted properly and explanation is presented on these issues.

The Group has prepared consolidated statement of financial position as at 31 December 2018 comparatively with the consolidated statement of financial position as at 31 December 2017, and consolidated profit or loss statement, consolidated statement of other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in shareholders' equity for the period ended 31 December 2018 comparatively with the consolidated profit or loss statement, consolidated statement of other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in shareholders' equity for the period ended 31 December 2017

Offsetting

Financial assets and liabilities are offset and are reported net only when the entity has a legally enforceable right to offset, and it intends to settle the asset and the liability either simultaneously or on a net basis.

2.2 Changes in Accounting Policies

A company could only change its accounting policies under following circumstances.

- If a standard or interpretation makes it necessary or
- If the financial position of the company, performance and impacts of operations and incidents upon its cash flow is able to be offered more appropriate and reliable quality in the financial statements.

Financial statements have to be comparable to enable the users of financial statements to see the trends in financial position, performance and cash flows. Therefore, if the change is not granting one of the above conditions, the accounting policies are applied consistently at each and annual period. The significant accounting policies applied in preparing the consolidated financial statements for the period ended 31 December 2018 are similar with those of expressed in detail in the financial statements dated 31 December 2017.

The group has adopted first time the standard TFRS 9 financial instruments and the standard TFRS 15 revenue from customer contracts effective from 1 January 2018. Other standards effective from 1 January 2018 have no impact on group's financial statements.

2.2.1 TFRS 15 Revenue from contracts with customers

The group has assessed the potential impacts of the transition to TFRS 15 and concluded that no significant impact is expected on consolidated financial statements.

2.2.2 TFRS 9 Financial instruments

TFRS 9 replaces the existing guidance in IAS 39 "*Financial Instruments: Recognition and Measurement*". It also carries forward the guidance on recognition, classification, measurement and derecogniton of financial instruments from IAS 39 to IFRS 9.

TFRS 9 financial instruments came into force as from 1 January 2018. The group has applied TFRS 9 on its current financial statements. New standard has also been applied on previous financial statements; the impact computed has been recognised on retained earnings/(losses). Thus, prior financial statements have not been restated.

The following summarizes the impact of the transition to TFRS 9.

	Reported on 31 December 2017	TFRS 9 effect	1 January 2018 After application of TFRS 9
Trade Receivables	245.307.362	(4.542.993)	240.764.369
Deferred Tax Asset	126.791.462	999.459	127.790.921
Retained Earnings/(Losses)	(464.645.739)	(3.543.535)	(468.189.274)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**Original carrying amount under IFRS 9**
Trade and other receivables	Loans and receivables	Amortised cost	245.307.362	240.764.369
Cash and cash equivalents	Loans and receivables	Amortised cost	180.180.845	180.180.845
Total			**425.488.207**	**420.945.214**

Transition

In terms of classification and measurement (including impairment) requirements, the Group has used exception of non-reclassification of comparative information for prior periods. The differences in the book value of financial assets and financial liabilities arising from the application of TFRS 9 are accounted for as of 1 January 2018 in retained earnings. Accordingly, the information presented for 2017 is generally not in accordance with TFRS 9, but in accordance with TAS 39.

2.3 Changes and Errors in Accounting Estimates

The preparation of the consolidated financial statements in accordance with Turkish Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2.4 Changes in IFRS

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

TFRS 16 Leases

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

TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments

On 24 May 2018, POA issued TFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS Interpretation 23.

Amendments to TFRS 9 - Prepayment features with negative compensation

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

Amendments to TAS 28- Long-term *Interests in Associates and Joint Ventures*

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

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

The following standards, interpretations of and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TAS.

Annual Improvements to IFRSs 2015-2017 Cycle
Improvements to IFRSs

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

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

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

IAS 12 Income Taxes

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

IAS 23 Borrowing Costs

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

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IAS 19 will have significant impact on

The revised Conceptual Framework

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

2.5 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of consolidated financial statements are summarized below:

Revenue

Revenue is recognized in the consolidated financial statements within the scope of the five-phase model below.

• Identification of contracts with customers

• Identification of performance obligations in contracts

• Determining the transaction price in contracts

• Distribution of transaction fee to performance obligations

• Revenue recognation

The Group evaluates the goods or services that undertakes in each contract with the customers and determines each commitment to transfer the said goods or services as a separate performance obligation. For each performance obligation, it is determined at the beginning of the contract that the performance of the performance obligation will be fulfilled in time or at a certain time. If the Group transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales over time, it measures the progress of the fulfillment of the performance obligations and takes the revenue to the consolidated financial statements.

The main activities of the Company and its subsidiaries are production, sales, marketing, transportation of iron and steel, port services and ship operations.

Sales of iron and steel:

Revenue from sale of iron and steel is accounted on accrual basis at fair value when all the following conditions are satisfied:

- The Group has transferred all significant risks and rewardsof ownershipof the goods to the buyer,
- The Group retains neither continuing managerial involvement associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service delivery:

Service delivery consists of marine transportation and harbor management. When the outcome of a transaction involving the service delivery can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the completion stage of the transaction as of the statement of financial position date.

Revenue from service delivery is accounted on accrual basis at fair value when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The completion stage of the transaction at the statement of financial position date can be measured reliably;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Sales of electricity:

Revenue from sale of electricity is accounted when all the following conditions are satisfied:

- Transmitting the quantity of the power committed to customer
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rent income:

Proceeds achieved through renting the Group owned-ships are accounted on a straight line basis during the rent agreement period.

Financial income and expenses

Financial income is composed of foreign exchange gains and rediscount gains which is not associated with main activities of the Group. Financial expenses are composed of interest expenses on bank borrowings, bank charges and foreign exchange losses. Group uses off balance sheet financial instruments, such as letter of credit, during the ordinary course of business. The maximum exposure of the Group that is sourced by these financial instruments is equal to the contract amount.

Dividend and interest income:

Interest income is recognized as it accrues in profit or loss, using effective interest rate. Dividend income is recorded when shareholders have the right to get dividend.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of the inventories includes purchase, conversion cost and other costs incurred for the inventories. Cost for finished goods includes production costs in accordance with normal production capacity. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale (Note 12). The cost of inventories is based on the weighted average cost on a monthly basis. Imputed interest that is included in the cost of purchased goods is deducted from the cost of goods sold and inventories.

Amounts of impairment on inventories that decrease inventory costs to net realizable value and losses related with inventories are recognized as expense in the period when these losses occur. Impairment provisions on inventories are reversed by reducing the cost of goods sold amount. As of every reporting period, net realizable value is reviewed once again.

The allocation of fixed production overheads to the cost of conversion is based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The actual level of production may be used if it approximates normal capacity. The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant. General fixed production expenses part is allocated with the idle capacity expenses in the case of idle capacity.

Tangible Assets

Lands, buildings, land improvements, machineries and equipment are reflected to the consolidated financial statements at fair values that are determined by an independent real estate appraisal company, which is accredited by CMB.

The valuation company determined the fair value of land and parcels with market value method, the fair value of building with market value method and depreciated replacement cost method, the fair value of land improvements and machinery and equipment with depreciated replacement cost method.

The revaluation frequency depends on the differences at the fair values of tangible fixed assets. If net book value of an asset increases as a result of the revaluation, this increase is recognized at statement of other comprehensive income and presented under the revaluation fund account in the equity. However a revaluation value increase can only be recognized in the profit or loss statement to the extent of impairment recorded in the previous periods for the same asset.

If net book value of an asset decreases during the revaluation, this decrease is recognized as expense. However this decrease can only be recognized as much as all kinds of credit balance about this asset in the revaluation surplus. The subjected decrease recognized in other comprehensive income, decreases the amount accumulated in equity under revaluation surplus. In the case of sales of revalued building or land, revaluation surplus part of revalued asset is classified to accumulated profit/(loss).

The costs of property, plant and equipment purchased before 1 January 2005 are restated for the effects of inflation in TL unit current at 31 December 2004 less accumulated depreciation and impairment losses. The costs of tangible assets purchased after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are carried at cost, less accumulated depreciation. Depreciation is provided on the acquired values of property, plant and equipment on a straight-line method starting from the acquisition date. Land is not amortized. Repair and maintenance costs are transferred to the related expense account on the date of the charge.

The depreciation rates presented below are determined by considering estimated useful lives..

Buildings	2% - 10%
Land improvements	10%
Machinery and equipment	10% - 30%
Vehicles	5% – 33%
Furniture and fixtures	20% – 33%
Lease hold improvements	20%

Impairment of assets

Financial Assets

Policy effective from 1 January 2018

The Group recognizes the loss provision for the expected credit losses of financial assets measured at amortized cost.

The loss provisions for trade receivables, other receivables, other assets and contractual assets are always measured at an amount equal to the life time expected credit losses.

When determining whether the credit risk in a financial asset has increased substantially since its recognition in the financial statements and when the expected credit losses are estimated, reasonable and supportable information that can be obtained without incurring excessive costs or efforts is taken into consideration. These include qualitative and quantitative information and analysis and forward-looking information based on the Group's past experience and informed credit assessments. The Group recognizes a significant increase in the credit risk of financial assets with a maturity of 180 days.

The Group recognizes that financial assets are in default when:

- If the borrower's loan obligations to the Group are not likely to be fully fulfilled before applying for actions such as cashing the Group collaterals (if guarantees exist), or if the financial asset has exceeded its term for more than 365 days.

The Group recognizes that bank balances have a low credit risk if they are equal to the investment grade in the international definition of risk assessments.

Lifetime expected credit losses are the result of a default condition that can occur during the expected life of a financial instrument.

12-month expected credit losses represent the expected credit losses due to possible default situations within 12 months after the reporting date. The maximum period for which the expected credit losses will be measured is the maximum contractual period when the Group is exposed to credit risk.

Measurement of ECLs

ECLs are an estimation weighted to the probability of the expected life of a financial instrument. In other words, it is the all of the discounted cash openings of the credit losses. (For example, it is the difference between the cash inflows of the referred contract to the entity and the expected collection of the cash flows).

The Group applies the simplistic approach in order to meet the expected credit loss to the trade receviables, other receivables, other assets and contract assets. (According to IFRS 9, expected credit loss provision must be applied to all of the trade receivables in perpetuity.)

ECLs are discounted at the effective interest rate of the financial asset.

The past experience of credit loss is amended to reflect the difference between the economic conditions of the collection of past information and the economic conditions that the Group expects to realize over the expected life of the receivables. In estimating the future collection performance of receivables, general economic conditions are taken into consideration in the calculation of expected credit losses and future information is included.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Observable data on the following events are evidence that the financial asset has been impaired:

- The issuer or debtor has significant financial distress;
- The occurrence of a breach of contract due to reasons such as default or maturity exceeding 365 days;
- Due to financial or contractual reasons, due to the financial distress of the debtor, the debtor gives a privilege that the debtor does not consider under normal circumstances;
- It is probable that the borrower will go bankruptcy or another financial restructuring, or
- The elimination of the active market for this financial asset due to financial difficulties.

Policy before January 1, 2018

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired may include default or delinquency by a debtor, restructuring of an amount due to the Group on items that the Group would not consider otherwise, indications that a debtor or issuer may go bankruptcy.

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant receivables are assessed for specific impairment. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If financial assets are subject to significant impairment amounts when considered separately, then they are considered for impairment collectively. All impairments are recognized in the profit or loss.

An impairment is reversed if the impairment can be related objectively with an event occurring after the impairment was recognized. The reversal of financial assets booked with their discounted amounts is recognized in profit or loss.

Non-financial assets

Carrying amounts of the Group's non-financial assets except deferred tax assets and investment properties are reviewed at each reporting date to determine whether there is any indication of impairment. If any such an indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. Fair value less cost to sell of an asset or a cash generating unit is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Impairment is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount through use or sale. Impairments are recognized in the profit or loss.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. Goodwill acquired in a business combination allocated to groups of cash generating units that are expected to benefit from the synergies of the combination. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units, and then to reduce the carrying amounts of the other assets in the cash generating units on a pro rata basis. Impairment losses are recognized in profit or loss.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

Leases

Financial lease

Leases of property and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property and equipment at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other current and non-current financial liabilities. The interest element of the finance cost is charged to the consolidated profit or loss statement over the lease period.

Operational lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net off any incentives received from the leassor) are charged to the profit or loss statement on a straight-line basis over the period of the lease.

Government Grants and Incentives

Government incentives, including non-monetary grants at fair value are included in the consolidated financial statements only if there is reasonable assurance that the Group will fulfill all required conditions and acquire the incentive. A forgivable loan from government is treated as a government grant when it is probable that the entity will meet the terms for forgiveness of the loan.

The Group utilizes disabled employment incentive due to Labor law numbered 4857 and Social Insurance and general Health Insurance Law numbered 5510. Government incentives recorded under government incentive and grant in the profit or loss statements are not collected in cash but deducted from the accrued insurance premiums by treasury. Incentive income was off set against cost of goods sold.

Investment Properties

Investment properties are the real estates which are held to earn rental income and/or for capital appreciation. Investment properties are presented in the financial statements at their fair value determined in the revaluation work which is carried out on December 27, 2016 by an independent appraisal company accredited by the Capital Market Board. Appreciation or devaluation in the mentioned properties is accounted in the consolidated profit or loss table.

If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply TAS 16 up to the date of change in use. The entity shall treat any difference at that date between the carrying amount of the property in accordance with TAS 16 and its fair value in the same way as a revaluation in accordance with TAS 16.

Investment properties are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss in the year of retirement or disposal.

A gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

Intangible Assets

The costs of intangible assets purchased before 1 January 2005 are restated for the effects of inflation in TL units current at 31 December 2004 less accumulated amortization and impairment losses. The costs of intangible assets purchased after 1 January 2005 are carried at cost less accumulated amortization and impairment losses. If there is an impairment, the recorded value of the intangible assets are decreased to their recovarable values.Intangible assets are amortized on a straight-line basis in consolidated statement of comprehensive income over their estimated useful lives.

Amortization rates that are mentioned below are determined by considering estimated useful lives.

Rights	20%-33%

Borrowing Costs

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Financial Instruments

Trade receivables are recognized in the financial statements as they are occured. All other financial assets and financial liabilities are recognized when the Group is a party to the contractual provisions of the instrument.

A financial asset or financial liability other than trade receivables, which includes an significant financing component, is measured at fair value when initially recognized in financial statements, and transaction costs directly attributable to the acquisition or issuance of items other than those reflected in fair value changes in profit or loss are also added to the fair value.

Reclassification and subsequent measurement

Financial assets- policy effective from 1 January 2018

At initial recognition, financial assets are classified as, financial assets measured at amortized cost and financial assets measured at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified after the initial recognition, except where the business model that the Group uses in the management of financial assets has changed; In case of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

A financial asset is measured at amortized cost unless the following conditions apply to both conditions and the fair value change is not recognized in the financial asset category reflected to profit or loss:

- Retention of the financial asset in the context of a business model aims to collect contractual cash flows,
- The contractual terms of the financial asset will result in cash flows that include interest payments on principal and principal balances on certain dates,

All financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss. This includes all derivative financial assets.

At initial recognition, it is possible that a financial asset can be irrevocably defined as measured at fair value through profit or loss. However, this definition must eliminate or significantly reduce accounting mismatch that would otherwise occur.

Financial assets: Assessment of business model- policy effective from 1 January 2018

The Group conducts its assessments on the objectives of the business model at the portfolio level where the financial asset is held, because it best reflects how the business is managed and the methods in which information is provided to management. Information provided to management includes:

- Policies and objectives for the portfolio and how these policies are implemented in practice. These policies include analysis whether the management's strategy is focused on winning contractual interest income, whether a specific interest rate profile is maintained, whether the financial assets are matched to any financial liability or expected cash outflows and whether cash flows are realized during the sale of assets;
- How the portfolio performance is evaluated and reported to the Group management,
- The risks affecting the performance of the business model (financial assets held by the business model) and the way in which these risks are managed and
- Frequency of sales, value, timing and future sales expectations due to sales in previous periods.

Financial assets that are managed on the basis of fair value and whose performance is assessed accordingly are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of derivatives. These assets are subsequently measured at fair value. Net gains and losses are recognized in profit or loss, including interest income.

Financial assets measured at amortized cost

Financial assets measured at amortized cost consist of cash and cash equivalents, trade receivables, other receivables and other assets. Subsequent measurement of these assets are carried at amortized cost using the effective interest method. Amortized costs include impairment losses. Interest income, foreign currency translation gains and losses and impairment are recognized in profit or loss. Gains or losses on the off-balance sheet are recognized in profit or loss.

Equity investments at fair value through profit or loss

Subsequent accounting of equity investments measured at fair value through profit or loss is carried at fair value. Net gains and losses, including interest or dividend income, are recognized in profit or loss.

Policy before 1 January 2018

Non-derivative financial assets

The group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets consist of bank borrowings, trade and other receivables, cash and cash equivalents. Non-derivative financial assets are recorded at cost. Non-derivative financial assets are recognized in the following way after being recorded.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and time deposits with original maturities of three months or less. Cash and cash equivalents are highly liquid investments with maturity periods of less than three-months and having no conversion risk exposure other than the impact of foreign currency changes.

Financial liabilities- policy effective from 1 January 2018

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as those measured at amortized cost or measured at fair value through profit or loss. Financial liabilities, derivatives and liabilities that are classified as held for trading are recognized as fair value changes reflected to profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value, and net gains and losses are recognized in profit or loss together with interest expense. The Group does not have any financial liabilities measured at fair value through profit or loss except for derivatives.

Subsequent measurement of other financial liabilities is carried at amortized cost using the effective interest method. Interest income and foreign currency translation gains and losses are recognized in profit or loss. Gains or losses on the off-balance sheet are recognized in profit or loss.

Non-derivative financial liabilities

The Group recognizes its liabilities such as ordinary shares at the date of acquisition. All other financial liabilities are initially recognized at the transaction date when the Group becomes a party to the contractual terms of the instrument.

The Group classifies its non-derivative financial liabilities into other financial liabilities. Such financial liabilities are recognized initially by subtracting transaction costs directly attributable to fair value. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest rates of future principal and interest cash flows.

Other financial liabilities consist of financial liabilities, trade and other payables and payables to related parties.

Trade payables are payables to third parties due to supplier attributes. Other payables are payables, which are not derived from financing activities, arising from transactions with the parties that are not suppliers or customers.

If a financial instrument causes a cash outflow on any part of the Group, or any other entity outflow or other financial instrument, this financial instrument is classified as a financial liability. A financial instrument can only be defined as a capital instrument if it includes the following conditions:

- If it does not have a contractual obligation to give cash or another financial asset to another entity, or if the entity does not have a contractual obligation to replace another entity with its financial instruments mutually against the enterprise,
- In case the financial instrument is a derivative financial instrument that does not fall within the definition of a derivative financial instrument that requires a number of capital transfers to the Group if the Group is to be realized or will be realized, or if the Group has a fixed amount of cash exchange or a fixed amount of change of the capital instrument.

<u>Financial liabilities- policy before 1 January 2018</u>

Non-derivative financial liabilities

Non-derivative financial liabilities are comprised of borrowings, trade and other payables, due to related parties and short term liabilities. Non-derivative financial liabilities are recognized as follows.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are reflected in financial statements with their current values of reimbursement using effective interest rate, and the differences with the initial cost are reflected in the comprehensive income statement during the maturity of the liabilities.

Other non-derivative financial liabilities are measured at amortized cost using the effective interest method, less any impairment. Short term other receivables and payables are disclosed at their cost values.

The group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Derivative Financial Instruments

The Group's derivative financial instruments may be composed of forward foreign exchange purchase-sale agreements (forward and option).

The group does not apply hedge accounting for derivative financial instruments. The Group reflects the fair value difference of the derivative financial instruments, to the profit or loss statement.

Derivatives are recognized initially at fair value; any attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit or loss.

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Group interacts with its related parties within the frame of ordinary business activities.

Details of related parties are as follows:

İDÇ Denizcilik San. ve Tic. A.Ş.

It was established in 2005 in Izmir in order to operate agency, ship chartering and ship management. İDÇ Denizcilik San. ve Tic. A.Ş. broadly undertakes the administrative function of group ships providing full range of staffing, technical assistance, insurance, technical management, maintenance, technical equipment and fuel in line with SHIPMAN 98, which is Standard Ship Management Agreement advised by The Baltic and International Maritime Council.

Şahin Gemicilik Nakliyat Sanayi ve Ticaret A.Ş.

The company is established in the year 2009 in Aliağa. Main activities of the company is to perform domestic and international maritime and road transportation or subcontract them on the purpose of transport all kinds of freight and passengers by road and maritime. Company owns 55,803 DWT dry cargo ship. . The Group has no commercial relationship with, Şahin Gemicilik ve Denizcilik Nakliyat Sanayi Tic. A.Ş.

Agora Sigorta Aracılık Hizmetleri Ltd. Şti.

It was established in 2006 in İzmir. Company's main activity is making insurance policies. Agora Sigorta Aracılık Hizmetleri Ltd. Şti. conducts The Group's insurance brokerage services.

Koç Metalürji A.Ş.

It was established in the year 1993 in Dörtyol, Hatay. It is active in the production of reinforcing iron. There is no commercial relationship between the Group and Koç Haddecilik Teks. İnş. San. ve Tic. A.Ş.

Dagi Giyim Sanayi ve Ticaret A.Ş.

It was established in Istanbul in the year 1988. The Company has been operating in textile industry. There is no commercial relationship between the Group and Dagi Giyim Sanayi ve Ticaret A.Ş.

Begonviller Turizm Yatçılık ve Ticaret Ltd. Şti.

It was established in Muğla in the year 1994. It has been operating since 2006 in İzmir. It has one commercial yacht. It is engaged in rent yacht. There is no commercial relationship between the Group and Begonviller Turizm Yatçılık ve Ticaret Ltd. Şti.

Şahin Kömür Ticaret A.Ş..

Engaged in coal trade.

Other Balance Sheet Items

Other balance sheet items are stated at their cost values.

Income taxes

Income taxes comprised current and deferred tax expenses. Current tax and deferred tax is recognised in profit or loss except items recognised directly in equity or in other comprehensive income.

Current tax liability includes the tax payable on the taxable income for the period using tax rates enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Currently enacted tax rates are used to determine deferred tax. The principal temporary differences arise from recognition of income and expenses in different reporting periods and capitalization and depreciation differences of property, plant and equipment.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred 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 differences can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Employee Benefits

According to the enacted laws the Group is liable to pay lump sum payments to its employees in case of retirement or the termination of the employment contract of the employees except for the rules stated in the labor laws. Such payments are computed according to the severance indemnity ceiling valid at the statement of financial position date. Employee severance indemnity recognized as the present value of the estimated total reserve of the future probable obligation of the Group.

The Group makes compulsory premium payments to the Social Security Institution and does not have any other liabilities. These premium payments are accrued at the financials as they incur.

Provisions, Contingent Assets and Liabilities

A provision is recognized in the accompanying consolidated financial statements if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote, such contingent liabilities is disclosed in the notes to the financial statements.

If the entry of the economic benefit to the Group is possible, explanations are included in the disclosures of the financial statements about the contingent asset. If the entry of economic benefit is certain, the asset and its related income changes are included in the financial statements at the date that they occurred.

Foreign currency transactions

Transactions in foreign currencies are translated to TL at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to TL at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

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

	31 December 2018	**31 December 2017**
United States Dollar ("USD")	5,2609	3,7719
Euro ("EUR")	6,0280	4,5155
Great Britain Pound ("GBP")	6,6528	5,0803
Japanese Yen ("JPY")	0,0475	0,0334
Swiss Franc ("CHF")	5,3352	3,8548
Canadian Dollar ("CAD")	3,8611	3,0031

Earnings per Share

Earnings per share disclosed in the consolidated statement of comprehensive income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period 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.

Subsequent Events

Subsequent events represent the events that occur against or on behalf of the Group between the reporting date and the date when the financial statements were authorized for the issue. As of the reporting date, if the evidence with respect to such events or such events has occurred after the reporting date and such events require restating the financial statements; accordingly the Group restates the financial statements appropriately. If such events do not require restating the financial statements, such events have been disclosed in the related notes.

Change and Errors in the Accounting Policies and Estimates

Material changes in accounting policies or material errors are corrected retrospectively by restating the prior period consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods.

Segment Reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The executive managers are determined as the chief operating decision maker of the Group. The Group's four main operating activities are iron and steel activities, ship activities, harbour activities and energy activities.

Statement of Cash Flows

In the cash flow statement, cash flows are classified as operating, investing and financing activities. Cash flows from operating activities represent the Group's cash flows generated from operating activities.

Group presents operating cash flows in indirect method by adjusting net income with non- cash expenses, income or expense accruals or deferrals and income and expense items related to investment or financing activities.

Cash flows from investing activities represent the cash flows used in/provided from investing activities (Acquisition of property, plant, equipment and intangible assets). Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In preparation of the consolidated financial statements, the significant estimates and judgments used by the Group are included in the following notes:

Note 2.5 – Useful lives of tangible and intangible assets
Note 16 – Tangible assets
Note 9 – Impairment loss on trade receivables
Note 27 – Provisions, contingent assets and liabilities
Note 29 – Provisions for employee severance indemnity
Note 42 – Tax assets and liabilities
Note 15 – Investment properties
Note 48 – Financial derivatives
Note 12 – Provision for impairment on inventories
Note 51 – Fair value disclosures

3. BUSINESS COMBINATIONS

None. (31 December 2017: None)

4. SHARES IN OTHER BUSINESSES

None. (31 December 2017: None)

5. SEGMENT REPORTING

The Group operates in four areas of business. These are iron and steel operations, ship operations, harbor and energy operations.

Information about Geographic Regions

Regional distribution of the Group's overseas sales from the iron-steel operations is as follows.

Region	2018	2017
Middle East	%43	%52
Africa	%19	%12
America	%1	%7
Asia	%19	%19
Other	%18	%9
	%100	**%100**

Information about Major Clients

Sales of the Group are determined depending on the fluctuations and competitive conditions in domestic and international markets. The share of the largest buyer in proceeds from iron steel operations is around 16% (2017: 14%).

Details of the reportable segments used in management reporting are as follows.

SEGMENT REPORTING

01.01- 31.12.2018	***Iron Steel Operations***	***Ship Operations***	***Harbor Operations***	***Energy Operations***	***Consolidation Adjustments***	***Consolidated***
Domestic Sales	3.038.491.632	-	16.923.005	610.534.919		3.665.949.556
Foreign Sales	940.813.713	58.637.812	621.146	-	-	1.000.072.671
Intersegment Sales	125.821	-	50.601.594	239.162.453	(289.889.868)	-
Total Sales	**3.979.431.166**	**58.637.812**	**68.145.745**	**849.697.372**	**(289.889.868)**	**4.666.022.227**
Cost Of Sales (-)	(3.768.792.826)	(43.870.166)	(47.992.127)	(783.595.099)	275.900.936	(4.368.349.282)
GROSS PROFIT/(LOSS)	**210.638.340**	**14.767.646**	**20.153.618**	**66.102.273**	**(13.988.932)**	**297.672.945**
General Administrative Expenses (-)	(25.332.926)	(547.074)	(1.471.752)	(2.581.052)	300.050	(29.632.754)
Marketing Expenses (-)	(18.112.949)		-	(18.451.686)	4.659.718	(31.904.917)
Other Income from Operating Activities	84.953.347	6.348.414	10.525.041	3.529.451	(16.854.813)	88.501.440
Other Expenses from Operating Activities(-)	(267.073.423)	(13.040.550)	(5.237.569)	(44.565.158)	6.064.341	(323.852.359)
OPERATING PROFIT/(LOSS)	**(14.927.611)**	**7.528.436**	**23.969.338**	**4.033.828**	**(19.819.636)**	**784.355**
Income from Investing Activities	84.062.438	-	-	26.581.109	-	110.643.547
Expense from Investing Activities (-)	(68.448.307)		-	(137.731)	-	(68.586.038)
Reversal of impairment losses in compliance with TFRS 9	1.325.337					1.325.337
OPERATING PROFIT /(LOSS) BEFORE FINANCE EXPENSE	**2.011.857**	**7.528.436**	**23.969.338**	**30.477.206**	**(19.819.636)**	**44.167.201**
Financial Incomes	68.030.761	-	53.153	809.714	(45.553.116)	23.340.512
Financial Expenses (-)	(204.379.140)	(2.107.449)	(24.229.292)	(360.914.744)	52.989.843	(538.640.782)
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	**(134.336.522)**	**5.420.987**	**(206.801)**	**(329.627.824)**	**(12.382.909)**	**(471.133.069)**
Tax Income/(Expense)	**37.556.014**	**-**	**863.151**	**67.839.612**	**2.836.910**	**109.095.687**
Tax Income/(Expense)	(141.675)	-	(58.053)	-	-	(199.728)
Deferred Tax Income / (Expense)	37.697.689	-	921.204	67.839.612	2.836.910	109.295.415
PROFIT/(LOSS) FOR THE PERIOD	**(96.780.508)**	**5.420.987**	**656.350**	**(261.788.212)**	**(9.545.999)**	**(362.037.382)**
Profit/(Loss) Attributable to						
Non-controlling Interests	(199)	-	(643)	(20.277.315)	-	(20.278.157)
Owners of the Company	(96.780.309)	5.420.987	656.993	(241.510.897)	(9.545.999)	(341.759.225)
Segment Assets						
Tangible and intangible fixed assets, investment properties	537.860.184	51.095.808	128.636.771	1.113.084.146	-	1.830.676.909
Purchases of tangible and intangible fixed assets	14.227.963	4.157.021	2.369.067	10.169.076	-	30.923.127
Amortization and depreciation expenses	39.680.487	6.702.463	10.699.171	51.119.589	-	108.201.710

SEGMENT REPORTING

01.01- 31.12.2017	***Iron Steel Operations***	***Ship Operations***	***Harbor Operations***	***Energy Operations***	***Consolidation Adjustments***	***Consolidated***
Domestic Sales	1.964.457.382	-	11.793.389	358.773.692		2.335.024.463
Foreign Sales	608.062.428	33.008.438	1.218.133	-	-	642.288.999
Intersegment Sales	1.184.771	-	37.456.869	157.532.846	(196.174.486)	-
Total Sales	**2.573.704.581**	**33.008.438**	**50.468.391**	**516.306.538**	**(196.174.486)**	**2.977.313.462**
Cost Of Sales (-)	(2.402.230.534)	(29.710.250)	(42.079.941)	(490.834.723)	194.152.633	(2.770.702.815)
GROSS PROFIT/(LOSS)	**171.474.047**	**3.298.188**	**8.388.450**	**25.471.815**	**(2.021.853)**	**206.610.647**
General Administrative Expenses (-)	(19.659.951)	(362.616)	(1.671.294)	(3.482.085)	819.841	(24.356.105)
Marketing Expenses (-)	(16.690.568)	-	-	(19.465.901)	3.837.393	(32.319.076)
Other Income from Operating Activities	21.773.882	17.171.596	3.813.153	14.307.058	(10.833.236)	46.232.453
Other Expenses from Operating Activities(-)	(23.918.291)	(16.837.657)	(435.501)	(40.903.318)	5.104.555	(76.990.212)
OPERATING PROFIT/(LOSS)	**132.979.119**	**3.269.511**	**10.094.808**	**(24.072.431)**	**(3.093.300)**	**119.177.707**
Income from Investing Activities	10.131.774	-	44.426	20.719.515	-	30.895.715
Expense from Investing Activities (-)	(1.575.303)	-		(1.541.041)	-	(3.116.344)
OPERATING PROFIT /(LOSS) BEFORE FINANCE EXPENSE	**141.535.590**	**3.269.511**	**10.139.234**	**(4.893.957)**	**(3.093.300)**	**146.957.078**
Financial Incomes	24.705.706	-	156.186	8.964.482	(14.752.800)	19.073.574
Financial Expenses (-)	(72.439.966)	(486.295)	(6.318.822)	(94.929.135)	17.720.935	(156.453.283)
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	**93.801.330**	**2.783.216**	**3.976.598**	**(90.858.610)**	**(125.165)**	**9.577.369**
Tax Income/(Expense)	**(21.809.347)**	**-**	**(401.867)**	**18.136.635**	**3.853.658**	**(220.921)**
Tax Income/(Expense)	(357.023)	-	(1.541.968)	-	-	(1.898.991)
Deferred Tax Income / (Expense)	(21.452.324)	-	1.140.101	18.136.635	3.853.658	1.678.070
PROFIT/(LOSS) FOR THE PERIOD	**71.991.983**	**2.783.216**	**3.574.731**	**(72.721.975)**	**3.728.493**	**9.356.448**
Profit/(Loss) Attributable to						
Non-controlling Interests	20	-	283	(5.632.822)	-	(5.632.519)
Owners of the Company	71.991.963	2.783.216	3.574.448	(67.089.153)	3.728.493	14.988.967
Segment Assets						
Tangible and intangible fixed assets, investment properties	502.000.026	55.500.805	136.966.875	1.158.378.194	-	1.852.845.900
Purchases of tangible and intangible fixed assets	23.837.457		17.255.221	19.737.088	-	60.829.766
Amortization and depreciation expenses	45.943.358	7.438.633	13.212.466	49.755.977	-	116.350.434

6. RELATED PARTY DISCLOSURES

As of 31 December 2018, there is no provision for doubtful receivables for trade and other receivables and guarantee for receivables regarding related parties. Similarly, there is no guarantee given for trade and other payables regarding related parties.

The Group has no guarantees, collaterals, bails and similar commitments given except for fully consolidated companies (Note 28).

The Group's due from related parties, due to related parties, balances and significant related party transactions during the period are summarized below.

Due from related parties

	31 December 2018	31 December 2017
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	583	-
Şahin-Koç Çelik San. A.Ş.	17.487	-
Şahin Şirketler Grubu Holding A.Ş.	16.150	-
İDÇ Denizcilik San. Tic. A.Ş.	79.495	15.875
Begonviller Turizm Yatçılık Ltd. Şti.	2.109	-
Şahin Kömür Ticaret A.Ş.	44.947.538	2.051.404
Koç Metalurji A.Ş.	-	10.591.863
Dagi Giyim Sanayi ve Ticaret A.Ş.	-	9.533
	45.063.362	**12.668.675**

Other due from related parties

	31 December 2018	31 December 2017
Şahin - Koç Çelik Sanayi A.Ş.	28.182.819	24.172
Şahin Şirketler Grubu Holding A.Ş.	39.848.643	432.198
	68.031.462	**456.370**

Due to related parties

	31 December 2018	31 December 2017
İDÇ Denizcilik San. ve Tic. A.Ş.	-	3.325.130
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	32.786	1.281
Şahin Şirketler Grubu Holding A.Ş.	38.940	-
	71.726	**3.326.411**

Income from related parties

	01.01.-31.12.2018	**01.01.-31.12.2017**
Koç Metalürji A.Ş.	138.523.074	97.949.413
Şahin Kömür Ticaret A.Ş	2.708.531	2.891.449
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	844.838	699.210
Dagi Giyim Sanayi ve Ticaret A.Ş.	44.817	51.181
	142.121.260	**101.591.253**

Purchases from related parties in cost of goods sold

	01.01.-31.12.2018	**01.01.-31.12.2017**
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	17.216.176	12.135.399
Koç Metalürji A.Ş.	-	26.898.116
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	997.150	763.832
	18.213.326	**39.797.347**

İDÇ Denizcilik Sanayi ve Ticaret A.Ş., provides personnel, gives maintenance and technical support services for the vessels of the Group.

Expenses from related parties in marketing, selling and distribution expenses

	01.01.-31.12.2018	**01.01.-31.12.2017**
İDÇ Denizcilik Sanayi ve Ticaret A.Ş.	668.261	406.308
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	190	302
	668.451	**406.610**

Expenses from related parties in general administrative expenses

	01.01.-31.12.2018	**01.01.-31.12.2017**
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	101.391	32.979
Begonviller Turizm Yatçılık Ltd. Şti.	-	13.200
	101.391	**46.179**

Income from related parties in other operating income and profit

	01.01.- 31.12.2018	**01.01.- 31.12.2017**
İDÇ Denizcilik San. ve Tic. A.Ş.	161.902	155.152
Şahin Şirketler Grubu Holding A.Ş.	17.121	15.965
Şahin - Koç Çelik Sanayi A.Ş.	18.640	16.922
Şahin Kömür Ticaret A.Ş.	48.831.427	12.162.678
Begonviller Turizm Yatçılık Ltd. Şti.	4.152	3.570
Agora Sigorta Aracılık Hizmetleri Ltd. Şti.	23.739	18.747
Koç Metalürji A.Ş	3.182.960	-
Dagi Giyim Sanayi ve Ticaret A.Ş.	27.771	25.408
Şahin Gemicilik Nakliyat San. ve Tic. A.Ş.	4.920	4.200
Karbeyaz Çimento Madencilik Sanayi ve Ticaret A.Ş.	2.135	1.850
	52.274.767	**12.404.492**

Income from related parties in finance income

	01.01.- 31.12.2018	**01.01.- 31.12.2017**
Şahin - Koç Çelik Sanayi A.Ş.	943.892	41.689
Şahin Şirketler Grubu Holding A.Ş.	826.567	391.807
	1.770.459	**433.496**

Key management personnel compensation

Total benefits provided to top management (Board of Directors, Executive Board, General Manager and Assistants of General Manager) during the current period amounted to TL 3.300.366 TL (01.01.-31.12.2017: 2.825.247 TL).

As of reporting date, the Group has no payable due to key management personnel.

7. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hand	144.231	73.780
Bank - demand deposits	28.345.151	3.482.924
Bank - time deposits	87.545.780	176.363.898
Bank - interest accruals of time deposits	43.395	35.690
POS machine	1.480	224.553
Cash and cash equivalents in cash flow	**116.080.037**	**180.180.845**

There are no blockage and pledge over the Group's time and demand deposits (31 December 2017: None).

Demand Deposits

	31 December 2018		31 December 2017	
	Foreign Currency	TL Equivalence	Foreign Currency	TL Equivalence
TL	607.065	607.065	1.822.734	1.822.734
USD	3.938.177	20.718.353	180.464	680.693
EUR	1.139.106	6.866.530	177.522	801.601
JPY	767.435	36.489	3.818.010	127.602
GBP	13.859	92.199	6.111	31.044
CAD	214	826	214	642
CHF	4.440	23.689	4.827	18.608
Toplam		**28.345.151**		**3.482.924**

Time Deposits

Currency	Weighted Average Interest Rate	Maturity Date	TL Balance 31 December 2018
USD	%4,72	02.01.2019	74.704.780
TL	%22,88	02.01.2019	12.841.000
			87.545.780

Currency	Weighted Average Interest Rate	Maturity Date	TL Balance 31 December 2017
USD	%3,32	02.01.2018	166.057.898
TL	%14,02	02.01.2018	10.306.000
			176.363.898

8. FINANCIAL INVESTMENTS

Shareholdings at non-current financial investments are as follows.

Name of Company	Share (%)	31 December 2018	Share (%)	31 December 2017
Investments and Associates				
İtaş İzmir Teknopark Ticaret A.Ş.	0,125	2.547	0,125	2.547
Sivas Demir Çelik İşletmeleri A.Ş.	0,002	445.357	0,002	445.357
Enda Enerji Holding A.Ş.	0,24	644.150	0,24	644.150
Egenda Ege Enerji Üretim A.Ş.	0,03	70.013	0,03	70.013
İHY İzmir Havayolları A.Ş.	-	-	0,0073	4.333
Pegasus Hava Taşımacılığı A.Ş.	0,0073	3.363	-	-
Nemrut Kılavuz ve Römorkör Hizm. A.Ş.	16,66	10.000	16,66	10.000
Enerji Piyasaları İşletim Anonim Şirketi	0,80	200.000	0,80	200.000
Impairment				
Sivas Demir Çelik İşletmeleri A.Ş.		(445,357)		(445,357)
Total		**930.073**		**931.043**

There is no financial asset given as guarantee for liabilities of the companies (31 December 2017: None).

Since the Company's long-term financial investments do not trade in active market and that fair values cannot be determined reliably, long-term financial investments are reflected in the consolidated financial statements at their cost values less any impairment losses. The information about long-term investments is as follows:

Sivas Demir Çelik İşletmeleri A.Ş
The company was established in Sivas in 1987. The Company deals with iron and steel production and its trading. The Group does have no commercial relationship with Sivas Demir Çelik İşletmeleri A.Ş.
ENDA Enerji Holding A.Ş.
The Company was established in İzmir in 1993. The Company deals with energy production, distribution and trading. The Group does not have commercial relationship with ENDA Enerji Holding A.Ş.

EGENDA Ege Enerji Üretim A.Ş.
The Company was established in İzmir in 1997. The Company deals with energy production, distribution and trading. The Group does not have commercial relationship with EGENDA Ege Enerji Üretim A.Ş.

İHY İzmir Havayolları A.Ş

The Company was established in İzmir in 2005. The Company deals with airline business. The Group does not have commercial relationship with İHY İzmir Havayolları A.Ş.

İTAŞ İzmir Teknopark Ticaret A.Ş.
The Company was established in İzmir in 1988. The Company deals with technologic information production. The Group does not have commercial relationship with İTAŞ İzmir Teknopark Ticaret A.Ş.
Nemrut Kılavuz ve Römorkör Hizmetleri A.Ş.

The Company was established in İzmir in 2014. The Company provides pilot service and towing boat with ships coming to harbors in Aliağa region. The Group does not have commercial relationship with Nemrut Kılavuz ve Römorkör Hizmetleri A.Ş.

9. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

	31 December 2018	31 December 2017
Trade receivables	182.981.416	205.660.525
Notes receivables	20.813.360	26.978.162
Doubtful trade receivables	(7.998.295)	4.106.403
Provision for doubtful trade receivables (-)	7.998.295	(4.106.403)
	203.794.776	**232.638.687**

The Group has set provision for uncollectible receivables. Provision for doubtful receivables is based on past experience regarding the collectability. While determining the collectability, the Group considers the changes between the dates of trade and reporting for the receivables credit quality. Therefore, the Group Management believes that there is no necessity to set more provision than provision for doubtful receivables already recorded in the financial statements.

Trade receivables are rediscounted by using effective interest method. The effective discount rates used are 5,53%, -0,17% and 20,28% for receivables denominated in USD, EUR and TL respectively. (31 December 2017: USD:%4,34, EUR:%3, TL:%15,20)

Maturity detail of notes receivable are as follows.

	31 December 2018	31 December 2017
1-30 days	16.831.478	15.464.141
30-90 days	3.981.882	11.492.921
90-360 days	-	21.100
	20.813.360	**26.978.162**

Movement of provision for doubtful trade receivables is as follows.

	01.01.- 31.12.2018	01.01.- 31.12.2017
Beginning of the period	4.106.403	3.877.754
Adjustment to TFRS 9	4.542.993	-
Reversal of impairment losses in compliance with TFRS 9	(1.325.337)	-
Collections during the period	(35.299)	(510)
Provision for the period	709.535	229.159
End of the period	**7.998.295**	**4.106.403**

The amount of trade receivables arising from foreign exchange gains as of the end of the period is TL (2.848.128) (Prior period : 1.052.193)

Foreign currency and liquidity risk on short term trade receivables of the Group are disclosed on Note 50.

Short term trade payables

	31 December 2018	31 December 2017
Trade payables	943.294.234	859.758.089
Expense accruals	15.941.809	10.593.560
	959.236.043	**870.351.649**

As of the end of the period, trade payable amounting to TL 900.288.195 is comprised of letters of credit issued for the purchase of raw materials (prior: TL 773.101.471). Letters of credit are of maturity due to the agreement signed by the Group, the local bank that issued the letters of credit and the foreign intermediary bank. In accordance with agreement, foreign suppliers collected their receivables in cash with discount. Expense accruals consist of interests incurred on deferred payment letters of credit concerning purchase of raw materials.

Trade payables are rediscounted by using effective interest method. The effective discount rates used are 5,53%, -0,17% and 20,28% for receivables denominated in USD, EUR and TL respectively. (31 December 2017: USD:%4,34, EUR:%3, TL:%15,20)

The amount of trade payables arising from foreign exchange gains/losses as of the end of the period is TL 40.229.362 (Prior period : 26.149.342)

Foreign currency and liquidity risk on short term trade payables of the Group are disclosed on Note 50.

10. RECEIVABLES AND PAYABLES FROM FINANCE SECTOR ACTIVITIES

None. (31 December 2017: None)

11. OTHER RECEIVABLES AND PAYABLES

Short term other receivables

	31 December 2018	31 December 2017
Deposit and guarantees given	252.696	699.797
	252.696	**699.797**

As of the date of consolidated financial position, deposits and guarantees were given to Custom Administrations.

Long term other receivables

	31 December 2018	31 December 2017
Deposit and guarantees given	2.178.730	1.297.193
	2.178.730	**1.297.193**

Short term other payables

	31 December 2018	31 December 2017
Taxes and duties payable	1.504.706	1.596.094
Other payables	163.973	200.419
	1.668.679	**1.796.513**

12. INVENTORIES

	31 December 2018	31 December 2017
Raw materials	702.106.800	529.615.467
Work in process	16.153.726	2.687.495
Finished goods	186.254.216	81.216.360
Merchandised goods	825.790	113.254
Impairment on inventories (*)	(57.802.623)	(12.323)
	847.537.909	**613.620.253**

(*) The Group accounted a provision for impairment on finished goods in case the book value is less than net realizable value and recognized them under cost of goods sold in the consolidated profit or loss statement.

The insurance coverage on inventories is TL 96.448.000 (31 December 2017: TL 81.207.000). The depreciation expenses capitalized on inventories is TL 2.477.867 (31 December 2017: TL 2.519.994). (Note 16)

There is no inventory collateralized against liabilities (31 December 2017: None). The Group has no inventory that will be recovered within more than twelve months starting from the date of statement of financial position.

Movement of provision for impairment on inventories is as follows.

	01.01.- 31.12.2018	01.01.- 31.12.2017
Beginning of the period	12.323	583.046
Reversal of previous period	(12.323)	(583.046)
Impairment on inventories for current period	57.802.623	12.323
End of the period	**57.802.623**	**12.323**

13. BIOLOGICAL ASSETS

None. (31 December 2017: None)

14. PREPAID EXPENSES

Short Term Prepaid Expenses

	31 December 2018	31 December 2017
Advances given	3.826.979	6.055.708
Insurance expenses	1.598.963	1.592.889
Financial expense	4.686.009	1.506.190
Information technology expenses	325.313	169.291
Rent expenses	809.394	409.941
Other expenses	551.301	159.721
	11.797.959	**9.893.740**

Long Term Prepaid Expenses

	31 December 2018	31 December 2017
Advances given	-	2.119.995
Other expenses	-	358
	-	**2.120.353**

15. INVESTMENT PROPERTIES

The Group appointed an independent real estate appraisal company holding a CMB license on December 31, 2018 in order to find out the fair values of the investment properties and correspondingly the investment properties are presented in the consolidated financial statements at their fair values. Change in value is booked in the profit or loss statement. The valuation company used the market value method as valuation model as it was used in the valuation works performed in prior years.

	2018	2017
Beginning of the period	84.185.000	78.470.000
Change in fair value	59.465.000	-
Transfer from fixed asset	-	5.715.000
Fair value at the end of the period	**143.650.000**	**84.185.000**

Detailed information of the lands owned by İzmir Demir Çelik Sanayi A.Ş. is presented below.

City	District	Village	Nature	Purchase cost	Fair Value 31 December 2018	Fair Value 31 December 2017
İzmir	Foça	Samurlu	Field	1.630.160	37.500.000	20.515.000
İzmir	Foça	Horozgediği	Field	94.169	5.300.000	2.920.000
İzmir	Foça	Horozgediği	Land	4.743.629	99.700.000	59.965.000
İzmir	Foça	Horozgediği	Field	525.000	1.150.000	785,000
				6.992.958	**143.650.000**	**84.185.000**

As of the end of the period, there is no insurance coverage or collateral on investment properties. (31 December 2017: None).

16. PROPERTY, PLANT AND EQUIPMENT

Movement in the property, plant and equipment is as follows.

	Lands	Land Improvements	Buildings	Machinery and Equipment	Vehicles (*)	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Cost									
1 January 2018	316.465.002	30.598.140	510.670.679	1.707.316.159	122.498.416	20.239.806	7.965.681	7.067.501	2.722.821.384
Additions	-	182.020	1.775.158	12.449.840	6.203.381	1.722.741	45.380	8.445.991	30.824.511
Disposals	-	-	-	(9.247.044)	(2.313.893)	(4.323)	-	(4.167.481)	(15.732.741)
Transfers	-	618.116	1.287.591	3.712.387	-	1.260.596	-	(6.878.690)	-
31 December 2018	**316.465.002**	**31.398.276**	**513.733.428**	**1.714.231.342**	**126.387.904**	**23.218.820**	**8.011.061**	**4.467.321**	**2.737.913.154**
Accumulated depreciation									
1 January 2018	-	(17.597.241)	(215.592.732)	(637.152.698)	(66.305.260)	(11.992.329)	(6.702.086)	-	(955.342.346)
Additions	-	(1.497.884)	(12.813.474)	(82.730.560)	(7.786.555)	(2.052.378)	(840.780)	-	(107.721.631)
Disposals	-	-	-	9.228.140	2.148.543	650	-	-	11.377.333
31 December 2018	**-**	**(19.095.125)**	**(228.406.206)**	**(710.655.118)**	**(71.943.272)**	**(14.044.057)**	**(7.542.866)**	**-**	**(1.051.686.644)**
Net Book Value as of 31 December 2017	**316.465.002**	**13.000.899**	**295.077.947**	**1.070.163.461**	**56.193.156**	**8.247.477**	**1.263.595**	**7.067.501**	**1.767.479.038**
Net Book Value as of 31 December 2018	**316.465.002**	**12.303.151**	**285.327.222**	**1.003.576.224**	**54.444.632**	**9.174.763**	**468.195**	**4.467.321**	**1.686.226.510**

(*) Vehicles also contain ships owned by the Group.

As of 31 December 2018, the insurance coverage on fixed assets of the Group amounted to TL 6.270.461.505 (TL 136.783.400 of which is for ships). The depreciation expense of tangible fixed assets for the period 1 January – 31 December 2018 amounted to TL 107.721.631. As of 31 December 2018, the depreciation expenses associated with tangible fixed assets and capitalized on inventories amounted to TL 2.477.867. (Note 12)

A first level mortgage was placed on the property in the town of Horozgediği in Aliağa in favor of Türkiye Garanti Bankası A.Ş. on 14 November 2011 amounting to TL 1,100,000,000. The mortgage is related with the long-term loan received from the mentioned bank within the power plant project of İzdemir Enerji Elektrik Üretim A.Ş. (31 December 2016: 1,100,000,000)

Construction in progress as of 31 December 2018 is composed of TL 1.686.365 for environmental infrastructure expenditures within the frame of modernization of İzmir Demir Çelik Sanayi A.Ş., TL 1.282.091 for factory modernization of Akdemir Çelik Sanayi ve Ticaret A.Ş., TL 1.498.862 for building seaport dock for İDÇ Liman İşletmeleri A.Ş.

The carrying amounts of each class of property, plant and equipment that would have been recognized if the assets had been carried at their book values are as follows.

31 December 2018	**Lands**	**Buildings and land improvements**	**Machinery and equipment**
Cost	7.417.770	442.342.491	1.196.124.414
Accumulated depreciation (-)	-	(212.464.126)	(625.174.296)
Net Book Value	**7.417.770**	**229.878.365**	**570.950.118**

31 December 2017	**Lands**	**Buildings and land improvements**	**Machinery and equipment**
Cost	7.417.770	438.479.606	1.189.232.319
Accumulated depreciation (-)	-	(203.511.853)	(581.385.393)
Net Book Value	**7.417.770**	**234.967.753**	**607.846.926**

Movement in the property, plant and equipment is as follows for the period ended 31 December 2017

	Lands	Land Improvements	Buildings	Machinery and Equipment	Vehicles (*)	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Cost									
1 January 2017	322.180.002	27.735.433	492.090.236	1.676.088.125	121.938.635	18.370.255	7.316.430	6.899.430	2.672.618.546
Additions	-	303.460	15.936.157	19.549.967	1.460.272	1.870.192	110.090	20.970.764	60.200.902
Disposals	-	-	-	(3.374.540)	(900.491)	(8.033)	-	-	(4.283.064)
Transfers	(5.715.000)	2.559.247	2.644.286	15.052.607	-	7.392	539.161	(20.802.693)	(5.715.000)
31 December 2017	**316.465.002**	**30.598.140**	**510.670.679**	**1.707.316.159**	**122.498.416**	**20.239.806**	**7.965.681**	**7.067.501**	**2.722.821.384**
Accumulated depreciation									
1 January 2017	-	(16.161.633)	(201.083.583)	(551.445.878)	(58.825.294)	(10.131.114)	(5.992.905)	-	(843.640.407)
Additions	-	(1.435.608)	(14.509.149)	(89.019.831)	(8.380.457)	(1.869.248)	(709.181)	-	(115.923.474)
Disposals	-	-	-	3.313.011	900.491	8.033	-	-	4.221.535
31 December 2017	**-**	**(17.597.241)**	**(215.592.732)**	**(637.152.698)**	**(66.305.260)**	**(11.992.329)**	**(6.702.086)**	**-**	**(955.342.346)**
Net Book Value as of 31 December 2016	**322.180.002**	**11.573.800**	**291.006.653**	**1.124.642.247**	**63.113.341**	**8.239.141**	**1.323.525**	**6.899.430**	**1.828.978.139**
Net Book Value as of 31 December 2017	**316.465.002**	**13.000.899**	**295.077.947**	**1.070.163.461**	**56.193.156**	**8.247.477**	**1.263.595**	**7.067.501**	**1.767.479.038**

(*) Vehicles also contain ships owned by the Group.

As of 31 December 2017, the insurance coverage on fixed assets of the Group amounted to TL 4.559.455.810 (TL 98.069.400 of which is for ships). The depreciation expense of tangible fixed assets for the period 1 January – 31 December 2017 amounted to TL 115.923.474. As of 31 December 2017, the depreciation expenses associated with tangible fixed assets and capitalized on inventories amounted to TL 2.519.994. (Note 12)

A first level mortgage was placed on the property in the town of Horozgediği in Aliağa in favor of Türkiye Garanti Bankası A.Ş. on 14 November 2011 amounting to TL 1,100,000,000. The mortgage is related with the long-term loan received from the mentioned bank within the power plant project of İzdemir Enerji Elektrik Üretim A.Ş. (31.12.2015: 1,100,000,000)

Construction in progress as of 31 December 2017 is composed of TL 83.528 for environmental infrastructure expenditures within the frame of modernization of İzmir Demir Çelik Sanayi A.Ş., TL 313,166 for factory modernization of Akdemir Çelik Sanayi ve Ticaret A.Ş., TL 2,237,026 for building seaport dock for İDÇ Liman İşletmeleri A.Ş. and TL 4,433,780 for the power plant expenditures.

As of 31 December 2017, net carrying value of fixed assets acquired under finance leases amounted to TL 1,491,936. (31 December 2016: TL 5,679,916)

Distribution of depreciation expenses relating to property, plant and equipment is as follows.

	01.01.-31.12.2018	**01.01.-31.12.2017**
Cost of goods sold	82.930.698	86.448.344
Cost of service	18.073.142	21.356.835
Capitalized on inventories	2.477.867	2.519.994
General administrative expenses (Note 35)	860.973	584.280
Other operating expenses	3.378.951	5.014.021
	107.721.631	**115.923.474**

17. RIGHTS OVER SHARES ARISING FROM DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS

None. (31 December 2017: None)

18. MEMBERS' SHARES IN COOPERATIVE ENTITIES AND SIMILAR FINANCIAL INSTRUMENTS

None. (31 December 2017: None)

19. INTANGIBLE ASSETS

Cost	**Rights**
1 January 2018	4.543.243
Purchases	98.616
31 December 2018	**4.641.859**
Accumulated amortization	
1 January 2018	(3.361.381)
Charge for the period	(480.079)
31 December 2018	**(3.841.460)**
Net Book Value as of 31 December 2017	**1.181.862**
Net Book Value as of 31 December 2018	**800.399**

Amortization expenses for the period 1 January – 31 December 2018 amounted to TL 480.079. No amortization expense is capitalized on inventories associated with intangible assets.

Cost	**Rights**
1 January 2017	3,914,379
Purchases	628,864
31 December 2017	**4,543,243**
Accumulated amortization	
1 January 2017	(2,934,421)
Charge for the period	(426,960)
31 December 2017	**(3,361,381)**
Net Book Value as of 31 December 2016	**979,958**
Net Book Value as of 31 December 2017	**1,181,862**

Amortization expenses for the period 1 January – 31 December 2017 amounted to TL 426.960. No amortization expense is capitalized on inventories associated with intangible assets.

Distribution of amortization expenses relating to intangible assets is as follows.

	01.01.-31.12.2018	**01.01.-31.12.2017**
Cost of goods sold	86.818	109.825
General administrative expenses (Note 35)	393.261	317.135
	480.079	**426.960**

20. GOODWILL

None. (31 December 2017: None)

21. EXPLORATION AND DEVELOPMENT OF MINERAL RESOURCES

None. (31 December 2017: None)

22. FINANCIAL LEASES

None. (31 December 2017: None)

23. CONCESSION SERVICE ARRANGEMENTS

None. (31 December 2017: None)

24. IMPAIRMENT OF ASSETS

None. (31 December 2017: None)

25. GOVERNMENT GRANTS AND INCENTIVES

For the period ended 1 January – 31 December 2018, the Group has an income of TL 7.971.525 from insurance premium employer share incentive based on the Labor Law numbered 4857 and Social Insurance and General Health Insurance Law numbered 5510 (1 January–31 December 2017: TL 4.977.008). This incentive granted by government is not collected in cash but deducted from the accrued insurance premiums by treasury. The mentioned incentive income was off set against cost of goods sold in the financial statements.

26. BORROWING COSTS

None. (31 December 2017: None)

27. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2018	**31 December 2017**
Provisions for litigation	3.000	45.972
Collective agreement wages	-	3.674.768
Manufacturing overhead	1.135.344	324.941
	1.138.344	**4.045.681**

Movement of provisions for litigation is as follows.

	01.01.-31.12.2018	**01.01.-31.12.2017**
Balance at the beginning of the period	**45.972**	**45.972**
Reversal	42.972	-
End of the period	**3.000**	**45.972**

As of report date, provision for the litigation of TL 3.000 consists of the court cases for İDÇ Liman İşletmeleri A.Ş. that was prosecuted about employee severance indemnity, overtime payment and job accident. Decisions have been appealed by the Group and the settlement is expected from the Supreme Court. Charge for the period relates to the litigation by a supplier for their receivable from the Group.

28. COMMITMENTS

Guarantees and bails received by the Group	31 December 2018	31 December 2017
Letters of guarantee received	14.370.173	14.132.807
Bails received	7.702.904.226	5.318.689.259
	7.717.274.399	**5.332.822.066**

Letters of guarantee are composed of the letters received from local vendors in return for goods and services rendered by the vendors. Bails received comprise bails provided by the Group's related parties and shareholders for the bank borrowings.
Guarantees, pledges and mortgages that are given by the Group at the end of the period are as follows.

	31 December 2018			
	Original Currency			Total
GUARANTEE- PLEDGE-MORTGAGES (GPM)	**EUR**	**USD**	**TL**	**TL**
A. Total amount of GPM given on behalf of own legal entities within Group	200.000	6.781.000	40.067.250	76.947.012
B. Total amount of GPM given in favor of consolidated subsidiaries	-	322.500.000	1.413.921.432	3.110.561.682
C. Total amount of GPM given for assurance of third parties' debts in order to conduct of usual business activities	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
i. Total amount of GPM given in favor of parent company	-	-	-	-
ii. Total amount of GPM given in favor of other Group companies which B and C don't comprise	-	-	-	-
iii. Total amount of GPM given for third parties which C doesn't comprise	-	-	-	-
Total	**200.000**	**329.281.000**	**1.453.988.682**	**3.187.508.694**

The ratio of other GPM given by the Group to the equity of the Group is 0%.

	31 December 2017			
	Original Currency			Total
GUARANTEE- PLEDGE-MORTGAGES (GPM)	**EUR**	**USD**	**TL**	**TL**
A. Total amount of GPM given on behalf of own legal entities within Group	450.000	1.481.000	35.089.815	42.706.174
B. Total amount of GPM given in favor of consolidated subsidiaries	-	322.500.000	1.415.918.587	2.632.356.337
C. Total amount of GPM given for assurance of third parties' debts in order to conduct of usual business activities	-	-	-	-
D. Total amount of other GPM given	-	-	-	-
i. Total amount of GPM given in favor of parent company	-	-	-	-
ii. Total amount of GPM given in favor of other Group companies which B and C don't comprise	-	-	-	-
iii. Total amount of GPM given for third parties which C doesn't comprise	-	-	-	-
Total	**450.000**	**323.981.000**	**1.451.008.402**	**2.675.062.511**

detail of the letters of guarantee given to the various public institutions on behalf of legal entities within the Group is as follows.

	31 December 2018			
	Original Currency			**Total**
GUARANTEE	**EUR**	**USD**	**TL**	**TL**
Given to customs office	200.000	-	5.901.181	7.106.781
Given to tax office	-	-	1.643.987	1.643.987
Given to electricity distribution companies	-	-	13.298.232	13.298.232
Given to natural gas distribution companies	-	-	17.637.308	17.637.308
Given to banks	-	2.000.000	-	10.521.800
Other letters of guarantee given	-	4.781.000	1.586.541	26.738.904
Total	**200.000**	**6.781.000**	**40.067.249**	**76.947.012**

	31 December 2017			
	Original Currency			**Total**
GUARANTEE	**EUR**	**USD**	**TL**	**TL**
Given to customs office	450.000	-	3.497.181	5.527.356
Given to tax office	-	-	1.053.115	1.053.115
Given to electricity distribution companies	-	-	3.989.430	3.989.430
Given to natural gas distribution companies	-	-	11.166.771	11.166.771
Given to banks	-	1.000.000	-	3.771.900
Other letters of guarantee given	-	481.000	15.383.318	17.197.602
Total	**450.000**	**1.481.000**	**35.089.815**	**42.706.174**

Detail of the bails that the Group and its subsidiaries are given for using various loans in favor of each other is as follows.

	31 December 2018			
	Original Currency			**Total**
BAIL	**EUR**	**USD**	**TL**	**TL**
Bails given to fully consolidated companies				
- Given to Akdemir Çelik Sanayi ve Ticaret A.Ş.	-	-	12.199.859	12.199.859
- Given to İDÇ Liman İşletmeleri A.Ş.	-	15.000.000	15.601.573	94.515.073
- Given to İzdemir Enerji Sanayi ve Ticaret A.Ş.	-	307.500.000	1.386.120.000	3.003.846.750
Total		**322.500.000**	**1.413.921.432**	**3.110.561.682**

	31 December 2017			
	Original Currency			**Total**
BAIL	**EUR**	**USD**	**TL**	**TL**
Bails given to fully consolidated companies				
- Given to Akdemir Çelik Sanayi ve Ticaret A.Ş.	-	-	8.007.109	8.007.109
- Given to İDÇ Liman İşletmeleri A.Ş.	-	15.000.000	14.822.478	71.400.978

- Given to İzdemir Enerji Sanayi ve Ticaret A.Ş.	-	307.500.000	1.393.089.000	2.552.948.250
Total		**322.500.000**	**1.415.918.587**	**2.632.356.337**

29. EMPLOYEE BENEFITS

Payables within the context of employee benefits

	31 December 2018	31 December 2017
Payable due to personnel	5.949.393	4.938.475
Social security premiums payable	3.476.192	5.651.035
Income tax payable	2.598.352	2.045.431
	12.023.937	**12.634.941**

Long term employee severance indemnity

	31 December 2018	31 December 2017
Employee severance indemnity	26.508.231	19.596.430
Vacation pay liability	3.077.108	3.038.310
	29.585.339	**22.634.740**

Movement of employee severance indemnity is as follows.

Employee Severance Indemnity	**01.01.-31.12.2018**	**01.01.-31.12.2017**
Provision at the beginning of the period	19.596.430	15.582.421
Service cost	4.752.419	4.375.434
Interest cost	3.531.038	1.865.630
Actuarial loss / (gain)	1.680.247	650.592
Employee severance indemnity payment	(2.809.310)	(2.695.825)
Provisions no longer required	(242.593)	(181.822)
Provision at the end of the period	**26.508.231**	**19.596.430**

Actuarial gain amounting to TL 2.809.310 is recognized in other comprehensive income as of 31 December 2018. (31 December 2017: TL 2.695.825)

Under the Turkish Labor Law, employees whose contracts are terminated by the employer for reasons set by the law are entitled to be paid compensation. As of 31 December 2018, the amount payable as compensation for each year served is equal to one month's salary subject to a ceiling of TL 5.434,42 (31 December 2017: TL 4.732,48)

Employee severance indemnity is not subject to any funding as statutory requirement.Employee severance indemnity of the Group has been calculated as expressed in Note 2. the liability is computed on a thirty day wage base with a maximum of TL 5.434,42 for each year of service and utilizing the rates on date of retirement or departure.

Based on the basis that is mentioned above, the group calculated provisions for employee severance indemnity and recorded to the financial statements by estimating the present value of the future probable obligation arising from the retirement of the employees.

Accordingly, the following actuarial assumptions were used in the calculation of the provision.

	31 December 2018	31 December 2017
Inflation rate	% 19,73	% 11,14
Real discount rate	%1,38	%2,07

the group's expected probability rate to pay the employee severance indemnity is 96% except those quitting their jobs on their own wish and those not eligible for severance pay (31 December 2017: 96%).

Movement of the vacation pay liability is as follows.

	01.01.- 31.12.2018	01.01.- 31.12.2017
Beginning of the period	3.038.310	2.071.050
Change for the period	38.798	967.260
End of the period	**3.077.108**	**3.038.310**

Vacation pay liability was calculated by multiplying remaining vacation days with daily salaries. Current period allowance is accounted under long term provisions in consolidated financial statements.

30. EXPENSES BY NATURE

	01.01.- 31.12.2018	01.01.- 31.12.2017
Raw material costs	3.668.877.891	2.210.381.434
Utility expenses	115.453.918	71.634.933
Labor costs	198.641.969	164.814.389
Commercial goods	60.154.131	42.800.337
Freight costs	45.305.060	33.100.928
Material cost	92.573.019	60.809.568
Depreciation and amortization	105.723.843	113.830.440
General manufacturing expenses	43.096.673	32.873.474
Change in inventories	(139.187.725)	(10.001.334)
Foreign exchange loss	253.377.055	37.518.634
Other	309.723.479	146.605.406
	4.753.739.313	**2.904.368.209**

31. OTHER ASSETS AND LIABILITIES

Other Current Assets

	31 December 2018	31 December 2017
Prepaid tax	1.825.425	735.629
Deferred VAT (*)	4.495.305	538.081
Work advances	81.967	77.419

Personnel advances	28.555	27.864
Income accrual	25.592.128	-
Other various current assets	59.847	66.455
	32.083.227	**1.445.448**

Other Current Liabilities

	31 December 2018	31 December 2017
VAT payable	25.179.376	38.577.128
Order advances received	12.799.406	85.014.289
Deferred income	1.929.434	2.582.765
Other liabilities	62.205	11.029
	39.970.421	**126.185.211**

32. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid in Capital

The Company adopted registered paid- in capital system pursuant to the articles of the Law numbered 2499 after the permission from the Capital Market Board on 22 August 1984. The Company's registered capital is TL 600.000.000; shares are divided into 60.000.000.000 each with a nominal value of Kurus 1.

The permission granted by the Capital Market Board to be on the registered capital ceiling is valid for the years between 2017 and 2022 (5 years). Board of directors cannot take decision after 2022 for increase of capital even if the registered capital ceiling allowed till the end of 20227 is not reached. It is compulsory to obtain authorization for a new capital ceiling from the General Assembly provided that the Capital Market Board endorses the ceiling. If mentioned authority is not taken, the Company is deemed to have come out from the registered capital system.

The Company's issued share capital is, fully paid TL 375.000.000. This capital is formed in total 37.500.000.000 unit shares of Group A which has 800 units written to name each valued 1 Kurus (700 pieces to Şahin Koç Çelik Sanayi A.Ş., 100 pieces to Deba Holding A.Ş.) and of Group B which has 37,499,999,200 units written to name each valued 1 Kurus. Registration to stock register of the shares written to name is subject to the approval of the Board. Registered shares may be withheld from the record by the Group even with no reason.

The capital structure is as follows.

Shareholders	(%)	31 December 2018	(%)	31 December 2017
Şahin – Koç Çelik Sanayi A.Ş.	58,13	217.972.335	58,13	217.972.335
Halil Şahin	14,79	55.459.438	14,79	55.459.438
Şahin Şirketler Grubu Holding	5,45	20.444.300	5,45	20.444.300
Other (Publicly traded)	21,63	81.123.927	21,63	81.123.927
Capital with historic value	**100**	**375.000.000**	**100**	**375.000.000**

Group A shares are the privileged shares. More than the half of the Members of Board of Directors is elected from the owners of Group A shares at the General Assembly. After distribution of first dividends founding shareholders are entitled to receive 10% of the remaining profit. Then, Board of Directors are entitled to receive 10% of the remaining profit.

Inflation Adjustment on Capital

	31 December 2018	31 December 2017
Inflation adjustment on capital	22.763.962	22.763.962
	22.763.962	**22.763.962**

Legal Reserves

	31 December 2018	31 December 2017
Legal reserves	25.832.374	25.832.374
	25.832.374	**25.832.374**

The legal reserves are comprised of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in-capital and at the rate of 9% p.a. of all cash distribution in excess of 5% of the paid-in-share capital in case of full distribution of respective profit as dividend. The legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in-capital.

Publicly-traded companies are obligated to execute distribution of dividend in compliance with the communique No. II-19.1 issued by the CMB, effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend policies settled and dividend payment decision taken in general assembly and also conforming to relevant legislations. The communique does not dictate a minimum dividend rate. Companies distribute dividend in accordance with the frame defined in their dividend policy or articles of incorporation. Furthermore, dividend can be distributed by fixed or variable installments and advance dividend can be paid on the profit reported on interim financial statements.

Retained earnings

Retained earnings in legal books can be distributed taking the following article into consideration.
In accordance with the Communiqué II, No: 14.1; at the first time application of inflation adjustments on financial statements, equity items, namely Share Premiums, Legal Reserves, Statue Reserves, Special Reserves and Extraordinary Reserves were carried at nominal value in the statement of

financial position and inflation differences of such items were presented in equity under the retained earnings in total.

Revaluation Fund Gains and Losses

Revaluation Fund Gains and Losses are composed of increases/decreases on valuation of tangible fixed asset and actuarial gains/losses on employee benefits.
With amendments to standard of TAS 19 Employee Benefits, actuarial gains and losses taken into consideration in calculation of severance indemnity provision are not allowed to be accounted in profit or loss statement. Gains and losses arising from changes in actuarial assumptions are recorded as revaluation fund gains and losses in equity.

Movement of Revaluation Fund Gains/ (Losses) is as follows.

	2018	**2017**
Beginning of the period	673.964.320	681.212.243
Depreciation transfer from revaluation fund	(33.688.395)	(37.018.099)
Deferred tax calculated over depreciation	6.737.679	7.403.620
Losses on revaluation of employee benefits	(1.673.563)	(664.018)
Deferred tax calculated on losses on revaluation of employee benefits	334.713	132.804
Fund outflow due to fixed asset transfer to subsidiary	-	24.411.933
Fund outflow due to sale of fixed asset	2.674	(17.959)
Effect of change of exemption rate on corporation tax	-	(1.762.718)
Tax effect on reclassification of investment properties	-	266.514
End of the period	**645.677.428**	**673.964.320**

Non-Controlling Interests

	31 December 2018	**31 December 2017**
Shares in capital	20.136.027	20.136.027
Revaluation fund	31.398.900	32.490.474
Actuarial loss / (gain)	866	6.213
Shares in accumulated profit / (losses)	(15.842.966)	(11.302.020)
Share in profit / (loss) for the period	(20.278.157)	(5.632.519)
	15.414.670	**35.698.175**

33. REVENUE AND COST OF SALES

	01.01.- 31.12.2018	**01.01.- 31.12.2017**
Domestic sales	3.667.579.137	2.337.656.932
International sales	1.005.245.249	645.404.384
Sales returns (-)	(588.408)	(2.294.598)

Other deductions from sales (-) (*)	(6.213.751)	(3.453.256)
Revenue	**4.666.022.227**	**2.977.313.462**
Cost of goods sold	(4.182.650.325)	(2.634.145.008)
Cost of merchandise sold	(60.154.131)	(42.800.338)
Cost of services	(125.544.826)	(91.325.467)
Cost of other sales	-	(2.432.002)
Cost of Sales	**(4.368.349.282)**	**(2.770.702.815)**
Gross Profit	**297.672.945**	**206.610.647**

Details of the reportable segments used in management reporting are disclosed in Note 5.

34. CONSTRUCTION CONTRACTS

None. (31 December 2017: None)

35. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	01.01.- 31.12.2018	**01.01.- 31.12.2017**
General administrative expenses	29.632.754	24.356.105
Marketing expenses	31.904.917	32.319.076
	61.537.671	**56.675.181**

General Administrative Expenses

	01.01.- 31.12.2018	**01.01.- 31.12.2017**
Personnel expenses	13.908.069	11.807.612
Travelling expenses	611.157	541.268
Food expenses	268.943	221.209
Information technology expenses	803.003	743.734
Repair and maintenance expenses	66.152	115.814
Counseling and consultation expenses	1.805.342	1.002.876
Insurance expenses	709.546	622.197
Communication expenses	881.805	568.225
Subscription expenses	907.924	675.349
Taxes and other legal dues	2.055.154	1.433.771
Depreciation and amortization expenses	1.254.234	901.414
Employee severance indemnity expenses	582.016	472.917
Representation and accommodation expenses	808.538	537.185
Vehicle expenses	1.420.743	1.113.642
Other expenses	3.550.128	3.598.892
	29.632.754	**24.356.105**

Marketing Expenses

	01.01.- 31.12.2018	**01.01.- 31.12.2017**
Transportation expenses	4.479.688	3.907.452
Loading and handling expenses	502.042	516.586

Commission expenses	4.962.182	3.331.809
Export expenses	1.246.628	2.849.667
Personnel expenses	1.247.142	1.113.803
Electricity sales expenses	18.451.686	19.366.429
Other expenses	1.015.549	1.233.330
	31.904.917	**32.319.076**

36. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities

	01.01.-31.12.2018	**01.01.-31.12.2017**
Rediscount income	2.513.392	1.473.539
Bunker	6.348.414	16.278.274
Reversal of unnecessary provisions	320.864	182.332
Indemnity income	9.221.789	6.843.858
Finance income over sales with maturity	3.621.911	4.882.946
Sale of raw material	58.806.867	11.719.883
Other	7.668.203	4.851.621
	88.501.440	**46.232.453**

Other Expenses from Operating Activities

	01.01.-31.12.2018	**01.01.-31.12.2017**
Foreign exchange losses -net	(253.377.055)	(37.518.634)
Rediscount expenses	(1.462.047)	(1.958.521)
Insured damage expenses	(5.392.717)	-
Cost of bunker	-	(15.192.370)
Doubtful receivables	(709.535)	(229.159)
Idle time expenses	(4.232.512)	(6.109.791)
Cost of raw material sold	(55.786.948)	(11.820.659)
Other	(2.891.545)	(4.161.078)
	(323.852.359)	**(76.990.212)**

37. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities

	01.01.-31.12.2018	**01.01.-31.12.2017**

Changes in the fair value of derivative financial instruments	-	10.486.524
Increase in value in investment properties	59.465.000	-
income from financial derivatives	51.120.427	20.312.517
Gain on sales of property, plant and equipment	58.120	96.674
	110.643.547	**30.895.715**

Expenses from Investing Activities

	01.01.-31.12.2018	**01.01.-31.12.2017**
Changes in the fair value of derivative financial instruments	(20.762.082)	(1.409.669)
Foreign exchange losses	(47.823.956)	(1.706.675)
	(68.586.038)	**(3.116.344)**

38. EXPENSES CLASSIFIED BY VARIETIES

Expenses are demonstrated by their function, and details of expenses are disclosed in Note 30, 33 and 35.

39. FINANCIAL INCOME AND EXPENSES

Financial Income

	01.01.-31.12.2018	**01.01.-31.12.2017**
Foreign exchange gains	11.428.690	11.698.557
Interest income	11.889.140	7.375.017
Premium income on letter of credits	22.682	-
	23.340.512	**19.073.574**

Financial Expenses	**01.01.-31.12.2018**	**01.01.-31.12.2017**
Foreign exchange losses	(371.467.268)	(69.106.104)
Interest expenses	(154.526.116)	(82.345.716)
Bank charges	(12.647.398)	(5.001.463)
	(538.640.782)	**(156.453.283)**

40. ANALYSIS OF OTHER COMPREHENSIVE INCOME COMPONENTS

The Group has other comprehensive gain amounting to TL 1.344.198 for the period ended 31 December 2018 not to be reclassified to profit or loss (31 December 2017: 520.474). The amount is composed of actuarial losses on re-measurement of employee benefits and revaluation of fixed assets.

41. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None. (31 December 2017: None)

42. INCOME TAXES (INCLUDED DEFERRED TAX ASSETS AND LIABILITIES)

Corporate Tax Payable	**31 December 2018**	**31 December 2017**
Provision for corporate tax payable	199.728	1.898.991
Prepaid taxes and funds	(199.728)	(1.497.326)
	-	**401.665**

Tax Provision for the Period	**01.01.- 31.12.2018**	**01.01.- 31.12.2017**
Corporate tax provision	(199.728)	(1.898.991)
Deferred tax income / (expense)	109.295.416	1.678.070
	109.095.688	**(220.921)**

Corporate Tax

The Company and its subsidiaries in Turkey, are subject to corporate tax in Turkey. The estimated tax liabilities, which is regarding Group's current period operating results, are recognized in the accompanying consolidated financial statements. Corporate tax that will be accrued over corporation tax base is calculated over the tax base that remains after adding expenses recorded as expense in determination of commercial earnings that are non-deductible from tax base and subtracting tax-exempt profit, tax- free income and other deductions (if there are losses from previous years and used investment allowances if preferred).

Effective corporation tax rate applied in Turkey since 2005 is 20 %. Temporary tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 20%. Losses may be carried forward for a maximum period of five years in order to be deducted from the taxable profit to be earned in the coming years.

A temporary article is added on corporation tax act in official gazette published on December 5, 2017 numbered 30261. The temporary article dictates that rate of corporation tax will be applied as 22% on taxable earnings for the years 2018, 2019 and 2020.
Furthermore, tax-exemption rate applied on earnings from sale of real estates is reduced from 75% to 50%. This reduction results in enforcement of %10 deferred tax rate, instead of 5% earlier, on temporary differences arising in case of revaluation

There is no absolute and certain confirmation procedure related to tax evaluation in Turkey. Companies submit their tax declarations between 1-25 April coming after the related year's balancing period (for the companies having special account period, between 1 and 25 of fourth month following the closing of period). These tax declarations and concerning accounting records may be inspected and changed by tax department in five years.

Withholding Tax:

In addition to Corporation Tax, it is required to calculate withholding tax from the dividends distributed by full pledge taxpayer enterprise and include in its income tax base and except dividends distributed by foreign companies to its subsidiary in Turkey. As of 23 July 2006 withholding tax rate was altered to 15%. Dividends that are added to capital without distribution are not subject to withholding tax. It is necessary to make tax withholding at 19.8% over investment allowance balance utilized based on investment incentive certificate received prior to 24 April 2003. 40% of company activities directly related to production investment certificate. Investment expenses made after this date can be deducted. Tax withholding cannot be made on investment expenses without incentive certificate.

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based on temporary differences arising between the financial statements as reported in accordance with CMB Communiqué Serial: II, No: 14.1 and the statutory tax financial statements. The differences which are explained below usually result in the recognition of revenue and expenses in different reporting periods for Account Standards Communiqué of CMB and tax purposes.

Timing differences arise from differences which occurred because of change in income and expense items between accounting and tax base. Time differences are being calculated based on tangible fixed assets (except land and area), intangible fixed assets, revaluation of stocks; rediscount of receivables and payables, financial liabilities, provision for employee severance indemnity and previous years' losses. The ratio of deferred tax applied is 20% in the reporting period.

Items that constitute base to deferred tax and corporate tax are presented below.

	31 December 2018		**31 December 2017**	
	Temporary Difference	**Deferred Tax**	**Temporary Difference**	**Deferred Tax**
Deferred Tax Assets				
Inventories	76.561.337	16.843.494	6.237.638	1.247.528
Employee severance indemnity	20.649.952	4.129.990	15.418.401	3.083.680
Trade receivables	15.158.518	3.334.874	5.913.569	1.182.714
Financial investments	445.357	89.071	445.357	89.071
Fair values of derivative financial instruments	13.883.474	3.054.364	(6.875.574)	(1.375.115)
Other non-current and current liabilities	3.517.441	773.837	1.434.130	286.826
Debt provisions	3.000	660	1.266.863	253.373
Tangible and intangible assets	118.929.817	23.785.964	128.789.110	25.757.822
Other current assets	14.414.075	3.171.096	12.516.984	2.503.397
Trade payables	(12.790.022)	(2.813.805)	(6.662.360)	(1.332.472)
Tax losses carried forward	887.722.269	182.817.781	471.295.162	94.259.032
Actuarial loss fund on severance indemnity	5.858.278	1.171.656	4.178.031	835.606
		236.358.982		**126.791.462**
Deferred Tax Liabilities				
Fair values of property, plant equipment	809.545.326	161.909.065	844.594.839	168.918.968
Investment properties	136.657.042	13.665.704	77.192.042	7.719.204
		175.574.769		**176.638.172**
Net Deferred Tax Liabilities		**60.784.213**		**(49.846.710)**

Movements in Deferred Tax Asset / (Liability)	**01.01.- 31.12.2018**	**01.01.- 31.12.2017**
Balance at the beginning of the period	(49.846.710)	(50.158.694)
Tax effect of actuarial loss /(gain) of severance indemnity	336.049	130.118
Deferred tax income	109.295.415	1.678.070
Effect of change in accounting policy TFRS 9	999.459	-
Tax effect on reclassification of investment properties	-	266.514
Effect of change of exemption rate on corporation tax		(1.762.718)

Balance at the end of the period	**60.784.213**	**(49.846.710)**

Movement of deferred tax assets and liabilities are presented below.

	1 January 2018	Current period deferred tax income	Recognized in other comprehensive income	Recognized in retained earnings /Losses	31 December 2018
Deferred Tax Assets					
Inventories	1.247.528	15.595.966	-	-	16.843.494
Employee severance indemnity	3.083.680	1.046.310	-	-	4.129.990
Trade receivables	1.182.714	1.152.701	-	999.459	3.334.874
Financial investments	89.071	-	-	-	89.071
Fair values of derivative financial instruments	(1.375.722)	4.430.086	-	-	3.054.364
Other non-current and current liabilities	286.826	487.011	-	-	773.837
Debt provisions	253.373	(252.713)	-	-	660
Tangible and intangible fixed assets	25.757.822	(1.971.859)	-	-	23.785.965
Other current assets	2.504.004	667.092	-	-	3.171.096
Trade payables	(1.332.472)	(1.481.333)	-	-	(2.813.805)
Tax losses carried forwards	94.259.032	88.558.749	-	-	182.817.781
Actuarial loss fund on severance indemnity	835.606	-	336.049	-	1.171.655
	126.791.462	**108.232.010**	**336.049**	**999.459**	**236.358.982**
Deferred Tax Liabilities					
Fair values of property, plant equipment	168.918.968	(7.009.903)			161.909.065
Investment properties	7.719.204	5.946.500			13.665.704
	176.638.172	**(1.063.403)**	**-**		**175.574.769**
Net Deferred Tax Assets/ (Liabilities)	**(49.846.710)**	**109.295.415**	**336.049**	**999.459**	**60.784.213**

	1 January 2017	Current period deferred tax income	Recognized in other comprehensive income	Other	31 December 2017
Deferred Tax Assets					
Inventories	175.473	1.072.055	-	-	1.247.528
Employee severance indemnity	2.410.997	672.683	-	-	3.083.680
Trade receivables	975.702	207.012	-	-	1.182.714
Financial investments	89.071	-	-	-	89.071

Fair values of derivative financial instruments	439.649	(1.815.371)	-	-	(1.375.722)
Other non-current and current liabilities	568.377	(281.551)	-	-	286.826
Debt provisions	(117.941)	371.314	-	-	253.373
Tangible and intangible fixed assets	27.031.748	(1.273.925)	-	-	25.757.823
Other current assets	1.748.342	755.662	-	-	2.504.004
Trade payables	(1.184.415)	(148.057)	-	-	(1.332.472)
Tax losses carried forwards	97.843.944	(3.584.912)	-	-	94.259.032
Actuarial loss fund on severance indemnity	705.488	-	130.118	-	835.606
	130.686.435	**(4.025.091)**	**130.118**	**-**	**126.791.462**
Deferred Tax Liabilities					
Fair values of property, plant equipment	177.118.784	(7.666.788)	-	(533.028)	168.918.968
Effect of change of exemption rate on corporation tax	-	1.963.627	-	1.762.718	3.726.345
Tax effect on reclassification of investment properties	-	-	-	266.514	266.514
Investment properties	3.726.345	-	-	-	3.726.345
	180.845.129	**(5.703.161)**	**-**	**1.496.204**	**176.638.172**
Net Deferred Tax Assets/ (Liabilities)	**(50.158.694)**	**1.678.070**	**130.118**	**(1.496.204)**	**(49.846.710)**

Reconciliation of tax provision that is presented in the profit or loss statement is as follows.

Reconciliation of tax provision	**01.01.- 31.12.2018**	**01.01.- 31.12.2017**
Net profit/(loss) for the period	(362.037.382)	9.356.448
Total tax income / (expense)	109.095.688	(220.921)
Profit /(loss) before tax	(471.133.070)	9.577.369
Tax on profit per statutory tax rate of the parent company	103.649.275	(1.915.474)
Discount on tax rate	7.135.800	-
Non-deductible expenses	(881.508)	(279.808)
Tax exempt income	1.558.798	556.643
Effect of consolidation adjustments	-	3.409.722
Effect of increase on corporation tax rate	(3.387.092)	-
Effect of change of exemption rate on corporation tax	-	(1.963.627)
Other	1.020.414	(28.377)
Total tax income	**109.095.687**	**(220.921)**

The maturity of the tax losses are as follows:

		31 December 2018	**31 December 2017**
Period of tax losses occurred	Maturity of tax losses	Tax losses carried forward	Tax losses carried forward
2014	2019	22.709.474	22.709.474
2015	2020	240.956.879	240.956.879
2016	2021	117.719.937	117.719.937

2017	2022	89.908.872	89.908.872
2018	2023	416.427.107	-
Total		**887.722.269**	**471.295.162**

43. EARNINGS PER SHARE

Weighted average number of the company shares and calculated earnings per share are as follows

	01.01.-31.12.2018	**01.01.-31.12.2017**
Profit for the period attributable to parent company	(341.759.225)	14.988.967
Weighted average number of ordinary shares	375.000.000	375.000.000
Earnings / (losses) per share TL	(0,9114)	0,0400
Earnings / (losses) per share	(%91,14)	%4,00

44. SHARE-BASED PAYMENT

None. (31 December 2017: None)

45. INSURANCE CONTRACTS

None. (31 December 2017: None)

46. EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

Analyse of changes in foreign exchange rates is depicted in note 50. Foreign exchange loss recorded on income statement for the current period is TL 661.239.589; TL 277.443.103 of which is not realized.

47. FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

None. (31 December 2017: None)

48. DERIVATIVE INSTRUMENTS

	31 December 2018	**31 December 2017**
Income accrual on derivative instruments	754.684	7.538.558
	754.684	**7.538.558**

Income accrual on derivative instruments consists of fair value differences of option contracts and future contracts recognized in profit or loss statement.

	31 December 2018	**31 December 2017**
Expense accrual on derivative instruments	14.638.158	662.984
	14.638.158	**662.984**

Expense accrual on derivative instruments consists of fair value differences of option contracts and future contracts recognized in profit or loss statement.

Forward exchange transactions

The Group's business operations are exposed to financial risk due to changes in currency rate and interest rate basically. The Group utilizes derivative financial instruments (primarily currency exchange forward contracts) to avoid fair value risks.

Derivative financial instruments are calculated at fair value on contract date and recalculated at their fair value at next reporting date. The variations on market values are accounted in the profit or loss statement of relevant period.

The Group does not adopt hedge accounting for derivative financial instruments. Details of forward and option contracts entered by the Group are summarized below.

Forward contracts:

	Maturity	**Exchange rate parity**	**To be handed over to bank**	**To be received from bank**
GBP Sale USD Purchase	1 month	1,32	1.500.000	1.976.400
USD Sale GBP Purchase	1 month	1,27	1.916.400	1.500.000
EUR Sale USD Purchase	1 month	1,17 -1,18	2.400.000	2.829.170
TL Sale USD purchase	1 month	5,27-5,28	5.279.400	1.000.000
USD sale EURO Purchase	1 month	1,13-1,14	1.370.810	1.200.000
USD Sale TL Purchase	1-5 month	4,55-5,14	22.100.000	109.777.000

Option contracts:

	Maturity	**Exchange rate parity**	**To be handed over to bank**	**To be received from bank**
USD Sale TL Purchase	1-11 month	5,50 -8,00	10.000.000	61.100.000,00

49. FINANCIAL INSTRUMENTS

	31 December 2018	**31 December 2017**
Financial assets		
Cash and cash equivalents (Note 7)	116.080.037	180.107.065
Trade receivables (Note 6 and 9)	248.858.138	245.307.362
Financial investments (Note 8)	931.043	931.043

Financial liabilities		
Financial liabilities	1.844.956.446	1.140.848.298
Trade payables (Note 6 and 9)	959.307.769	873.678.060

Financial Borrowings

	31 December 2018	**31 December 2017**
Short term borrowings	1.056.993.478	393.985.710
Short term portion of long term borrowings	181.843.935	195.334.391
Total short term financial borrowings	**1.238.837.413**	**589.320.101**
Long term borrowings	606.119.033	551.528.197
Total financial borrowings	**1.844.956.446**	**1.140.848.298**

there is interest expense accrual amounting to TL 22.024.625 on total financial borrowings for thee period ended. (31 December 2017: TL 11.362.818). The mentioned accrual is included in short term borrowings.

The pledges and mortgages given by the Group against borrowings are disclosed in Note 16 and 28.

Breakdown of short term and long term financial borrowings in terms of currency are as follows.

31 December 2018

Currency	**Short term**	**Long term**	**Total**	**TL equivalent**
USD	189.272.953	101.269.560	290.542.513	1.528.515.110
TL	221.066.711	73.350.000	294.416.711	294.416.711
				1.822.931.821
Interest expense accrual				11,362,818
Total				**1.844.956.446**

31 December 2017

Currency	**Short term**	**Long term**	**Total**	**TL equivalent**
USD	116.834.369	132.301.544	249.135.913	939.715.750
TL	137.269.730	52.500.000	189.769.730	189.769.730
				1.129.485.480
Interest expense accrual				10,732,459
Total				**1.140.848.298**

The contractual interest rates at the statement of financial position date are as follows.

Short term	**31 December 2018**	**31 December 2017**
USD borrowings	Libor+0,65- %9	Libor+0.65- %5,50
TL borrowings	%16,50 - %34	%14,75 - %15,70

Long term	**31 December 2018**	**31 December 2017**

USD borrowings	%6,60 - Libor+3,40	%2,85 - Libor+3,40
TL borrowings	%15-%16,90	%15

As of the statement of financial position date, principal repayment plans of total borrowings are as follows. Interest accruals and factoring borrowings are excluded.

	31 December 2018	31 December 2017
2018	-	577.957.285
2019	1.216.812.789	133.030.555
2020	209.332.375	127.645.868
2021-2023	396.786.657	290.851.772
	1.822.931.821	**1.129.485.480**

50. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Credit risk

Registered values of financial assets show the maximum credit risk exposed. Maximum credit risk exposed as of the reporting date is as follows.

Current Period 31 December 2018	Receivables				Bank Deposits	Derivate Instruments	Other
	Trade Receivables		Other Receivables				
	Related Party	Other Party	Related Party	Other party			
Exposure to maximum credit risk as of reporting date (A+B+C+D) (*)	**45.063.362**	**203.794.776**	**68.031.462**	**2.431.426**	**115.890.931**	**754.684**	**-**
- The secured part of maximum credit risk	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither impaired nor overdue	44.100.994	141.980.716	68.031.462	2.431.426	115.890.931	754.684	-
B. Net book value of impaired assets	962.368	61.814.060	-	-	-	-	-
C. Net book values of the impaired assets	-	-	-	-	-	-	-
- Overdue (gross book value)	-	7.998.295	-	-	-	-	-
- Impairment (-)	-	(7.998.295)	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

Prior Period 31 December 2017	Receivables				Bank Deposits	Derivate Instruments	Other
	Trade Receivables		Other Receivables				
	Related Party	Other Party	Related Party	Other party			
Exposure to maximum credit risk as of reporting date (A+B+C+D) (*)	**12.668.675**	**232.638.687**	**456.370**	**1.996.989**	**179.846.822**	**7.538.558**	**-**
- The secured part of maximum credit risk	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither impaired nor overdue	11.799.423	152.726.502	456.370	1.996.989	179.846.822	7.538.558	-
B. Net book value of impaired assets	869.252	79.912.185	-	-	-	-	-
C. Net book values of the impaired assets	-	-	-	-	-	-	-
- Overdue (gross book value)	-	4.106.403	-	-	-	-	-

- Impairment (-)	-	(4.106.403)	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured part of the net value	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(*) Items that enhance the loan security such as collaterals were not taken into consideration in determining the amount.

Group did not set provisions for overdue receivables since there was no trouble with the collection from customers in the past and the receivables which were overdue in prior periods were collected without any problem.

The usage of credit limits are continuously monitored by the Group and the credit quality is constantly evaluated by taking into account the clients' financial position and previous experiences as well as other factors.

The ageing details of receivables of the Group overdue however not impaired are as follows with their due dates.

Current Period 31 December 2018	**Receivables**		**Bank Deposits**	**Derivate Instruments**	**Other**
	Trade Receivables	**Other Receivables**			
Past due 1-30 days	12.959.827	-	-	-	-
Past due 1-3 moths	11.410.424	-	-	-	-
Past due 3-12 months	20.872.045	-	-	-	-
Past due 1-5 years	17.534.132	-	-	-	-
Past due 5 years or more	-	-	-	-	-
	62.776.428	**-**	**-**	**-**	**-**

Prior Period 31 December 2017	**Receivables**		**Bank Deposits**	**Derivate Instruments**	**Other**
	Trade Receivables	**Other Receivables**			
Past due 1-30 days	120.825	-	-	-	-
Past due 1-3 moths	182.464	-	-	-	-
Past due 3-12 months	62.128.620	-	-	-	-
Past due 1-5 years	18.349.528	-	-	-	-
Past due 5 years or more	-	-	-	-	-
	80.781.437	**-**	**-**	**-**	**-**

Foreign Currency Risk

	Current Period 31 December 2018						Prior Period 31 December 2017					
	TL Equivalent (Functional currency)	USD	Euro	JPY	GBP	Other (TL Equivalent)	TL Equivalent (Functional currency)	USD	Euro	JPY	GBP	Other (TL Equivalent)
1. Trade receivables	110.925.733	19.149.002	1.689.573	-	-	-	48.040.141	11.645.207	911.435	-	-	-
2a. Monetary financial assets	169.049.816	30.798.298	1.139.656	767.435	13.859	24.514	167.760.257	44.216.644	177.522	3.818.010	6.111	19.250
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	**279.975.549**	**49.947.301**	**2.829.229**	**767.435**	**13.859**	**24.514**	**215.800.398**	**55.861.851**	**1.088.957**	**3.818.010**	**6.111**	**19.250**
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)	**279.975.549**	**49.947.301**	**2.829.229**	**767.435**	**13.859**	**24.514**	**215.800.398**	**55.861.851**	**1.088.957**	**3.818.010**	**6.111**	**19.250**
10. Trade payables	931.989.652	175.805.974	1.146.062	3.036.200	5.889		798.331.759	211.558.206	76.032	155.990	1.344	
11. Financial liabilities	1.005.902.556	191.203.512	-	-	-	-	439.639.768	116.556.581	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	**1.937.892.208**	**367.009.486**	**1.146.062**	**3.036.200**	**5.889**		**1.237.971.527**	**328.114.787**	**76.032**	**155.990**	**1.344**	
14. Trade payables	-	-	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	533.354.903	101.380.924	-	-	-	-	509.805.055	135.158.688	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	**533.354.903**	**101.380.924**	**-**	**-**	**-**	**-**	**509.805.055**	**135.158.688**	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**2.471.247.111**	**468.390.410**	**1.146.062**	**3.036.200**	**5.889**		**1.747.776.581**	**463.273.475**	**76.032**	**155.990**	**1.344**	
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	(111.004.990)	(21.100.000)	-	-	-	-	(75.060.810)	(19.900.000)	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	5.260.900	1.000.000	-	-	-	-	33.947.100	9.000.000	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	116.265.890	22.100.000	-	-	-	-	109.007.910	28.900.000	-	-	-	-
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	**(2.302.276.552)**	**(439.543.110)**	**1.683.167**	**(2.268.765)**	**7.970**	**24.514**	**(1.607.036.994)**	**(427.311.623)**	**1.012.925**	**3.662.020**	**4.767**	**19.250**
21. Net foreign currency asset / (liability) position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(2.191.271.562)	(418.443.110)	1.683.167	(2.268.765)	7.970	24.514	(1.531.976.184)	(407.411.623)	1.012.925	3.662.020	4.767	19.250
22. Fair value of financial instruments used in foreign currency hedges	-	-	-	-	-	-	-	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-	-	-	-	-	-	-	-

Foreign currency risk sensitivity analysis

In case of a fluctuation by 10% in TL against foreign currencies as shown below, the profit or loss statement is expected to be affected as below. While making the analysis, all other variables are assumed to remain unchanged.

Foreign Currency Risk Sensitivity Analysis				
Current Period 31 December 2018	**Profit / Loss**		**Equity**	
	Appreciation of foreign currency	Devaluation of foreign currency		Appreciation of foreign currency
Change in the USD against TL by 10 % :				
1- Net asset / liability of USD	(220.138.736)	220.138.736	-	-
2- USD risk hedged (-)	(11.100.499)	11.100.499	-	-
3- USD net effect (1+2)	**(231.239.235)**	**231.239.235**	**-**	**-**
Change in the EUR against TL by 10 % :				
4- Net asset / liability of EURO	1.014.613	(1.014.613)	-	-
5- EUR risk hedged (-)	-	-	-	-
6- EUR net effect (4+5)	**1.014.613**	**(1.014.613)**	**-**	**-**
Change in the other foreign currencies against TL by 10 %				
7- Net asset / liability of other currency	(3.034)	3.034	-	-
8- Other currency risk hedged (-)	-	-	-	-
9- Other currencies net effect (7+8)	**(3.034)**	**3.034**	**-**	**-**
TOTAL (3+6+9)	**(230.227.655)**	**230.227.655**	**-**	**-**

Foreign Currency Risk Sensitivity Analysis				
Current Period 31 December 2017	**Profit / Loss**		**Equity**	
	Appreciation of foreign currency	Devaluation of foreign currency		Appreciation of foreign currency
Change in the USD against TL by 10 % :				
1- Net asset / liability of USD	(153.671.590)	153.671.590	-	-
2- USD risk hedged (-)	(7.506.081)	7.506.081	-	-
3- USD net effect (1+2)	**(161.177.671)**	**161.177.671**	**-**	**-**
Change in the EUR against TL by 10 % :				
4- Net asset / liability of EURO	457.386	(457.386)	-	-
5- EUR risk hedged (-)	-	-	-	-
6- EUR net effect (4+5)	**457.386**	**(457.386)**	**-**	**-**
Change in the other foreign currencies against TL by 10 %				
7- Net asset / liability of other currency	16.586	(16.586)	-	-
8- Other currency risk hedged (-)	-	-	-	-
9- Other currencies net effect (7+8)	**16.586**	**(16.586)**	**-**	**-**
TOTAL (3+6+9)	**(160.703.699)**	**160.703.699**	**-**	**-**

Interest rate sensitivity

Interest Position Table			
		Current Period	**Prior Period**
Financial instruments with fixed interest rate			
Financial Assets	Fair value through profit or loss assets	-	-
	Available for sale assets	-	-
Financial Liabilities		1.126.906.624	262.161.196
Financial instruments with floating interest rate			
Financial Assets		-	-
Financial Liabilities		696.025.197	867.324.285

If annual interest rate on bank loans received as of 31 December 2018 was higher/lower by 100 basis point (1%) with all other variables remain constant, the profit before tax and non-controlling interest would be lower/higher by TL 3.036.271.

The Group's financial liabilities expose the Group to interest rate risk. The Group's financial liabilities mainly consist of borrowings with floating rate. The Group attempts to acquire loans with lower interest rate to minimize interest rate risk.

Liquidity Risk

Liquidity risk is the probability of the group defaulting on its liabilities. Occurrence of events like deteriorations in markets or decrease in credit score that causes decreases in fund resources bring about liquidity risk. The Group management manages liquidity risk by distributing the funds and by keeping sufficient cash and cash equivalents resources to cover the current and possible liabilities.

Funding risk of the current and future liabilities is managed by providing sustainability of the access to sufficient high quality creditors and the sustainability of the sufficient cash flows obtained from operating activities. In order to ensure continuous liquidity the group management, , closely follows up the timely collection of receivables, allocates high intensity focus to prevent any financial burden sourcing from late collections and determines cash and non-cash credit limits to be activated in case of need by the Group. Besides, Group's liquidity management policy consists to prepare cash flow projections, follow up and evaluate actual liquidity rates by comparing to budgeted ratios.

The Group's liquidity risk table for the period ending at 31 December 2018 is as follows.

Contractual maturities	**Carrying Amount**	**Total contractual cash outflows (=I+II+III+IV)**	**Less than 3 months (I)**	**Between 3 – 12 months (II)**	**Between 1- 5 Year (III)**	**More than 5 Years (IV)**
Non-derivative Financial Liabilities						
Bank borrowings	1.844.956.446	2.017.139.536	311.048.953	916.050.517	790.040.066	55,261,099
Trade payables	959.307.846	974.029.093	283.659.955	690.369.137	-	-
Other payables *	1.668.679	1.668.679	1.668.679	-	-	-
Other current liabilities *	37.203.313	37.203.313	37.203.313	-	-	-
Derivative Financial Liabilities (Net) **						
Derivative cash inflows		450.849.851	291.072.851	159.777.000	-	-
Derivative cash outflows	(13.883.474)	(444.709.800)	(286.356.710)	(158.353.090)	-	-

31 December 2017

Contractual maturities	Carrying Amount	Total contractual cash outflows (=I+II+III+IV)	Less than 3 months (I)	Between 3 – 12 months (II)	Between 1- 5 Year (III)	More than 5 Years (IV)
Non-derivative Financial Liabilities						
Bank borrowings	1.140.848.298	1.272.170.558	86.719.517	553.166.928	577.023.014	55.261.099
Trade payables	873.678.060	883.666.930	277.655.636	606.011.293	-	-
Other payables *	1.796.513	1.796.513	1.796.513	-	-	-
Other current liabilities *	51.212.069	51.212.069	51.212.069	-	-	-
Derivative Financial Liabilities (Net) **						
Derivative cash inflows		160.390.000	50.107.390	-	-	-
Derivative cash outflows	6.878.608	(143.774.290)	(49.853.980)	-	-	-

(*) Non-financial assets such as deposits received, advances taken, deferred incomes are not included in other payables and other current liabilities.

(**) By their nature, option contracts that are mentioned in Note 48 are not included in the table above since the right is fully under the control of the bank.

Capital risk management

In capital management, the Group aims to enhance profitability while keeping a reasonable leverage and sustainability in its operations.

The Group monitors its capital with debt / total capital ratio. This ratio is defined as net debt divided by total capital. Net debt is calculated by deducting cash and cash equivalents from total debt, which includes bank borrowings and financial leases. Total equity is calculated by summing the total equity and net debt as pointed out in the consolidated statement of financial position.

The net debt / total equity ratio is as follows.

	31 December 2018	31 December 2017
Total debt (Note 49)	1.844.956.446	1.140.848.298
Less: Cash and cash equivalents (Note 7)	116.080.037	180.180.845
Net debt	1.728.876.409	960.667.453
Total shareholders’ equity	316.676.944	683.602.059
Total equity	2.045.553.355	1.644.269.507
Net debt/Total equity ratio	%85	%58

51. FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

“TFRS 7 – Financial Instruments: Disclosure” requires the Companies to disclose the classification and hierarchy of the data used in determining the fair values of the financial assets. The basis for the hierarchy is dependent on the conformity of the data used in fair value calculation. The independency of the source of the data, the assumptions used in calculation of the fair value effects the level of hierarchy.

In the following table, the valuation methodologies of financial instruments made valuation with their fair values are presented. They are described in terms of their levels as follows.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market (unobservable inputs).

31 December 2018	**Level 1**	**Level 2**	**Level 3**
Investment properties	-	-	143.650.000
Forward contracts	-	(13.883.474)	-
	-	**(13.883.474)**	**143.650.000**

31 December 2017

	Level 1	**Level 2**	**Level 3**
Investment properties	-	-	84.185.000
Forward contracts	-	6.875.574	-
	-	**6.875.574**	**84.185.000**

52. SUBSEQUENT EVENTS

None. (31 December 2017: None)

53. OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR MAKE THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None. (31 December 2017: None)

54. DISCLOSURES IN RELATION TO STATEMENT OF CASH FLOW

As at 31 December 2018, the Group's cash flow used in operating activities amounted to TL 242.550.449 TL (31 December 2017: 153.155.024). Cash used in investing activities amounted to TL 78.501.035 (31 December 2017: 62.298.239). Cash used in financing activities amounted to TL 256.950.676 (31 December 2017: 186.935.494)

Reconciliation of cash flows from financing activities with movements of financial liabilities:

			Non cash movement		
	31 December 2017	Cash movements	Foreign exchange	Other	31 December 2018
Borrowings (Note 49)	1.140.848.298	340.286.595	237.257.010	126.564.543	1.844.956.446

55. DISCLOSURES IN RELATION TO STATEMENT OF CHANGES IN EQUITY

The Group's total equity amounted to TL 316.676.944 (31 December 2017: TL 683.602.059), which is the sum of TL 301.262.244 (31 December 2017: TL 647.903.884) and TL 15.414.670 (31 December 2017: TL 35.698.175) stands for equity attributable to owners of the company and non-controlling interests respectively.