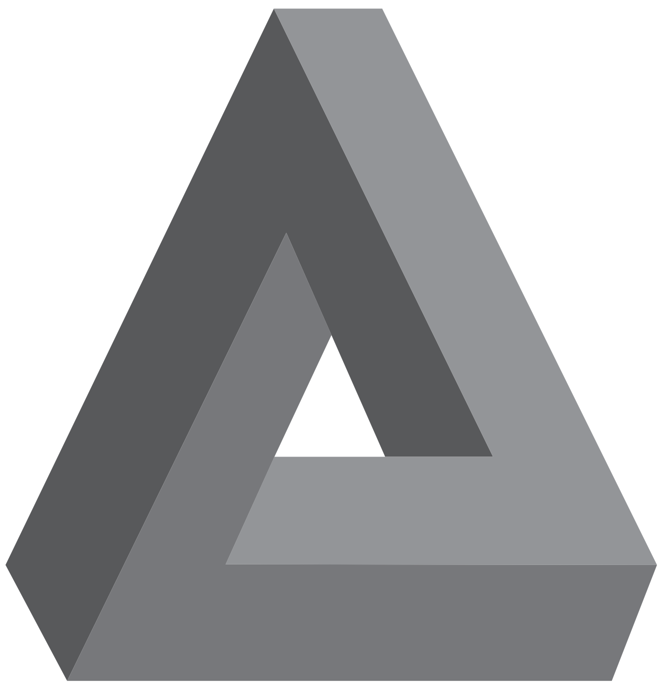
Akkök Holding A.Ş.

Report 2018



AKKÖK
HOLDİNG

OUR IMMEASURABLE LOSS

We are indescribably saddened by the loss of our Chairman, Mr. Ali Raif Dinçkök.

Mr. Dinçkök was an exemplary person who guided each and every one of us with his work ethics, hardwork, discipline and philanthropy. He was a visionary businessman dedicated to culture and art.

We will always remember him fondly with affection, respect and gratitude that transcends time.

Ali Raif Dinçkök

APPROPRIATE INVESTMENTS, SUSTAINABLE PROGRESS...
WE INVEST IN THE FUTURE WITH OUR SERVICES AND PRODUCTS, RAISING STANDARDS IN THE CHEMICAL, ENERGY AND REAL ESTATE INDUSTRIES.

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About Us

A BEACON OF ESTABLISHED KNOWHOW, FINANCIAL STRENGTH AND RELIABILITY...

Founded in 1952 by the late Raif Dinçkök, and with deep know-how spanning 66 years, Akkök Holding ranks among the most well established industrial groups in Turkey. The Group conducts operations in the fields of chemicals, energy and real estate, with 19 commercial and industrial enterprises, one of which is overseas, and with 19 production plants. By closely following the trends in the world's markets and in its operating industries, Akkök Holding aims to catch up with the global competition, and achieve world-class standards together with all the companies under its roof.

Aksa Akrilik Kimya Sanayi A.Ş. was founded in Yalova to meet the requirements for acrylic fiber in Turkey in 1968, and started production in 1971 with an annual capacity of 5000 tons. Becoming the largest acrylic fiber producer in the world with its investments and innovations, Aksa is a world giant with approximately 300 customers in 50 cities on 5 continents. With 1200 employees, a production area of 502,000 square meters, and annual capacity of 315,000 tons, it is the largest acrylic fiber producer in the world and the only producer in Turkey. Along with textile fibers, Aksa initiated outdoor fiber production in 2001 and is becoming more ambitious within the technical fiber industry for products such as flock tow, homopolymer and filament thread.

DowAksa was established in 2012 as a joint venture of the Dow Chemical Company and Aksa Acrylic San A.Ş., with the aim of providing a wide range of products and technical services to the global composites industry, whose raw material is carbon fiber. Thanks to Dow's knowledge and experience in resins, and Aksa's infrastructure, which allows for growth, today DowAksa is one of the strongest companies vying for leadership in the production of carbon fiber and carbon fiber intermediate materials market. Moreover, DowAksa is the first and only Turkish company in the carbon fiber industry. DowAksa provides carbon fiber composite solutions to industrial sectors, namely the energy, transportation, defense and infrastructure sectors.

Producing basic and performance chemicals, Ak-Kim, serves the cleaning, chemistry, textile, paper, water treatment, food, metal, agricultural pesticide, energy, building, mining, plastic and paint industries. It added advanced technological water treatment systems to the water treatment sector with an investment in ultrafiltration, and became the first and only producer of this product in Turkey. Ak-Kim acquired Gizem Frit, one of the largest enamel and ceramic frit producers in the world in 2015, entering into a different market. Serving 70 countries abroad, Ak-Kim, acquired Dinox, a chemical sales and marketing company in Germany, in order to be closer to its customers, and continues its growth in Europe. It acquired 100% of the shares of Akferal, which it founded via a 50% partnership with Feralco in 2013, and soon after acquired Dostel in November 2017.

Gizemfrit, which started production in its factory in Göktepe, Adapazarı in 1979, today keeps expanding its production every day in more than 1,000 varieties of products in 4 different product groups including ceramic, enamel, non-stick coatings and pigments. This is carried out in its 60,000 m2 modern and fully automated facilities equipped with state-of-the-art technology in the 2nd Organized Industrial Zone in the Hendek district of Sakarya. As of 2015, Gizemfrit joined the Akkök Group of Companies. At the end of 2017, Gizemfrit acquired the Spanish Megacolor company, which produces inkjet ink and pigment and is one of the key players of the ceramic industry. With some 70% market share in enamel and ceramic in Turkey, Gizemfrit is the 2nd largest manufacturer of enamel in the world and the leader in its sector in Turkey. Gizemfrit has 132,500 tons of annual production capacity, more than 400 employees in Turkey and Spain, up to 1,000 indirect employees, customers in 60 countries in 6 continents and a 13% global market share.

Akiş REIT, the real estate investment company operating under Akkök Holding, continues to develop projects that help improve quality of life in the regions where it operates. The Company runs Akbatı Shopping Mall and Life Center, as well as the Akasya projects, and it is also developing street retail projects on Bağdat Street as an alternative to shopping mall investments. Akiş REIT has cooperated with Beymen for the Uşaklıgil Apartment in its first high street retail project, and the store opened its doors to visitors in September 2017. Furthermore in 2018, the Company made its first move abroad with an investment in a housing project developed in the UK.

KidZania, a country of children at the Akasya shopping center, is a significant social space spreading over 8,000 m2 with the concept of education while entertaining children. In KidZania, which operates in 20 countries and 26 cities, children aged 4-14 experience 21st century professions. Every KidZania city is a real-world simulation, with its square, streets, traffic lights, hospital and fire brigade. In the areas of activity with partner brands that are scaled for kids, children discover their abilities while getting to know professions and concepts.

Akmerkez has been investing in the future and has been the leader in creating new values. Akmerkez has been a hotspot for intimate experiences, and the most popular meeting point in the city, with distinguished brands and stores, shopping, entertainment facilities and food court, since 1993. Akmerkez shopping center adds dynamism to the social life of the city. It also adds value to the lives of its guests with its innovative projects such as the new breath of the city, the 'Triangle Terrace', the 'Agriculture in the Terrace', an award-winning project that proves that a sustainable life is possible in the city and 'Concierge' which was revamped to cater to current needs. Achieving a first in Turkey by winning the Best Shopping Center in Europe award in 1995 and in the World award in 1996 presented by the International Council of Shopping Centers (ICSC), Akmerkez improves itself constantly with projects adding value to city life.

Starting its activities as an auto-producer group in the Akkök Group of Companies in 1989, Akenerji has been operating as an independent power generation company since 2005. With the 50-50 strategic partnership of Akkök Holding and CEZ, the Company has installed power of 1,224 MW.

Sepaş Enerji, a strategic partnership between Akkök Holding and CEZ Group, which is considered as one of Europe's 10 largest energy firms, is one of Turkey's 21 authorized supply companies. Sepaş Enerji supplies electricity to 1.7 million consumers all over Turkey, mainly in Bolu, Düzce, Sakarya and Kocaeli.

Sakarya Electricity Distribution Inc. (SEDAŞ) provides energy distribution services to 1.8 million consumers in Sakarya, Kocaeli, Bolu and Düzce. SEDAŞ carries out its operations through its 33 distribution centers and a total of 22 Customer Services Centers. As of the end of 2018, the total electricity distributed in the 4 provinces in the Eastern Marmara region stood at 9.75 billion kWh.

Key Financial Indicators*

AKKÖK GROUP CONTINUED ITS STEADY PERFORMANCE IN 2018 AND ANNOUNCED A COMBINED EBITDA OF TL 2.4 BILLION IN 2018.

NET SALES
Combined (TL Million)

Akkök Group generated net sales of TL 14.9 billion.

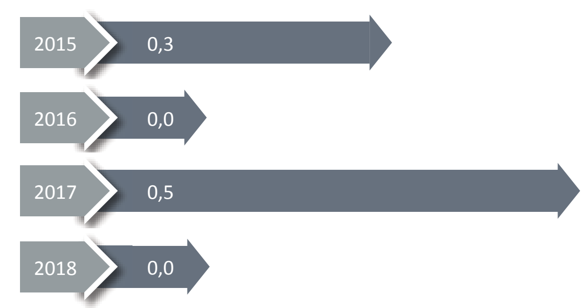
[1] Consolidated net sales in 2018 amounted to TL 5.2 billion.

EBITDA
Combined (TL Million)

In 2018, Akkök Group announced a combined EBITDA of TL 2.4 billion.

[2] In 2018, consolidated EBITDA amounted to TL 1.2 billion.

NET PROFIT
Combined (TL Million)



[3] Akkök Group's consolidated net profit for 2018 is TL 1.3 billion.

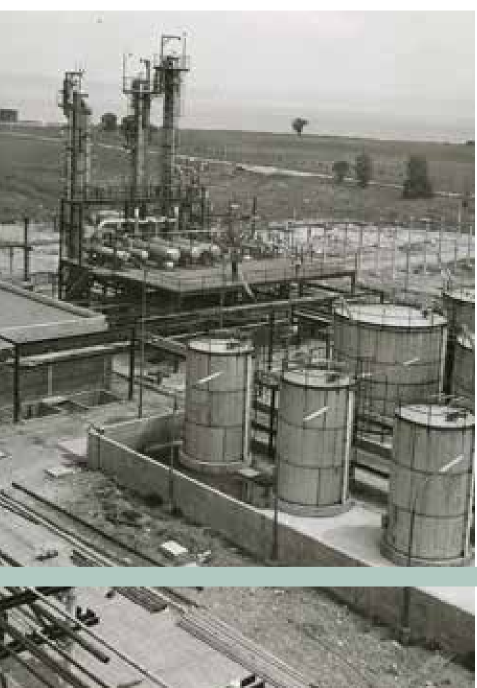
[*] Combined values are calculated as per the Regulatory Financial Statements of Akkök Holding A.Ş., as well as its Affiliates, Subsidiaries, and Jointly Controlled Entities, without being subject to elimination.
[**] Akkök Group has started to recognize its investment properties at fair value instead of cost value. In this context, the effects of accounting for investment properties in line with the fair value model are reflected on the financials of 2017 and 2018.

History and Development

INVESTMENTS ADDING VALUE TO THE TURKISH ECONOMY AND SOCIETY FROM PAST TO PRESENT...

1950s

Aksu was established in Bakırköy, Istanbul in 1952, as the Holding's first industrial investment. It was followed by Ariş the same year, also established in Bakırköy. The establishment of Dinarsu was completed in Eyüp, Istanbul in 1953. Dinkal A.Ş., a manufacturer and trader of yarn, was also founded in the same year.



1960/70s

1960-1970's

Aksa was established in Yalova in 1968 and commenced production in 1971. The company started exporting in 1977. Akmeltem and Ak-Pa were established in 1976. Ak-Kim was established in 1977 and started production of sulfur dioxide.

1980's

Foundations of Ak-Al Bozüyük Plant were laid in 1982, and Akmerkez Etiler Ordinary Partnership was set up in 1985. Ak-Tops was established in 1986 and Aksa was listed on the ISE in March; Ak-Al was listed on the ISE in September of the same year. In 1986, Ak-Kim Organic Facility was founded and inaugurated. In 1989, Akenerji and Aktem were established and Ak-Kim started to produce methyl amines.

1990

1990-1994

Dinkal was restructured as an insurance consultation and brokerage corporation and Ak-Kim started producing dimethylformamide for the first time in 1990. Aksu shares began trading on the Istanbul Stock Exchange (İMKB) in November of the same year.

Akmerkez was inaugurated on December 18, 1993. Ak-Kim signed the Responsible Care Program, becoming one of the first companies to implement the program in Turkey.

1995-1996

Akmerkez Lokantacılık launched Paper Moon and was later chosen as the "Best Shopping Center in the World" at a competition in Las Vegas.

1997-1999

In 1998, Akport launched the Tekirdağ-Trieste Ro-Ro line and Ak-Kim's Hydrogen Peroxide Facility became operational Ak-Kim inagurated Turkey's first Hydrogen Peroxide plant. The following year, Akrom Ak-Al Textile Romania SRL was established.

2000

2000-2002

In 2000, the Akrom Romania Plant started production, Akenerji was listed on the BIST in July. In 2000, Aksa switched to biological treatment with the Deep Tank system, the most advanced technology in water treatment, breaking new ground in Turkey. Ak-Kim started exporting its know-how and technology abroad during the same year.

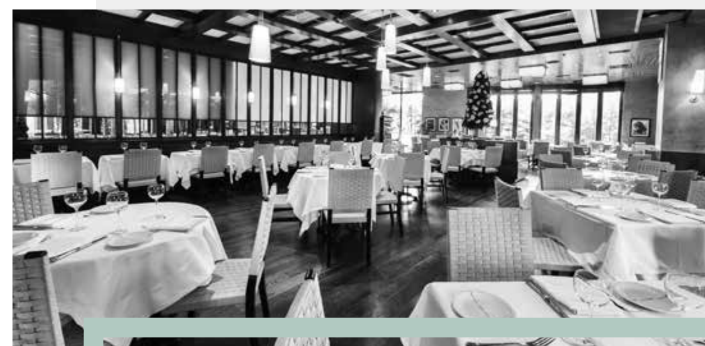
2003-2004

Aksa Acrylic Egypt's foundations were laid in 2003 in Alexandria, Egypt. Aksa Acrylic established Fitco B.V. for its new investment plans. Aksu became the first Turkish company to participate in the Premiere Vision Fair. Akenerji Elektrik Enerjisi İthalat İhracat Toptan Ticaret A.Ş. began commercial activities in 2004.

2005-2006

In 2005, Dinarsu was sold to Merinos Halı Sanayi Group and Akmerkez was listed on the BIST as of April of the same year. Aksa Akrilik Egypt also started production in 2005. In addition, Ak-Kim started producing paper chemicals, and Akiş was established in order to develop and manage Akkök Holding's real estate investments.

In 2006, Akenerji acquired Akkur Enerji Üretim Ticaret ve Sanayi A.Ş. and in September, Paper Moon opened a branch in Ankara. The same year, Ak-Kim launched the first sodiumpercarbonate facility in Turkey.



2007

Ak-Kim started production of concrete additive chemicals and signed the United National Global Compact together with Akkök Holding as an indication of their sustainability and the corporate citizenship concept.

Aktek was founded and Akiş started Akkoza's construction in partnership with Garanti Koza and Corio. The protocol for the construction of Yalova Raif Dinçkök Culture Center was signed. A book, "Yadigâr-ı İstanbul", comprising photos of Yıldız Palace, was completed with contributions by Akkök Holding. SAF REIT, a subsidiary of Akkök Holding has been traded on BIST as of 2007.

2008

In 2008, the AKCEZ Consortium, a partnership between Akkök, Akenerji and the Czech Republic energy company CEZ Group, won the tender held by the Privatization Administration for Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ), and conducted by the Republic of Turkey Prime Ministry Privatization Administration.

While Aksa was awarded the Quality Association's (KalDer) National Quality Grand Prize, a groundbreaking ceremony was also held for Yalova Raif Dinçkök Cultural Center for which a construction agreement was signed the previous year.

2009

In 2009, Akiş acquired the partnership shares of Garanti Koza and Corio in the Akkoza Project and became the 100% owner of Akbatı Shopping Mall and Akbatı Residences. Aksu and Ak-Al merged under the roof of Ak-Al. While Akenerji put into operations the Ayyıldız Wind Power Plant with an installed capacity of 15 MW in Bandırma, Balıkesir, Aksa Akrilik launched a carbon fiber production facility with a capacity of 1,500 tons/year. The Akkök Firefly Mobile Learning Unit project was launched in 2009 in Yalova.

2010

All human resources departments within Akkök Holding were re-structured.

Akenerji commissioned the hydroelectric power plants Akocak, Bulam, Burç, Uluabat and Feke II. The total electricity capacity of Polat Enerji's wind power plants yielding a production of 100 MW were procured.

The Tekirdağ- Muratlı railroad line connecting to the Akport Tekirdağ Port started to operate.

2011

Aksa Acrylic signed a partnership agreement with Dow Chemicals for strategic cooperation in carbon fiber.

Akenerji became the first Turkish company to be granted the Investors in People (IIP) Quality Certification. Akenerji participated in the Carbon Disclosure Project (CDP), becoming one of two Turkish energy corporations participating in the CDP.

Akbatı Shopping Center, constructed by Akiş in Esenyurt, Istanbul opened its doors.

Raif Dinçkök Culture Center opened for service.

2012

DowAksa was founded.

Deliveries for Akbatı Residences, an Akiş project located in İstanbul Esenyurt, were made. Akiş received the title of Real Estate Investment Trust.

2013

It was decided to continue Ak-Tops Tekstil Sanayi A.Ş.'s activities under the umbrella of Aksa Akrilik Kimya Sanayii A.Ş.

Ak-Kim established Akferal. Ak-Kim obtained registration from the Ministry of Science, Industry and Technology as an R&D Center.

Aksa Acrylic became involved in the Turquality Project. DowAksa purchased the CarbonWrap work unit, offering carbon fiber composite solutions for infrastructure and building reinforcement.

SEDAŞ carried out its demerger project with the establishment of Sepaş Energy.

Akiş started trading on the Borsa Istanbul Corporate Products Market.

Akasya and Akasya Housing Project became the first project to win the BREEAM certificate in Turkey.

2014

Akkök Holding, First GRI approved sustainability report was published.

Aksa Akrilik becomes the first corporation in its sector, and just the second in Turkey, to obtain the "Risk Management System Verification Certificate".

The Joint Treatment Facility project was commenced along with Ak-Kim and DowAksa.

DowAksa Advanced Composites Holdings B.V. signs a three-party joint investment decision with Rusnano and Composite Holding (HCC) for the Composite Nanotechnology Center (NCC).

DowAksa USA is founded. 50% of c-m-p, the German prepreg producer is purchased.

Akenerji completed and commissioned Erzin Natural Gas Cycle Power Plant project.

SEDAŞ commissioned its SCADA Project for remote monitoring of electricity and faster intervention in power failures in Kocaeli, Gebze and Sakarya.

Akiş GYO, Operations oriented toward high street retail gain impetus.

Akasya project's shopping center was commissioned by SAF REIT, of which Akiş has a 19.71% shareholding.

2015

In line with the "Investment in the Future" strategy, the Company became the main sponsor of the Mamut Art Project for the first time in 2015.

Yalova Composite and Chemistry Specialized Improvement Organized Industrial Zone (YALKİM OSB), in which the Acrylic Based Composite, Advanced Material and Technology Manufacturers Association and Yalova Special Provincial Administration, Taşköprü Municipality and Yalova Chamber of Commerce and Industry are founding partners, was established on July 6, 2015 with the approval of the Ministry of Science, Industry and Technology.

DowAksa and Ford sign a Joint Development Agreement (JDA) for production of carbon fibers that are suitable for affordable, high volume automotive applications.

Ak-Kim acquired 100% shares in Gizem Frit. The Ultrafiltration Project, one of Ak-Kim's key investments, was completed.

Gizem Frit, started the first non-stick coating production in 2014, and made its first export both in coating and ceramic frit in 2015.

Project development and engineering work on the Kemah Hydroelectric Power Plant project were completed by Akenerji. Akenerji became the first and only energy company to report under the CDP Turkey Water Program. The SCADE project was completed by SEDAŞ at the end of 2015. Sedaş Energy launched a first in the sector through online electricity sales on its website.

Akiş GYO A.Ş. completes the Life Academy Project.

Along with developing many value added projects approved by YTÜ Teknopark management in 2015, Aktek also creates a structure called Aktek Garage that structurally describes internal and external innovation philosophy.

2016

At the Corporate Governance Award Ceremony organized by TKYD, Aksa Akrilik wins the top award as the "Company with the Highest Corporate Governance Rating". Aksa Akrilik chooses to add a brand-new vision to acrylic fiber with its new brands; Acryluna, Acrysole, Acryterna and Acrylusion.

The Global Composite Center in Yalova, financed under the joint project of TUSAŞ and DowAksa, which is also supported by the Undersecretariat for Defense Industries, is opened for service. Ak-Kim was accepted into the most prestigious and comprehensive incentive program in Turkey, Turquality.

The Company becomes the first to implement a virtual plant tender in Turkey.Akenerji becomes the only electricity production company to join the Carbon Disclosure Project (CDP) Turkey 2016 Water Program. Sepaş Enerji begins the SAP IS-U-CRM project, which will restructure all of its systems to offer the best customer experience, and enable management thereof with a technological infrastructure.

Akiş REIT started selling its new brand, Akapartman Suadiye.

Akasya Culture and Arts Center in Akasya opened its doors in June 2016.

2017

The Corporate Governance Rating, calculated by evaluating Aksa in terms of Corporate Governance Principles of the Capital Markets Board, was updated to 9.63, and it became the company with the Highest Corporate Governance Rating on the BIST Corporate Governance Index for the second year running. DowAksa signed a long-term supply agreement with Vestas Wind Systems A.Ş., one of the largest wind turbine producers in the world.

Ak-Kim purchased Dinox. The Company also purchased Feralco shares in Akferal, making it a 100% Ak-Kim affiliate.

Gizem Frit acquired one of the key players in the ceramic sector, Megacolor, in Spain at the end of 2017.

The additional capacity of 13.2 MW at Ayyıldız Wind Power Plant was activated, and the total installed capacity of the plant reached 28.2 MW.

SEDAŞ obtained the First R&D success award with its Remote Electronic Meter Reading Project, approved by the Energy Market Regulatory Board (EPDK) at the 3rd Energy R&D Workshop. SEDAŞ became a Corporate Tax Record Breaker in Sakarya.

Following the merger with SAF REIT on January 18, 2017, Akiş REIT became one of the most prominent players in the sector.

2018

Aksa Akrilik raised its Corporate Governance Rating from 9.63 to 9.70 in the assessment made by the independent corporate rating company Saha. Securing the top spot again this year, it has acquired the grand prize for three consecutive years.

In 2018, Akiş REIT sold 7.36% of its shares to the European Bank for Reconstruction and Development (EBRD), gaining an internationally valuable stakeholder. By realizing a foreign investment for the first time, it became a partner in a housing project developed in London.

Gizem Frit received a R&D center certificate.

Message from the Chairman

WE COMMEMORATE OUR CHAIRMAN OF THE BOARD OF DIRECTORS, WHO PASSED AWAY IN DECEMBER 2018, WITH RESPECT, SYMPATHY AND GRATITUDE AS WE PUBLISH HIS LAST STATEMENTS.

We bear witness that the economic growth and positive developments experienced both in global and local contexts in 2017 were replaced by macro-commercial and political uncertainties in 2018. We foresee that the protectionism trend that started especially with the trade wars between the USA and China, the uncertainty about the method of Brexit from the European Union and the political turmoil in the Middle East will affect our country along with the rest of the world.

In spite of the strong growth in the USA, the fact that our two main trading partners, China recorded the lowest growth of the last 28 years with 6.6% and Germany the lowest growth of the last five years with 1.5%, will be of great significance for 2019. Stagnation in Italy, one of our other major trade partners, and social events that have been going on for a long time in France, also stand out as critical agenda items.

According to IMF reports, while the share of G-7 countries in the global economy was around 45% in the 2000s, it declined to 30% in 2018 and is expected to continue to decline in the coming years. Developing economies, especially India, have been growing their impact day by day. In addition to global trends such as Industry 4.0, increasing awareness about environmental issues and digitalization, early adaptation to this new world order is crucial.

Our country, on the other hand, completed 2018 under harsh conditions especially in the face of macroeconomic developments, despite having started the first quarter with a rapid growth. Adoption of tighter monetary policies in global scale led to an increase in borrowing costs, making it harder to have access to funding opportunities. Further to these developments, the exchange rate fluctuation in August, led to a slow down in growth. With the measures taken towards the end of the year, it is possible to say that some balancing has been achieved. Nevertheless, we believe it might be beneficial to be prepared for harsh economic conditions in 2019.

In this conjuncture, at Akkök Group, we continued our growth with determination in 2018, and managed to expand our profitability. Our combined turnover expanded by 35% to TL 14.9 billion. In 2018, the Company's international sales reached TL 2.5 billion, up from TL 1.6 billion in 2017. The combined EBITDA generated by our Group came in at TL 2.4 billion.

AT AKKÖK GROUP, WE CONTINUED OUR GROWTH WITH DETERMINATION IN 2018, AND MANAGED TO EXPAND OUR PROFITABILITY.

In line with our goal of creating added value for our country and our stakeholders in the chemical, energy and real estate sectors, I would like to thank all our valuable employees who have contributed to our growth and have been on our side as we have carried Akkök Holding name to the future, and to all our stakeholders who have supported us during this difficult year.

Sincerely,

Ali Raif Dinçkök
Chairman

"Our combined turnover expanded by 35% to TL 14.9 billion. In 2018, the Company's international sales reached TL 2.5 billion, up from TL 1.6 billion in 2017. The combined EBITDA generated by our Group came in at TL 2.4 billion."

Ali Raif Dinçkök
Chairman

Message from the CEO

As the family of Akkök Holding, we have been deeply saddened by the loss of our Chairman of the Board of Directors, Mr. Ali Raif Dinçkök on the last days of 2018. The decease of our veteran businessman, who has made Akkök Holding one of the most successful holdings in our country today, was a painful loss to be remembered not only for Akkök Holding but for our country and our business world as well. We will always be aware that we need to work hard to advance Akkök Holding, which Mr. Dinçkök has brought to today with great effort and devotion, in the direction he has shown.

With this awareness, we continue our work on the basis of a global observation and evaluation. We continue to closely monitor the change and development processes of major markets around the world. In this context, we see that the optimistic outlook captured in 2017 on a global scale was replaced with a more stagnant structure in 2018. While growth rates dropped especially in the Euro Zone and China, developing countries such as India and Indonesia with their relatively high growth rates created a balance together with the USA. Although the global growth rate of 3.7% in 2017 was maintained in 2018, question marks continue for 2019 and beyond.

Conversely, Turkey lost in 2018, its impressive growth rate of 7.4% achieved in 2017, due to the global factors among others. Although the depreciation of Turkish Lira in August and the rising interest rates adversely affected our country and the business world, we observed a relatively more stable environment in the last quarter of the year. At the same time, macro risks in neighboring regions and our main trading partners also persist, as for Turkey.

Therefore, we think it is beneficial to err on the side of caution in 2019, which is expected to be a challenging year.

At Akkök Holding, we continue our activities fully in the three main sectors of chemistry, real estate and energy as well as our complementary businesses, namely IT, food&beverage and insurance. We constantly review our strategic objectives in each business and company, and strive to provide the highest contribution to both the national economy and our shareholders. Based on our mission, we meticulously examined the acquisition-merger opportunities which are compatible with our strategies, while continuing our organic investments even in such a challenging year as 2018.

Our companies operating in the chemical sector made a major international move in 2018. While Aksa Acrylic, the world's largest fiber producer, had an export turnover exceeding $ 300 million, Ak-kim, one of Turkey's largest chemical manufacturers, expanded its export network to 70 countries. Gizemfrit, the world's second-largest enamel manufacturer and Turkey's largest ceramics producer, continued its globalization strategy that was initiated through the acquisition of Spain-based Megacol in 2017, by opening its China office in 2018 and has expanded its operations in countries such as the USA and Spain. DowAksa, a high-tech carbon fiber producer, owned 50% by Aksa, successfully performed critical production processes for Vestas, one of the world's largest wind turbine manufacturers. Thus, with all our chemical companies, we continued our positive contribution to the current account deficit of our country in the chemical sector increasingly in 2018.

AS AKKÖK HOLDING, NOTWITHSTANDING THE ECONOMIC CHALLENGES AND DESPITE THE DEEP SORROW FOR THE LOSS OF MR. ALI RAIF DINÇKÖK, WE CONTINUED OUR GROWTH IN 2018.

Akiş REIT, a group company operating in real estate industry, went into a partnership with the European Development and Reconstruction Bank (EBRD) in 2018 and received a significant investment from this institution. As well as being the first real estate investment in Turkey by the EBRD, this investment is very precious since it is distinguished as EBRD's first capital investment in a publicly traded company. Akmerkez, another real estate company, has been recognized with many reputable awards for its innovative projects such as "Agriculture on the Terrace". The company continued to offer differentiating experiences to its guests by enriching the brand mix.

Our companies in the energy sector successfully maintained their critical roles in their markets. Entering its 30th year in the sector, Akenerji preserved its position as a major producer in 2018 with a turnover of more than TL 2 billion and an installed capacity of 1,224 MW. Sedaş and Sepaş Enerji, providing electricity distribution and retail sales in leading industrial cities of Sakarya, Kocaeli, Bolu and Düzce, have made 2018 a year of customer satisfaction and invested over TL 120 million in line with this target.

As Akkök Holding, notwithstanding the economic challenges and despite the deep sorrow for the loss of Mr. Ali Raif Dinçkök, we continued our growth in 2018. Our combined turnover reached approximately TL 15 billion. We managed to increase the EBITDA from TL 1.4 billion to TL 2.4 billion. While expanding the share of exports in all of our business lines, we also grow employment and strive for adding value to our country. I would like to express my sincere gratitude to our employees, business partners, shareholders and all stakeholders for their valuable contributions to and support in our efforts in 2018.

Sincerely,

Ahmet C. Dördüncü
Chief Executive Officer

"We constantly review our strategic objectives in each sector and company, and strive to provide the highest contribution to both the national economy and our shareholders. Based on this mission, we meticulously examined the acquisition-merger opportunities which are compatible with our strategies, while continuing our organic investments even in such a challenging year as 2018."

Ahmet Cemal Dördüncü
Chief Executive Officer

2018 Akkök Board of Directors

Ali Raif Dinçkök*

Chairman

Born in İstanbul in 1944, Ali Raif Dinçkök graduated from the Austrian High School and subsequently Aachen University, Department of Textile Engineering in 1969. He started his business career at Akkök Holding of Companies. Mr. Dinçkök, the Board Chairman of Akkök Holding A.Ş., serves on the Boards of Directors of various Akkök Group Companies.

Nilüfer Dinçkök Çiftçi

Vice Chairman

Born in Istanbul in 1956, Nilüfer Dinçkök Çiftçi graduated from Sainte Pulchérie French High School in 1970 before she received her Bachelor's Degree from St. Georges School in Switzerland in 1976. In addition her role as the Vice Chairman of Akkök Holding A.Ş., Mrs. Nilüfer Dinçkök Çiftçi assumes a number of positions in the boards of directors of several Akkök Group Companies.

Mehmet Ali Berkman

Member of the Board of Directors

Born in Malatya in 1943, Mehmet Ali Berkman graduated from METU Faculty of Administrative Sciences, Department of Industrial Management. He later obtained a scholarship from TEV to study at Syracuse University in the United States where he received his MBA in Operations Research. Mr. Berkman joined the Koç Group in 1972, and served as General Manager at MAKO, Uniroyal, DÖKTAŞ and Arçelik. He then assumed the position of Head of Strategic Planning, Human Resources and Industrial Relations. As of December 31, 2003, he resigned due to the retirement policy of the Group. In September 2005, Mr. Berkman assumed the role of Board Member and Chairman of the Executive Board at Akkök Holding. He also served as Board Member and Chairman of Akkök Group Companies. He handed over his position as Chief Executive Officer at Akkök Holding's Executive Board on January 1, 2013. He still serves as Akkök Holding Executive Board Consultant. In addition to his duty as a Board Member in Aksa, Akenerji and Akiş GYO, he is also on the Board of Directors of Akkök Holding and various Akkök Group Companies. Holding key roles in TÜSİAD (Turkish Industrialists' and Businessmen's Association), Kalder (Turkish Quality Association), and the Turkish Education Volunteers Foundation, Mr. Berkman continues to serve as Vice Chairman of the Istanbul Erkek Liseliler Foundation, a Member of the Board of Trustees of the Turkish Education Volunteers Foundation, and a Member of the Turkish American Business Council.

Ahmet Cemal Dördüncü

Member of the Board of Directors

Born in İstanbul in 1953, Ahmet C. Dördüncü graduated from the Business Administration Department of Çukurova University and furthered his studies with post-graduate programs at Mannheim University and Hannover University. Starting his professional career at Claas OHG in Germany, Mr. Dördüncü worked at Mercedes Benz A.Ş. in Turkey from 1984 to 1987. In 1987, he joined Sabancı Group and undertook several different responsibilities at Kordsa A.Ş. until 1998. That same year, he started work at DUSA, one of the Group's companies, as General Manager/Chairman of first DUSA South America, then DUSA North America. After serving as the President of Sabancı Holding Strategic Planning and Business Development Group in 2004, he served as the Chairman of the Executive Board of Sabancı Holding between 2005-2010. Mr. Ahmet C. Dördüncü has been Chairman of the Executive Board of Akkök Holding since January 2013 and serves as the Chairman of the Board of Directors of Akenerji, Akcez, Akiş REIT, Ak-Kim and GizemFrit. He also serves on the Boards of Directors of Akkök Holding and various Akkök Holding Companies. Mr. Dördüncü is also a Board Member at International Paper Co. He is fluent in English, German and Portuguese.

* Following the decease of Mr. Ali Raif Dinçkök, Mr. Raif Ali Dinçkök was appointed as the Chairman of the Board of Directors of Akkök Holding with the resolution of the Board of Directors dated December 18, 2018.

Raif Ali Dinçkök

Member of the Board of Directors

Born in İstanbul in 1971, Raif Ali Dinçkök graduated from Boston University, Department of Business Administration in 1993. From 1994 to 2000, he worked in the Purchasing Department of Ak-Al Tekstil San. A.Ş., from 2000 to 2003, he served as Coordinator at Akenerji Elektrik Üretim A.Ş. Prior to his position as Chairman of the Board of Directors of Akkök Holding, he served as a Member of the Board of Directors and Vice Chairman of the Executive Committee of Akkök Holding. Mr. Dinçkök is the Chairman of the Board of Directors of Akmerkez REIT and Vice Chairman of the Board of Directors at various Akkök Holding companies, including Aksa Acrylic, Akiş REIT, Ak-Kim and Gizem Frit. He also serves as a Board Member at Akkök Holding Companies.

Alize Dinçkök Eyüboğlu

Member of the Board of Directors

Born in 1983 in İstanbul, Ms. Alize Dinçkök Eyüboğlu graduated from Suffolk University, Sawyer School of Management, Department of Business Administration in 2004. In 2015, she attended and completed the Harvard Business School General Management Program successfully. In 2018, she completed the MIT Sloan School of Management Innovative Thinking program. She began her career in 2005 as a Strategic Planning Specialist at Ak-Al Tekstil Sanayi A.Ş. Upon the establishment of Akiş Gayrimenkul Yatırımı A.Ş., she transferred to this company in 2005 and served as Project Coordinator, Sales and Marketing Manager, and Assistant General Manager responsible for Sales and Marketing. Ms. Alize Dinçkök Eyüboğlu is a member of the Board of Directors and the Executive Committee at Akkök Holding. In addition to serving as the Chairman of the Board of Directors of Akmerkez Lokantacılık, she also serves on the Boards of various Akkök Group Companies. Ms. Alize Dinçkök Eyüboğlu also manages the Akkök Group Marketing Platform, which was established in 2015.

Mehmet Emin Çiftçi

Member of the Board of Directors

Born in 1987 in İstanbul, Mehmet Emin Çiftçi graduated from the Faculty of Communications of İstanbul Commerce University. Starting his professional career in Ak-Kim Kimya Sanayi ve Ticaret A.Ş. Budget Planning and Reporting Department, Mr. Çiftçi graduated from the Business Administration Department of UCLA Extension (UCLA). Mr. Mehmet Emin Çiftçi completed his MBA at Özyeğin University, Institute of Business Administration in 2018 and serves on the Boards of Directors of Akkök Holding and various Akkök Group Companies.

Melis Gürsoy

Member of the Board of Directors

Born in 1978 in İstanbul, Melis Gürsoy graduated from Özel Işık High School in 1996 and continued her higher education in Boston, Massachusetts, where she received her degree in Business Administration from Mount Ida College in 2000. She started her business career at Ak-Pa Tekstil İhracat Pazarlama A.Ş. Melis Gürsoy performs duties on the Board of Directors of Akkök Holding.

Özlem Ataünal

Member of the Board of Directors

She graduated from Üsküdar American High School in 1985 and Uludağ University, Department of Business Administration in 1989. Starting her career at Iktisat Bank, Ataünal held various positions from Branch Manager to Customer Relations Management at Körfezbank. She joined Akkök Group in 2000 as Budget and Finance Manager of Akenerji. In 2005, Ataünal was promoted to the position of CFO of Akkök Holding. In 2012, she was appointed as the Executive Committee Member in charge of Finance. In 2017, she became a member of the Board of Directors of Akkök Holding. She has assumed various responsibilities over the years and is currently the CFO of Akkök Holding, Executive Committee Member in charge of Strategy and Business Development and President of the Energy Group. In addition to being a member of the Board of Directors of Akkök Holding, Ataünal has been a member of the Board of Directors of various companies of the Group, including publicly-held and foreign-owned companies. Ms. Ataünal has been a member of TÜSİAD since 2013.

Executive Board 2018

From left to right: Chief Executive Officer Ahmet C. Dördüncü, Member of the Executive Board Cengiz Taş, Member of the Executive Board Özlem Ataünal, Vice President of the Executive Board Raif A. Dinçkök, Member of the Executive Board Alize Dinçkök Eyüboğlu, Member of the Executive Board İ. Gökşin Durusoy

Aksa Acrylic, a leading brand in its sector not only in Turkey, but also in the world, makes a difference with continuously improving its R&D activities.

CHEMICALS

Aksa Akrilik Kimya Sanayii A.Ş.
DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.
Ak-Kim Kimya Sanayi ve Tic. A.Ş.
Gizem Seramik Frit ve Glazür Sanayi Tic. A.Ş.

"Our Company, which raised its Corporate Governance Rating from 96.32 to 97.02, is among the 47 companies listed on the Borsa İstanbul Corporate Governance Index. As in 2016 and 2017, it was deemed worthy of the grand prize this year as well, with the highest grade obtained for three consecutive years."

Cengiz Taş
Member of the Executive Board and General Manager

Aksa Akrilik Kimya Sanayii A.Ş.

Founded in 1968 in Yalova to meet the needs of acrylic fiber of Turkey, Aksa Acrylic began production in 1971 with a capacity of 5,000 tons/year. With the vision of investing in technology in order to maximize operational excellence and creating sustainable, profitable, new areas of use for acrylic fiber, Aksa today is a world giant with 300 customers in more than 50 countries on 5 continents with its new technology and modernization investments undertaken over the years. With 1,200 employees, a production area of 502,000 square meters and annual capacity of 315,000 tons, it is the largest acrylic fiber producer in the world and the sole producer in Turkey.

Along with its success in production, Aksa is also a leader with implemented management systems, environmental practices and social responsibility projects, and thanks to its extensive product range it supplies textiles and technical textile raw materials to various industries. Aksa, which expands its new and special product portfolio with its 50 years of experience and customer-oriented approach every year, started to produce outdoor fibers in 2001 apart from textile fibers and advances its claim in technical fibers with its flock tow, homopolymer and filament yarn products. In 2009, after improving its technology infrastructure, Aksa commenced production of carbon fiber, which is considered one of the most vital raw materials of the 21st century.

Aksa Acrylic was awarded the major prize this year, as in 2016 and in 2017, at Turkey's 9th Corporate Governance Awards organized by the Association of Corporate Governance. Raising its Corporate Governance Rating from 96.32 to 97.02, Aksa won the first prize among the 47 companies listed in the Borsa İstanbul Corporate Governance Index with the highest grade obtained ever and succeeded in securing the the top prize for three consecutive years.

Since its establishment, Aksa Akrilik has implemented all of its activities with the principle of efficient use of resources and respect for the environment. It is included in the BIST Sustainability Index, which consists of 50 companies. Aksa formed its medium and long term strategy in line with global trends and sustainable growth principles. With this index, Aksa manifests its approach to important issues such as global warming, health, employment and water resources for the world and for Turkey.

Aksa Akrilik continues its efforts to create new business areas and develop new products for acrylic fiber with its unique technology knowledge through its R&D activities.

An investment capacity of 1,000 tons/year was completed in 2017 for Armora, our modacrylic product, which has a high degree of flammability. In 2018, industrial scale trials and product variations were studied and samples were provided for our customers for product certification. Product conditions for different usage areas have been determined. The needs planned to be realized in order to differentiate Armora from the existing products in the market were identified and planned for 2019.

In addition to creating new areas of use for acrylic, work on the diversification of acrylic continues. Laboratory research has been undertaken in order to use the warmth and comfort of acrylic for underwear and performance sports products. Efficiency tests have been carried out with world-renowned firms, with good results. Leading sports brands are planning to take the product to their 2019 collections and commence production.

Acrylusion filament yarn has attracted attention especially in the woven carpet sector due to its silky softness and touch. In the domestic market, our customer has presented the carpets made with Acrylusion product in their collections. Since the carpets woven with acrylusion were successful in the US fireproof tests, unlike acrylic carpets, studies were started for the American market. The product has been diversified by folding and blowing processes.

Within the framework of sustainability, by making a difference in acrylic fiber product, recycled product trials were conducted with the Acrycycle brand and RCS (Recycled Claim Standards) certificate was obtained for the product. Product promotions and customer trials are ongoing.

The use of acrylic fibers in the synthetic hair sector has continued to grow in 2018 and the aim is to further develop with the cooperations established in this sector.

"We will be one of the world's leading manufacturers in the composite industry, which will be brought to life by advanced technology investments thanks to the incentives granted by the government"

Douglas Parks
General Manager

DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.

DowAksa was established in 2012 as a joint venture between Dow Chemical Company and Aksa Acrylic with the aim of providing a wide range of products and technical services to the global composite sector, where the raw material is carbon fiber. Thanks to Aksa's infrastructure that provides a growth environment and Dow's knowledge and experience in materials science, DowAksa is now one of the strongest companies in the leadership in the production of carbon fiber and carbon fiber intermediates.

Carbon fiber that was first and solely produced by DowAksa in Turkey, is an extremely strategic material in the world aviation, defense, construction, automotive and renewable energy sectors with a wide range of applications. Carbon fiber replaces metals such as steel and aluminum thanks to its “light weight, high strength” property. Carbon fiber, which is a high value added product, is produced by DowAksa in Yalova with advanced technology developed 100% by Turkish engineers.

DowAksa has been entitled to benefit from the Project Based Investment Incentive System prepared by the Ministry of Economy with its investment plan projects related to the carbon fiber production capacity expansions planned to be realized between 2017-2027. The subsidies to be provided with this incentive package include VAT exemption, customs duty exemption, VAT refund, Corporate Tax deduction, insurance premium employer share support, income tax withholding support, qualified personnel support, interest and/or dividend support and energy support.

In 2018, with the completion of projects focused on reducing product costs, the base product cost has declined to the lowest level since 2012, significant cost savings have been achieved compared to previous years and the impact of these improvements has been reflected on financial results.

Having directed a significant part of its production capacity to wind turbine production, DowAksa aims to grow in a sustainable manner with different sectors and customer groups with the capacity it plans to expand in the coming periods.

"As Ak-Kim, we have successfully completed the year 2018. As one of the leading companies in the chemical sector with our innovative and entrepreneurial spirit, we will continue to grow in local and global markets in 2019 and to add value to life with chemistry."

Onur Kipri
General Manager

Ak-Kim Kimya Sanayi ve Ticaret A.Ş.

Ak-Kim, Turkey's leading chemicals manufacturer, was established in Yalova in 1977 and has expanded its production activities in various fields over the past 40 years. Producing basic chemicals and performance chemicals, Ak-Kim serves the cleaning, chemical, textile, paper, water treatment, food, metal, agricultural pesticide, energy, building, mining, plastic and paint industries. The Company is a market leader in many products and grows by developing products and services for different fields. Since 2002, Ak-Kim has sold its know-how and technologies to foreign companies, and offered a variety of services ranging from engineering to turnkey projects. The Company brought advanced technology water treatment systems to the water treatment sector with an investment in ultrafiltration at its Yalova facilities, and became the first and only producer of this product in Turkey. Ak-Kim acquired Gizem Frit in 2015 and entered another market.

Celebrating its 40th anniversary in 2017, Ak-Kim started by buying Dinox, a chemical company based in Soest, Germany, with a turnover of €20 million. With this acquisition, the Company plans to continue growing its export activities by directly accessing the European market and European customers. In addition, Ak-Kim purchased Feralco shares in Akferal in November, rendering it a 100% Ak-Kim affiliate. From now on, Akferal's facilities in Dilovasi and Osmaniye will operate on behalf of Ak-Kim. Ak-Kim started collaborating with local leading companies and organized industry zones with its ultrafiltration membrane module, commissioned with an investment of $35 million, and focused on establishing serious export connections abroad. Maintaining its competitive advantage through customer-focused products in international markets, where the Company competes with world giants, Ak-Kim spread its exports to approximately 70 countries on 6 continents, mainly in Europe, and also China and America. 35% of total production is sold abroad.

A key contribution was created for the company with an innovative efficiency project at the SMBS facility. The operation of the Persulphates plant in Çerkezköy was terminated in April 2017 and was rebuilt in Yalova with new technology and 14,000 tons/year capacity. A new facility investment for performance chemicals was completed in 2018. Production and scale-up works are in progress. On the other hand, inorganic growth is targeted through acquisitions.

"As of 2018, we became the first company in our sector to receive the R&D Center certificate by obtaining the R&D Center certificate given by the Ministry of Science, Industry and Technology. After receiving R&D Center status, we realized 4 patents, 10 designs and 2 industrial design applications during the year."

Veysi Küçük
General Manager

Gizem Seramik Frit ve Glazür Sanayi Tic. A.Ş.

As Gizem today, with our yearly 132,500 tons of production capacity, more than 400 employees, our indirect employment for up to 1,000 people and with 13% global market share, we are the market leader in our sector in Turkey and the world's second-largest company. In the "Turkey's Top 500 Industrial Organizations (ISO 500)" list which is published annually by the ISO, we appeared for the first time in 2018 as Gizemfrit.

Gizemfrit, exports to customers in 60 countries including mainly China, the US, Italy, Poland, Serbia in enamel and to Ukraine, Russia, Spain, Mexico and Belarus in the field of ceramics. With the Turquality Brand Support Program, which we joined as of 2018, we are one step closer to our goal of becoming a world leader company that directs its sector.

In the last year, we have expanded the production capacity of Megacolor by 15%. Our turnover grew by 12% proportionally. In Turkey, we have a 15% market share in the ceramic inks market. Besides, in order to augment our activity in the Chinese market, we opened an office in China in addition to the Chinese language option in our web site. As a company that exports 8,000 tons of products to China annually, we aim to lead the market in 2020 by boosting our interaction in the Chinese market. At the same time, our investment plans and feasibility studies for the US market are continuing. As in the last 11 years, with the exports we realized, we have secured the first place in the category of “Paint, Varnish and Inks” category in the "Star of Exports” awards organized by the Istanbul Chemicals and Chemical Products Exporters Association.

During this year, as well as participating in Cevisama, Europe's largest ceramic, natural stone and bathroom fair, we also participated in the International Enamel Congress held every three years in the US as Gizemfrit. Together with our new company Megacolor, we received great interest at Indian Ceramics 2018 held in India. We attended for the fourth time the Istanbul-Ceramic Bathroom Kitchen Fair (UNICERA), which brings together the leading companies of the ceramic industry and the most prominent designers in the world.

One of the most fundamental elements of our corporate strategy is to **provide our shareholders with sustained high dividend yields.** Establishing a consistent, effective and diversified portfolio, and boosting our rental income, are among our primary goals in order to achieve this target.

REAL ESTATE

Akiş Gayrimenkul Yatırım Ortaklığı A.Ş.
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.
Ak Turizm ve Dış Tic. A.Ş.

"In 2018, our company made its first overseas investment as the majority shareholder in the housing project developed in Aldgate, a rising district of London."

İ. Gökşin Durusoy
General Manager

Akiş Gayrimenkul Yatırım Ortaklığı A.Ş.

Established within the structure of Akkök Group in 2005, Akiş REIT aims to apply the experience and expertise it has accumulated in the real estate sector, which it has positioned among the group's strategic business areas, in various projects. Continuing with projects adding value to its surroundings, Akiş REIT develops sustainable and profitable projects, and makes investments in line with its growth target.

As a result of the right to withdraw following the merger with SAF REIT completed at the beginning of 2017, Akiş REIT sold its own shares that were acquired as a result of the exercise of this right to withdraw in April 2018 with the Accelerated Bookbuild Placing method to a group of domestic and foreign investors, including the European Bank for Reconstruction and Development. This transaction has come to the fore as being the first real estate investment in Turkey by the EBRD, as well as being the first capital investment in a public company of the same institution. On the other hand, Akiş REIT made its first overseas investment in 2018 as a main shareholder in a housing project developed in Aldgate, a rising district of London. In this way, the Company will continue to use the added value obtained from domestic and international projects in the most sustainable manner for its country and its shareholders.

Projects on Bağdat Street, which will mainly serve the retail sector, will contribute to the prestige of the street by being designed in a modern flair in line with the needs of the sector. Limited numbers of residences and home offices will be sold at projects in Erenköy, Caddebostan and Suadiye. The first collaboration in high street retail was carried out with Beymen for Uşaklıgil Apartment. With the store opened in September 2017, Akiş REIT successfully carried its experience in the retail sector to street retailing and became one of the pioneers of the transformation in Bağdat Street.

Akiş REIT attaches importance to the culture of success and institutionalism that originates from Akkök Holding. By maintaining this approach, it raised its Corporate Governance Rating from 9.44 in 2016, to 9.54 as of the end of 2018. With this rating, the Company succeeded in maintaining the highest Corporate Governance Rating amongst real estate investment trusts and construction companies.

One of the most vital elements of our corporate strategy is to distribute sustainable high cash dividends to our shareholders. In order to achieve this, we aim to create a stable, effective and diversified portfolio, and enhance our regular rental income. Accordingly, we distributed TRY 135 million to our shareholders last year. In 2019, Akiş REIT maintained its position in the BIST 25 Dividend Index, in which it took part for the first time in 2018.

In 2018, Akbatı and Akasya Shopping Centers became prominent in the sector with high occupancy rates of 98% and 96%, respectively.

As a result of correct use of resources, and criteria such as prioritizing internal environments and health, Akbatı and Akasya proved their sustainable applications and were awarded with "Excellent" and "Good" certificates by BREEAM In Use - International. Akbatı is the largest building in Turkey with this certificate.

The value that Akbatı Shopping Mall and Akbatı Residences add to the real estate sector has been appreciating every year with the awards they receive in Turkey and abroad. Akbatı maintained its outstanding success in 2018 and added new awards to those it received in previous years, totaling 93 awards in seven years. In 2018, Akasya too received new awards so that it has won a total of 98 awards in 4 years.

Akasya Culture and Arts - AKS which is located in Akasya, aims to provide different experiences to its visitors and has become one of the newest and most enjoyable addresses on the Asian side of Istanbul with its programs in a variety of fields of art. It took its place in the culture and art map of Istanbul in a short time, with theatre shows that are sold out, acoustic concerts, talks and exhibitions. Akasya Culture and Art won the New Spaces Award at the 2017 Direklerarası Audiences Istanbul Awards. It also received the Golden Award in the category of the Best Product and Service of the Year at the International Steive Awards - Business Awards.

"As Akmerkez, we have reinforced our financial and strategic strength while maintaining our profitability despite the difficulties experienced in the economy and the sector. We continued to offer different shopping options for our customers by incorporating important brands from different sectors."

Murat Kayman
General Manager

Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.

Since its establishment, Akmerkez has led the way in investing in the future and creating new values. It is one of the most popular meeting points of the city and a venue for joyful experiences with its elegant brands and shopping, entertainment and food areas. Akmerkez adds dynamism to the social life of the city. With its innovative services such as Triangle Terrace and Easy Point, it continues to add value to the life of its guests.

Akmerkez was awarded with the Hermes Creativity Awards by the Association of Marketing and Communication Professionals for its Agriculture on the Terrace project, which was initiated to support sustainable agriculture in modern urban life. Within the Hermes Creativity Awards conferred since 1995, Akmerkez has received five awards in the areas of strategic program, media relations and design.

On the other hand, Akmerkez, which won the design award at the Hermes Creativity Awards with its poster for the Open Air Cinema Project, has already made its mark in recent years by winning the Hermes Awards in different categories.

It received the "Communications / PR Campaign of the Year" award with the Agriculture on the Terrace Project in the environmental category at the international business awards, The Stevie Awards. The Stevie Awards, which has been awarded since 2002 and is one of the world's leading awards in its field, reflects the achievements of the institutions.

Agriculture in the Terrace was awarded in the category of sustainable agriculture by the Corporate Social Responsibility and Marketing Campaign by the International Council of Shopping Centers Awards (ICSC), one of the world's most established shopping center marketing awards. Agriculture in the Terrace received a total of seven awards in 2018.

Proving that urban agriculture is possible in the middle of the city in Istanbul, Akmerkez continues its sustainable agriculture practices in a 750 m2 area at the back of the Triangle Terrace on the roof floor. With the "Agriculture on the Terrace" project, which was carried out in cooperation with CULTIVATE HARVEST EAT DRINK in 2018, 169 different varieties and approximately 180 kilograms of vegetables, fruits and plants were harvested with the Harvest Festival held in September, with a festive atmosphere.

At the beginning of the year, Akmerkez launched as a first in the world and in Turkey, a store in which likes earned in Instagram are considered as money. The store, which was open until April, attracted great interest from guests and social media.

International World Yoga Day was celebrated at Akmerkez Triangle Teras in its fourth year on 21 June 2018 with the cooperation of the Yoga Foundation. Hundreds of people participating in the Yoga Festival practiced yoga simultaneously with the world.

Adding new brands to the brand mix despite the fluctuations in the economy and retail sector, Akmerkez will continue to grow the options it offers to its guests in 2019 with new investments and projects.

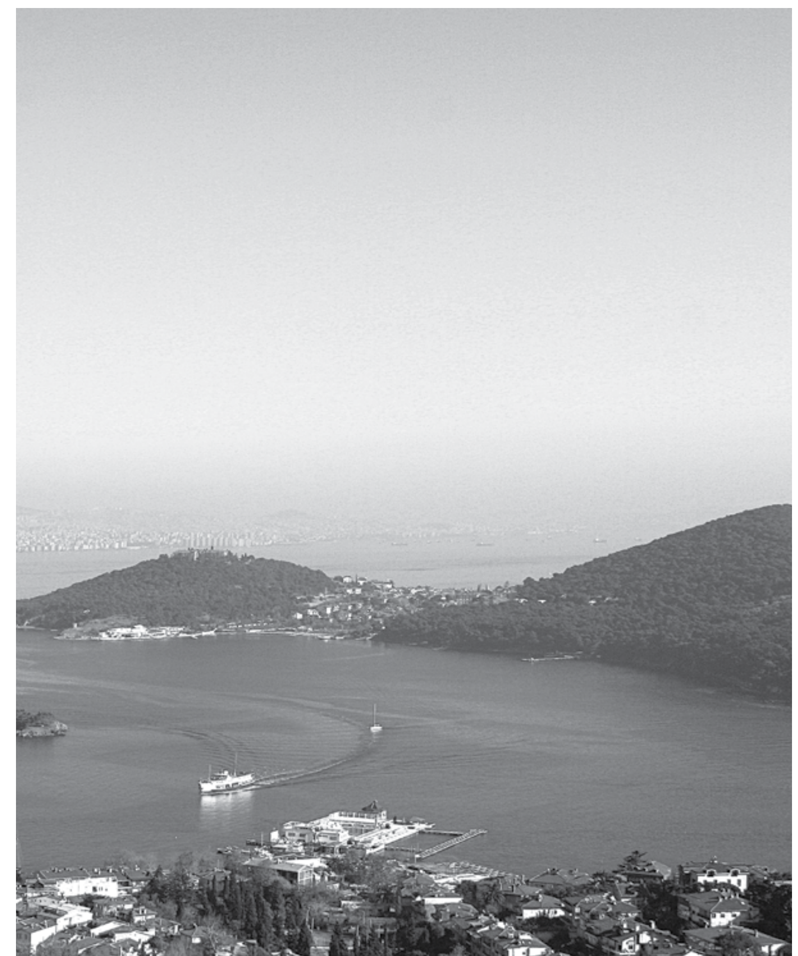
Ak Turizm ve Dış Tic. A.Ş.

AK TOURISM PLANS TO BUILD A FULLY-FLEDGED CONFERENCE CENTER AND WELLNESS CENTER ON KAŞIK ISLAND, WHICH IS JUST 40 MINUTES FROM THE CITY.

Akkök Holding started Ak Tourism for its tourism investments on Kaşık Island, which has a high investment value since it is conveniently located 40 minutes from city center. A fully equipped conference center and a health/lifestyle center are planned on Kaşık Island with an awareness to preserve the natural environment of the island. The project will offer urban dwellers cultural and touristic itineraries away from the city's chaos.

Kaşık Island offers rich investment opportunities by being close to the city center and yet presents an opportunity to escape from the hubbub, noise pollution and heavy traffic. The idea for the creation of a fully equipped conference center and a health/lifestyle center has been a top priority.

When evaluating its investment decisions, a primary issue for Ak Turizm has been the desire to preserve the natural environment of Kaşık Island. With this goal in mind, only 7.600 m^2 of the total 52 thousand m^2 site have been allotted for construction.



It continues to be one of the leading companies in the energy sector in Turkey **with an installed capacity of 1224 MW at the end of 2017.**

ENERGY

Akenerji Elektrik Üretim A.Ş.
Sedaş Sakarya Elektrik Dağıtım A.Ş.
Sepaş Enerji Sakarya Elektrik Perakende Satış A.Ş.

"Within the framework of its proactive approach, Akenerji rapidly implemented the necessary measures to maintain its operations in a healthy financial structure."

Serhan Gencer
General Manager

Akenerji Elektrik Üretim A.Ş.

Having commenced operations in 1989 as an auto-producer group under the umbrella of the Akkök Group of Companies, Akenerji has been operating as an independent electricity generation company since 2005. Akenerji, the 50/50 joint venture between Akkök Holding, and Europe’s leading power company, the ČEZ Group, has the sole capacity to meet 3% of Turkey’s power need, with its total installed power of 1,224 MW as of 2017 year-end. Focusing on renewable energy resource investments in 2005 to create variety in resources and cost advantages, Akenerji has expanded the number of alternative energy resource power plants through various projects over the years.

Akenerji, one of Turkey's largest energy companies, has continued unabated in its efforts to serve our country in 2018.

With 30 years of experience in the energy sector and with 1,224 MW of installed capacity, it continues to meet 3% of Turkey's energy needs.

As of year-end 2018, the Company reached a balance sheet size of TL 5,704 million and a turnover of TL 2,167 million. As of the end of 2018, Akenerji's profit before interest, depreciation and tax amounted to TL 226 million.

In addition to all these and aware of its short and long term liabilities, Akenerji has made all the HEPPs and the WPPs in its portfolio to take advantage of the YEKDEM (Support Mechanism for Renewable Energy Sources) and has created a natural hedge mechanism against exchange rate losses for its US Dollar based sales. It has also reduced the company's exposure to exchange rate risk by servicing a portion of the existing loan debt with appropriate interest rates in TL terms.

With the “Energy Services” initiated in 2015 as an innovative step in the energy sector, Akenerji proved the added value it envisaged with the projects it materialized and demonstrated that it would proceed with rapid, innovative and competitive steps in this field.

In response to falling volumes in the Turkish Electricity Trading Market, Akenerji has entered into alternative markets by turning its focus to the overseas market. Exporting 75.5 GWh in 2018, Akenerji provided EUR 3.8 million in foreign exchange inflow to our country. At the same time, our Company provided market access services to domestic and foreign stakeholders in 2018 with a total volume of 1.5 TWh.

Starting in 2018 with an award, Akenerji won the first place in the energy category in 2018 at THE ONE AWARDS, which is presented to the companies that raise their reputation every year. At the 9th Turkey Energy Summit, it won the Golden Voltage Award granted on social responsibility for the breast cancer screening work that was conducted jointly with the Adana Health Directorate.

"SEDAŞ has declared 2018 as the year of Customer Satisfaction and has established the Technical Support Help Desk Unit for complaint management. SEDAŞ provides continuous and high-quality electricity distribution services to its 3.5 million population and 1.8 million customers with its well-equipped work force in the Eastern Marmara region. It continued to carry out its projects and investments to fulfill completely renewal, capacity expansion, maintenance and repair works and put into place the necessary improvements."

Bekir Sami Güven
Chairman of the Board of Directors and Chief Executive Officer

**** Dr. Necmi Odyakmaz became the General Manager on 01.01.2019.***

SEDAŞ Sakarya Elektrik Dağıtım A.Ş.

The main activity field of SEDAŞ is electricity energy distribution. In addition to this service, the company offers construction and investment operations for distribution facilities, works towards ensuring efficient service in electricity distribution without power cuts, intervention in technical and non-technical failures, and meter reading services for subscribers of general illumination and electricity supply companies to determine their energy consumption.

During the restructuring process that started with the acquisition by AKCEZ, SEDAŞ has entered into a process of transformation that will make it one of Turkey's leading electricity distribution companies. The Company has a total installed capacity of 3,630 MVA and a peak power of 1,661 MW and provides 7/24 uninterrupted energy delivery services to an area covering 20,000 km2 within the provinces of Kocaeli, Sakarya, Bolu and Düzce, which altogether comprise 43 districts, 52 municipalities, 766 villages and 1,344 neighborhoods, corresponding to a total of 3.5 million population and 1.8 million consumers.

SEDAŞ continued making investments in order to render its operational success sustainable in investment, operation, maintenance and repair work on the field during organizational restructuring.

In order to ensure continuity of quality and electrical power in electricity distribution in 2018, the Company renewed network investments that have completed their economic lifespan, enhanced the electricity infrastructure capacity of developing residential areas, and focused on building transformers and new energy transmission lines.

SEDAŞ has implemented the automatic meter reading systems (OSOS) project and by the end of 2018, 27,665 meters, including 9,436 general lighting and 18,229 other subscriptions, could be read remotely. In this way, 65% of the energy consumed in the region is billed by reading from a distance. SEDAŞ has 10 EMRA (Energy Market Regulatory Authority) approved R & D projects carried out between 2015-2018 and 4 of these projects have been completed by the end of 2018. In 2018, SEDAŞ successfully managed the Management Systems it completed in 2017 and successfully implemented the SAP IS-U-CRM Project, which was completed in 2017. SEDAŞ's successful project received the 'Digital Transformation Award for the Energy Sector'.

It declared 2018 as the year of Customer Satisfaction and formed the Technical Support Help Desk Unit for complaints management. In 2018, SEDAŞ successfully implemented the SAP WFM project, an innovative mobile application that will enable the rapid delivery of the notices to the mobile devices of the maintenance operation teams working in the field in electricity distribution activities, the intervention of the closest fault team and the reporting of the workforce activity.

SEDAŞ's investments in 2018 amounted to TRY 123 million. The total investment from 2011 to 2015 was TRY 362,673,747, and 544 Million TL will be invested in the 2016-2020 period.

SEDAŞ, one of the first privatized distribution companies in the sector thanks to the respect it pays to social values, its environment conscious business approach and rapid and efficient business model, will continue to add value to its region with scheduled investment projects over the forthcoming period.

"Sepaş Energy, in the ever-changing electricity retail sector, is moving beyond an electricity supply company to facilitate the lives of customers entering their homes and workplaces with electricity and to take the customer experience to the next level."

H. Çağrı Poyraz
General Manager

**** As of 30 September 2018, Mr. Ondrej Safar resigned from his position as General Manager of Sepaş Energy.***

**** Hakan Çağrı Poyraz has been appointed as General Manager of Sepaş Energy as of October 1, 2018.***

Sepaş Enerji Sakarya Elektrik Perakende Satış A.Ş.

Sepaş Energy operates in a strategic partnership with Akkök Holding, one of the leading industrial groups in Turkey, and CEZ Group, regarded as one of the top 10 energy companies in Europe. In line with the "Methods and Principles regarding Legal Separation of Distribution and Retail Sales Activities" decision of the Energy Market Regulatory Authority, Sepaş Enerji demerged from the main distribution company, and was founded on January 1, 2013. By expanding its services through this national and international union, the Company continues to include more customers in its portfolio throughout the country, while mainly focusing on its Designated Supply Zone; Bolu, Düzce, Sakarya and Kocaeli.

In 2018, operational processes started to be conducted through SAP CRM & IS-U. Thanks to the infrastructure investment, processes have been designed to manage end-to-end customer transactions and to provide solutions that meet customer expectations and needs. With the management approach that puts customer satisfaction and continuous development at the center, the quality certificates covering ISO 9001 Quality Management System, ISO 27001 Information Security Management System and ISO 10002 Customer Complaints Management have been renewed.

In 2018, Sepaş Energy provided a total of 13,561 GWh of energy and served 1.7 million customers. Throughout the year, 94,000 eligible consumers benefited from the discounted electricity service of Sepaş Energy. In 2018, in line with the emerging energy market dynamics, the Company focused on the sale of innovative products in the sector for its End Source Supply Tariff customers. The risk was reduced by using derivative transactions against foreign currency risk of YEKDEM, which is one of the main costs of the energy market.

In accordance with the Personal Data Protection Law No. 6698, Sepaş Energy underwent an accelerated alignment process in 2018.

During 2018, Sepaş Energy continued its efforts with the aim of raising the customer experience to a higher level and increasing the quality of its services.

In 2018, Interest Reduction Campaigns were organized to provide ease of payment to indebted customers. Product and service campaigns were launched to strengthen new collaborations and to meet the common needs and expectations of all our customers, from the individual segment to the large-scale customer segment.

Within the scope of ISO 10002 standards and our strategy of putting customer satisfaction in focus, towards becoming more customer centric, the customer satisfaction surveys that we conduct regularly every year were also held in 2018. The issues that should be developed by measuring the satisfaction levels of individual and corporate customers from the product and service processes that Sepaş Energy serves were determined.

A corporate reputation survey was conducted among all stakeholders with whom Sepaş Enerji contacted, and the expectations of the stakeholders and the Corporate Reputation were rated. As a result of the Corporate Reputation survey conducted in the previous year, upon the request of stakeholders to consider Sepaş Energy as "an institution operating in social and cultural fields", a cinema event for the school reports of students was organized in the provinces that we operate in 2018 and the national canoe sportsman of the region was supported. With the Energy of Nature Photography Contest, especially university students, academicians and press members were touched. 500,000 people visited the exhibition organized within the scope of this competition. In the Sepaş Energy Electric Center located in KidZania the Children's Country, one of the group companies, more than 20,000 children experienced energy saving.

The main channel of marketing communications is positioned as digital channels, and with the region-targeted brand and activity announcements. As a result of this, an average of 50,000 people visit Sepaş Energy's corporate website on a monthly basis.

Enterprises determining the rhythm of city life: **The secret of our success is our aim of offering the best service in the service sector...**

SERVICES

Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş.
Akasya Çocuk Dünyası A.Ş.
Ak-Pa Tekstil İhracat Pazarlama A.Ş.
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.
Dinkal Sigorta Acenteliği A.Ş

paper moon

Akmerkez Lokantacılık Gıda San. ve Tic. A.Ş.

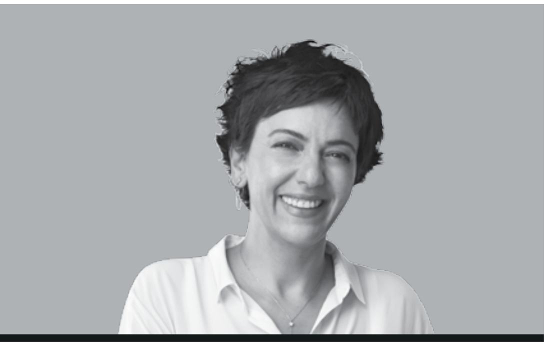
PAPER MOON ISTANBUL IS ONE OF THE WORLD'S TOP 70 PIZZA RESTAURANTS

Paper Moon; a city classic that unites Italian flavors with comfort. Following Milano and New York, Paper Moon, a world-renowned Italian restaurant was opened in Istanbul Akmerkez in 1996. Since then it has been owned and managed by Akmerkez Lokantacılık. With its chic interior design, tranquil ambiance, meticulous service and savory cuisine, Paper Moon has become an Istanbul classic in a very short time.

Thanks to the diligent management and service quality of Akmerkez Lokantacılık, Paper Moon is today one of Istanbul's most select and prestigious names for fine dining. The restaurant is run by Italian chef Giuseppe Pressani.

Paper Moon is expanding its menu day by day with its distinguished atmosphere and unique tastes. The interior design and professional lighting, which is a reflection of luxury and simplicity, have been deemed worthy of prestigious awards during the years it serves. The restaurant received the "Interior Design" award by Restaurants and Institutions-New York in 1997 and the "Interior Lighting" award given by Lumens-New York in 1998.

In a short period of time, Paper Moon Istanbul became one of the prestigious brands of Istanbul food and beverage sector and became a city classic. In August 2018, it was crowned by Italiana Magazine Catering by being mentioned on the list of the "70 Best Pizza Restaurants in the World".



"In KidZania, the Children's Country, where we have hosted over 1 million visitors so far, children experience more than 100 occupations and learn with fun. In a 8,000 m2 area, children can freely make decisions, learn to work as a team and lead, and become familiar with financial literacy. Children coming with non-governmental organizations and school visits achieve goals that can shape their future through their experience at KidZania."

Ebru Timur
General Manager

Akasya Çocuk Dünyası A.Ş.

Founded on February 16, 2009, Akdünya is the owner of the license rights in Turkey of KidZania, which currently operates in 27 cities in 21 countries, while Akasya Çocuk is the operator of Akasya KidZania.

KidZania is the fastest growing, numerous award-winning children's brand in the world with its edutainment concept that offers education and entertainment together. Every year KidZania welcomes more than 9 million children around the world.

KidZania Children's Land

The 16th KidZania in the world, KidZania Istanbul was established in 2014 in Akasya on 8,000 m2. More than one million visitors have been welcomed on this path we set out on with the aim of making all children happy while learning. KidZania offers children the opportunity to get to know professions, as well as become responsible and giving individuals. Children gain real life skills at KidZania activities. They learn how to read maps, find directions, socialize, learn teamwork, and thus explore crucial concepts such as financial literacy, responsibility awareness and self-confidence.

By cooperating with the best brands in Turkey, KidZania gives children the opportunity to enact adult roles. There is a hospital, a fire station, a theatre, an archaeology museum, production plants, an aviation academy, a dental health center, a bank and a stadium, as well as many other activities. KidZania, with 30 leading brands in the industry and a real-life city plan, offers children an unforgettable experience.

KidZania welcomes children between 4 and 14 years of age. Children over 7 can participate without their parents. Along with events and activities, KidZania also organizes birthdays and camps during the summer. There's another special fun section for very young children, of up to 4 years old.

"2018 was the record year when Ak-Pa registered the highest export volume since its establishment. We are proud to be part of the USD 438 million group export with a 15% increase compared to 2017. We will continue to add sustainable value to our shareholders in line with our mission of operational excellence."

Pelin Irgaç
General Manager

Ak-Pa Tekstil İhracat Pazarlama A.Ş.

Ak-Pa was founded in 1976 to handle international marketing activities and export operations of Akkök Holding of Companies. Exporting to more than 70 countries on 5 continents, Ak-Pa's commercial activities started with textile products and expanded to intermediate the foreign trade of all group companies including chemical products.

In 2018, Ak-Pa, with a record export volume of USD 438 million since its establishment by mediating the group's exports, achieved the planned target and has continued to be among Turkey's leading exporter companies. In the Fortune 500 list where the companies with the highest performance in Turkey are evaluated, Ak-Pa rose 4 rungs compared to the previous year to take the 166th place.

Ak-Pa, having ISO 9001: 2015 and ISO 27001: 2013 certificates of Quality Management Systems, successfully completed its interim audits in 2018 and continued its technological infrastructure investments. Ak-Pa has held a Certified Person status for many years. AK-Pa qualified for the Authorized Declarant Certificate granted by The Ministry of Customs and Trade, which enables convenience and privilege in customs procedures for reliable companies.

Ak-Pa will continue to contribute to foreign trade in 2019 as well.

Ak-Pa was ranked first in "Textile and Raw Material Exports" at an award ceremony for companies with the highest exports in 2017, organized by the Turkish Exporters Assembly.

In 2017, the Istanbul Textile and Raw Materials Exporters' Association announced its members with the highest volume of exports. In the awards ceremony, Ak-Pa qualified for the 2nd prize in the platinum category where the best companies are present.

In the 2017 İKMİB Stars of Export Award Ceremony organized by the Istanbul Chemicals and Chemical Products Exporters' Association, Ak-Pa ranked first in the 'Export of Paints, Varnishes, Inks' category and won the 5th prize in the 'Export to Target Countries' category.

**** Ms. Pelin Irgaç was appointed as Acting General Manager on 01.01.2018, and became the General Manager on 01.01.2019.***

"2018 was an opening year for Aktek to make new moves towards new firsts. For the first time, Aktek exported abroad (USA) software development efforts working on new technology platforms developed with its own resources. This is the beginning of a very significant step especially for our domestic software production. We launched our A performance product at Yıldızlar Entegre and Oyak-Akdeniz Kimya. We launched the Oracle Exadata project which provides a very successful business continuity, performance and consolidation opportunity for our group. We have implemented our software solutions for our chemical group that will be put into practice in Germany and Spain."

Reha Çetin
General Manager

Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.

Aktek was founded in 2007 in order to become a technology service provider, offering productive services and solutions adding value as a single unit with contemporary information technologies to all Akkök Holding companies. Following developments in Information Technologies closely and implementing R&D works, Aktek aims for high standards in all of its services, and produces end to end applications and solutions that will maintain the technological infrastructures of holding companies up-to-date. In addition to these activities, Aktek has also focused on activities outside of Akkök Holding since 2010. Moving its headquarters to Yıldız Technical University Davutpaşa Technopark campus in 2014, Aktek aims to be involved in the same ecosystem, and co-create projects with technology firms, by establishing collaboration with universities and industry with its projects. In 2015, a structure called Aktek Garage was created within Aktek. With this structure, Aktek offers individuals with creative ideas the opportunity to transform these ideas into projects.

Aktek has obtained 60% of its turnover from projects for companies outside of the Holding.

• Aktek's A-Performance product was successfully launched at Akdeniz Kimya and Yıldızlar Yatırım Holding.
• Guidance leadership efforts were undertaken in the development of projects that will contribute to the digital transformation and rise of digital indices of Akkök Group companies.
• Work was carried out with the Taysad Group and Taysad entrusted the infrastructure of its systems to Aktek.
• BN Telecom assigned maintenance support for all its systems to Aktek.
• Ferro Döküm / Efesanport has preferred Aktek for its infrastructure renewal project and the systems have been successfully installed.
• Tetaş has started to work with Aktek for their warehouse management system.
• The project to safely move Aksa's systems to Oracle Exadata was securely completed.
• The database support of Kartal Lütfi Kırdar Hospital is provided by Aktek
• IGA preferred Aktek for purchase of the necessary equipment for the Infrastructure project.

"From the first day we were founded, we have always been by your side in the most difficult days when you needed us. We will continue to be with you in the future with our advantageous services, expert team and all our corporate strength, which we currently provide to our customers, backed by the assurance of more than 30 insurance companies."

Ercan Erbek
General Manager

Dinkal Sigorta Acenteliği A.Ş.

Since its founding in 1976, Dinkal Sigorta Acenteliği A.Ş. has ranked among the preferred companies in the insurance sector, thanks to its exclusive services approach which successfully meets customer needs and expectations. The company, which has the potential to provide services in all areas of insurance, works with more than 30 insurance companies in the sector and provides alternative solutions for the needs of its customers, enabling them to gain a major advantage.

While Dinkal offers classic/individual segment insurance policies for individual customers such as health, automobile insurance, traffic, housing and natural disasters, Dinkal also provides engineering, logistics, profit loss, receivables (loan), executive responsibility, etc., which include comprehensive coverages for corporate customers. It is especially specialized in the construction, chemical and energy sectors, which are the main sectors of the group. Starting from the project phase of large power plants, it can offer special studies for the risks emanating from management as well, from local and foreign sources with alternatives. In addition, Turkey's leading conglomerates and industrial plants are also present in its insurance portfolio. As of 2017, logistics risks and the customer segment in this area were also included in the portfolio and the activities were designed under the management of a specially designated department.

As of the end of 2018, Dinkal, with 42 years of service, has turned the customer-focused service approach into a principle.

Dinkal decided to add a new area to the services offered to insurers, and launched sigortaküpü.com for the use of existing and potential customers in 2016, offering a fast, solution-oriented and extensive service range in the developing digital world. The number of members exceeded 3,500 by the end of 2017. In 2018, the Company started to sell online and provided an alternative solution environment that will enable its customers to reach all the insurance solutions they need in a short time without wasting time. Existing and potential customers in this new digital platform can reach Dinkal's customer representative in a short process for all their insurance needs, view their policies through the policy book, make damages notifications, and submit their opinions and questions on any subject needed.

One of the leading companies in the insurance sector, Dinkal reinforced this position with its financial figures in 2018. As of the end of the year, the company achieved significant growth, with total premium generation of approximately TRY 97 million.

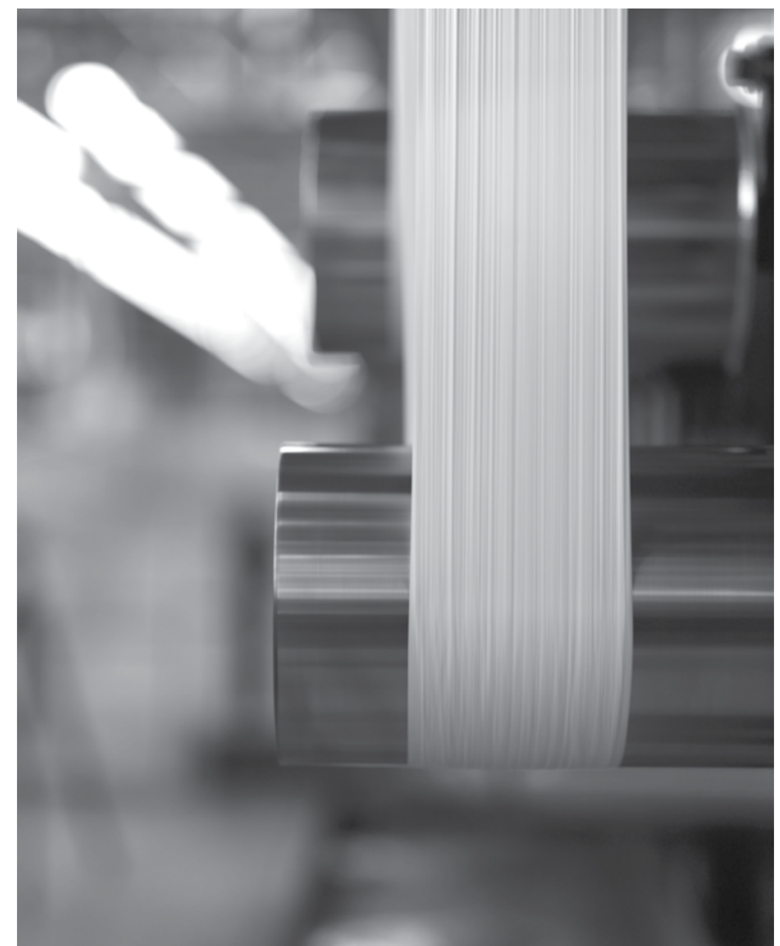
TEXTILES

Aksa Egypt Acrylic Fiber Industry S.A.E.

Aksa Egypt Acrylic Fiber Industry S.A.E.

AKSA EGYPT REINFORCED ITS POSITION AS THE ONLY ACRYLIC FIBER MANUFACTURER IN EGYPT.

Aksa Egypt is a subsidiary of Aksa with a 98.4% shareholding, which extends Aksa's operations in the entire North African region, particularly in Egypt. In 2018, Aksa Egypt maintained its position as the most prominent player in the Egyptian market with sales of approximately 11,000 tons and a turnover of up to USD 30 million. Egyptian acrylic demand, which started strongly in 2018, followed a volatile course for the rest of the year as in other markets due to raw material prices. Egyptian money markets, having achieved a balance in 2017 and 2018, are predicted to be stable in 2019 as well.



INDEPENDENT AUDITOR'S REPORT

Convenience translation into English of
Consolidated Financial Statements
at December 31, 2018 together with
Independent Auditor's Report

(Originally issued in Turkish)

Güney Bağımsız Denetim ve SMMM A.Ş.
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(Convenience translation of a report and financial statements originally issued in Turkish)

Independent auditor's report

To the Shareholders of Akkök Holding A.Ş.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Akkök Holding A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

We have expressed an unqualified opinion in our auditor's report dated 29 March 2019 on the consolidated financial statements of the Group for the period of 1/1/2018-31/12/2018, which are prepared in accordance with Turkish Accounting Standards.

We have expressed an unqualified opinion in our auditor's report dated 29 March 2019 on the annual report of Akkök Holding A.Ş. for the period of 1/1/2018-31/12/2018, which are prepared in accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC").

Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 29 March 2019.

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

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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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 ISAs 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 ISAs, 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.

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

- 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.

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

Ferzan Ülgen, SMMM
Partner

7 May 2019
Istanbul, Turkey

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT December 31, 2018

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Audited	*Restated (Note 2.6)* Audited	*Restated (Note 2.6)* Audited
	Notes	**December, 31, 2018**	**December, 31, 2017**	**January, 1, 2017**
ASSETS				
Cash and cash equivalents	6	1,535,418	884,729	713,092
Financial investments	7	35,174	35,053	43,800
Derivative financial instruments	21	7,869	5,302	809
Trade receivables	10	1,533,157	1,155,624	925,885
Due from related parties	*9*	*60,345*	*35,456*	*28,506*
Due from other parties		*1,472,812*	*1,120,168*	*897,379*
Other receivables		75,960	27,376	5,859
Due from related parties	*9*	*71,949*	*21,615*	*1,044*
Due from other parties		*4,011*	*5,761*	*4,815*
Inventories	11	1,224,224	1,012,288	417,653
Current income tax assets		6,865	1,626	7,674
Prepaid expenses	12	46,194	30,488	27,806
Other current assets	19	187,865	150,659	113,614
Subtotal		**4,652,726**	**3,303,145**	**2,256,192**
Assets held for sale		1,431	1,431	-
Current Assets		**4,654,157**	**3,304,576**	**2,256,192**
Trade receivables	10	41,824	56,440	58,306
Due from other parties		*41,824*	*56,440*	*58,306*
Other receivables		14,510	112,025	109,564
Due from related parties	*9*	*12,879*	*110,034*	*109,534*
Due from other parties		*1,631*	*1,991*	*30*
Financial investments	7	8,016	13,296	9,141
Investments accounted *using the equity method*	*8*	*510,500*	*568,703*	*737,035*
Investment properties	13	4,933,985	3,654,271	1,238,047
Property, plant and equipment	14	1,863,718	1,532,052	1,154,454
Intangible assets	16	272,454	289,405	264,488
Goodwill	*15*	*56,744*	*55,604*	*51,415*
Other intangible assets	*11*	*215,710*	*233,801*	*213,073*
Inventories	12	-	-	291,205
Prepaid expenses	29	26,836	30,095	55,364
Deferred tax assets	21	7,224	8,163	12,405
Derivative financial instruments	19	9,080	-	1,881
Other non-current assets	10	5,769	4,064	4,710
Non-current Assets		**7,693,916**	**6,268,514**	**3,936,600**
TOTAL ASSETS		**12,348,073**	**9,573,090**	**6,192,792**

The consolidated financial statements for period January 1, - December 31, 2018 were approved by the Board Directors on March 15, 2019.

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT December 31, 2018

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Audited	*Restated (Note 2.6)* Audited	*Restated (Note 2.6)* Audited
	Notes	**December, 31, 2018**	**December, 31, 2017**	**January, 1, 2017**
LIABILITIES				
Short term borrowings	20	1,571,755	1,121,910	980,331
Short term portion of long term borrowings	20	1,256,016	413,911	317,783
Derivative financial instruments	21	8,653	1,928	1,653
Trade payables	10	1,102,134	960,879	638,751
Due to related parties	*9*	*52,990*	*46,653*	*26,948*
Due to other parties		*1,049,144*	*914,226*	*611,803*
Liabilities for employee benefits		10,692	13,191	4,188
Other payables		74,142	5,040	6,209
Due to related parties	*9*	*73,457*	-	-
Due to other parties		*685*	*5.040*	*6.209*
Deferred income		98,230	35,620	64,848
Current income tax liabilities	12	9,077	8,658	9,647
Short term provisions	29	39,907	40,768	28,171
Provisions for employee benefits	*18*	*26,309*	*25,870*	*21,767*
Other short-term provisions	*17*	*13,598*	*14,898*	*6,404*
Other current liabilities	19	11,322	6,620	10,330
Current Liabilities		**4,181,928**	**2,608,525**	**2,061,911**
Long term borrowings	20	2,168,544	2,121,602	1,039,109
Derivative financial instruments	21	5,188	-	1,137
Trade payables	10	3,310	582	-
Due to other parties		*3,310*	*582*	-
Other payables		7,143	5,351	833
Due to other parties		*7,143*	*5,351*	*833*
Deferred income	12	7,523	9,413	-
Long term provisions		42,107	45,316	54,527
Provisions for employee benefits	*18*	*42,107*	*45,316*	*36,444*
Other long-term provisions	*17*	-	-	*18,083*
Deferred tax liabilities	29	42,342	42,299	36,554
Other non-current liabilities	19	149	516	-
Non-current Liabilities		**2,276,306**	**2,225,079**	**1,132,160**
TOTAL LIABILITIES		**6,458,234**	**4,833,604**	**3,194,071**

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT December 31, 2018

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited December, 31, 2018	*Restated (Note 2.6)* Audited December, 31, 2017	*Restated (Note 2.6)* Audited January, 1, 2017
Equity attributable to equity holders of the parent				
Paid-in share capital	22	1,003,450	989,443	968,432
Adjustments to share capital	22	(10,406)	(10,406)	(10,406)
Total paid-in capital		**993,044**	**979,037**	**958,026**
Merger offsetting account		154,442	154,442	-
Repurchased shares		(11,684)	(33,618)	-
Other comprehensive income/expense to be reclassified to profit or loss				
Change in fair value of available-for-sale financial assets		493	5,837	3,353
Hedging reserve		(8,559)	(9,116)	(9,486)
Currency translation differences		114,778	73,405	63,871
Other comprehensive income/expense not to be reclassified to profit or loss				
Actuarial gain/loss arising from defined benefit plans		(6,173)	(8,629)	(6,402)
Restricted reserves		19,188	11,308	7,516
Retained earnings/(loss)		349,795	276,675	387,055
Net profit/(loss) for the year		203,192	201,033	(13,712)
Total equity attributable to owners of the parent		**1,808,516**	**1,650,374**	**1,390,221**
Non-controlling interests		**4,081,323**	**3,089,112**	**1,608,500**
TOTAL EQUITY		**5,889,839**	**4,739,486**	**2,998,721**
TOTAL EQUITY AND LIABILITIES		**12,348,073**	**9,573,090**	**6,192,792**

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

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED
December 31, 2018 AND 2017

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited January 1 - December 31, 2018	*Restated (Note 2.6)* Audited January 1 - December 31, 2017
Revenue	23	5,207,717	3,850,172
Cost of sales (-)	23	(3,867,251)	(2,853,776)
Gross profit		**1,340,466**	**996,396**
General administrative expenses (-)	24	(169,200)	(148,046)
Marketing expenses (-)	24	(134,094)	(94,127)
Research and development expenses (-)		(23,927)	(23,816)
Other operating income	25	883,699	506,282
Other operating expenses (-)	25	(776,849)	(400,712)
Operating profit		**1,120,095**	**835,977**
Income from investing activities	26	1,312,129	347,408
Expense from investing activities	26	(1,893)	-
Other income from associates, joint ventures, subsidiaries	5	-	372,740
Share of profit / (loss) on investments accounted using the equity method	8	(152,699)	(70,735)
Operating profit before financial income and expense		**2,277,632**	**1,485,390**
Financial income	28	1,559,070	511,327
Financial expenses (-)	28	(2,503,634)	(843,758)
Profit before tax		**1,333,068**	**1,152,959**
- Current income tax expense	29	(64,182)	(73,186)
- Deferred tax (expense)/income, net	29	842	(5,003)
Net profit for the year		**1,269,728**	**1,074,770**
Total income for the period attritube to:			
Non-controlling interest		1,066,536	873,737
Equity holders of the parent		203,192	201,033
Net profit for the year		**1,269,728**	**1,074,770**

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

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED December 31, 2018 AND 2017

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	(Note 2.6) **Audited**	*Restated (Note 2.6)* **Audited**
	January 1-December 31, 2018	**January 1-December 31, 2017**
Net profit for the year	**1,269,728**	**1,074,770**
Other comprehensive income / (expense):		
Items to be reclassified to statement of income		
- Currency translation differences	28,059	2,290
- Gain/(loss) on cash flow hedge	1,125	1,130
- Gain/(loss) on cash flow hedge, tax effect	*(476)*	*(249)*
- Gain/(loss) on fair value of available-for-sale financial assets	*(5,624)*	*2,262*
- Gain/(loss) on fair value of available-for-sale financial assets, tax effect	281	(113)
- Gain/(loss) on currency translation differences from investments accounted using the equity method	76,188	21,523
Items not to be reclassified to statement of income		
- Actuarial gain/(loss) arising from defined benefit plans	*4,537*	*(6,702)*
- Actuarial gain/(loss) arising from defined benefit plans, tax effect	*(1,105)*	*1,461*
- Gain/(loss) not to be classified from other comprehensive income to investments accounted using the equity method	2,343	(943)
- Gain/(loss)not to be classified from other comprehensive income to of associates and joint ventures accounted using the equity method, tax effect	*23*	*189*
Other comprehensive income for the period	**105,351**	**20,848**
Total comprehensive income attributable to:		
Non-controlling interest	1,132,845	884,759
Equity holders of the parent	242,234	210,859
Total comprehensive income	**1,375,079**	**1,095,618**

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

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED December 31, 2018 AND 2017

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

				Items to be reclassified to profit or loss		Items not be reclassified to profit or loss								
	Paid-in capital	Adjustments to share capital	Change in fair value of available for sale financial assets	Currency translation differences	Hedging reserve	Actuarial gain/loss arising from defined benefit plans	Restricted reserves	Merger offsetting account	Repurchased shares	Retained earnings	Net profit/ (loss) for the year	Total equity attributable to owners of the parent	Non controlling interests	Total equity
Balance at January 1, 2017 (Previously reported)	**968,432**	**(10,406)**	**3,353**	**63,871**	**(9,486)**	**(6,402)**	**7,516**	**-**	**-**	**(66,976)**	**(13,712)**	**936,190**	**1,134,410**	**2,070,600**
Adjustments due to change in accounting policy (Note 2.6)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**454,031**	**-**	**454,031**	**474,090**	**928,121**
Balance at January 1, 2017 (Adjusted)	**968,432**	**(10,406)**	**3,353**	**63,871**	**(9,486)**	**(6,402)**	**7,516**	**-**	**-**	**387,055**	**(13,712)**	**1,390,221**	**1,608,500**	**2,998,721**
Capital increase (Note 22)	21,011	-	-	-	-	-	-	-	-	-	-	21,011	-	21,011
Transfer	-	-	-	-	-	-	3,792	-	-	(17,504)	13,712	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(52,714)	-	(52,714)	(273,168)	(325,882)
Total comprehensive income for the period	-	-	2,149	9,534	370	(2,227)	-	-	-	-	201,033	210,859	884,759	1,095,618
Impact of merger/division/liquidation (Note 5) (**)	-	-	335	-	-	-	-	154,442	(23,797)	8,759	-	139,739	652,051	791,790
Sales of subsidiaries (*)	-	-	-	-	-	-	-	-	-	-	-	-	(16,612)	(16,612)
Increase (decrease) due to repurchase of shares (**)	-	-	-	-	-	-	-	-	(9,821)	-	-	(9,821)	(45,522)	(55,343)
Capital increase in subsidiaries (**)	-	-	-	-	-	-	-	-	-	-	-	-	230,183	230,183
Impact of changes in the ownership rate of subsidiaries (**)	-	-	-	-	-	-	-	-	-	(48,921)	-	(48,921)	48,921	-
Balance at December 31, 2017	**989,443**	**(10,406)**	**5,837**	**73,405**	**(9,116)**	**(8,629)**	**11,308**	**154,442**	**(33,618)**	**276,675**	**201,033**	**1,650,374**	**3,089,112**	**4,739,486**
December 31, 2017 (Previously reported)	**989,443**	**(10,406)**	**5,837**	**73,285**	**(9,116)**	**(8,629)**	**11,308**	**154,442**	**(33,618)**	**(177,356)**	**269,028**	**1,264,218**	**2,337,648**	**3,601,866**
Adjustments due to change in accounting policy (Note 2.6)	**-**	**-**	**-**	**120**	**-**	**-**	**-**	**-**	**-**	**454,031**	**(67,995)**	**386,156**	**751,464**	**1,137,620**
Balance at January 1, 2018 (Adjusted)	**989,443**	**(10,406)**	**5,837**	**73,405**	**(9,116)**	**(8,629)**	**11,308**	**154,442**	**(33,618)**	**276,675**	**201,033**	**1,650,374**	**3,089,112**	**4,739,486**
Capital increase (Note 22)	14,007	-	-	-	-	-	-	-	-	-	-	14,007	-	14,007
Transfer	-	-	-	-	-	-	7,880	-	-	193,153	(201,033)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(151,691)	-	(151,691)	(290,940)	(442,631)
Total comprehensive income for the period	-	-	(5,344)	41,373	557	2,456	-	-	-	-	203,192	242,234	1,132,845	1,375,079
Increase (decrease) due to repurchase of shares (**)	-	-	-	-	-	-	-	-	21,934	-	-	21,934	181,950	203,884
Capital increase in subsidiaries (**)	-	-	-	-	-	-	-	-	-	-	-		14	14
Impact of changes in the ownership rate of subsidiaries (**)	-	-	-	-	-	-	-	-	-	31,658	-	31,658	(31,658)	-
Balance at December 31, 2018	**1,003,450**	**(10,406)**	**493**	**114,778**	**(8,559)**	**(6,173)**	**19,188**	**154,442**	**(11,684)**	**349,795**	**203,192**	**1,808,516**	**4,081,323**	**5,889,839**

(*) Akkök has sold its shares of Ariş Sanayi ve Ticaret A.Ş. with a percentage of 43.34% to MR Boya Kimya Sanayi ve Ticaret Ltd, Şti on May 24, 2017 for a consideration of TL 21,059,341 and its shares of İstasyon Tekstil ve Sanayi Ticaret A.Ş. with a percentage of 43.37% to Gökhan Kaştan on August 4, 2017 for a consideration of TL 4,297,887.

(**)Transactions regarding to the merger of Saf GYO in the body of Akiş GYO on January 18, 2017 (Note 5).

(***) Transactions regarding to the sale of shares by held Akiş GYO and repurchase of shares by held Aksa.

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

AKKÖK HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED December 31, 2018 AND 2017

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited December 31 2018	Audited December 31 2017
Net profit for the year		**1,269,728**	**1,074,770**
Depreciation and amortization expenses	14, 15	165,044	146,633
Provision expenses		58,963	47,513
Gain on sale of property, plant and equipment and intangibles and investment properties	26	(32,452)	(113,789)
Adjustments related to fair value loss (gain)		(1,265,431)	(365,873)
Dividend received	26	(848)	(730)
Gain on sale of share	28	(18)	-
Adjustments to tax expense/income	29	63,340	78,189
Adjustments for interest income and expense	28	149,469	123,931
Adjustments to the gain on the negotiated purchase	5	-	(225,969)
Adjustments related to undistributed profit/losses of investments accounted using the equity method	8	152,699	70,735
Adjustments for profit/loss related to sale of subsidiaries and joint operations	26	-	(12,652)
Adjustments to currency translation difference		961,710	221,015
Changes in working capital		**1,522,204**	**1,043,773**
Adjustments for increase/decrease in inventories		(180,882)	(233,249)
Adjustments for increase/decrease in trade receivables		(341,453)	(151,268)
Due from related parties		68,387	(28,021)
Adjustments for increase/decrease in other operational receivables		2,110	8,708
Adjustments for increase/decrease in trade payables		137,646	279,994
Due to related parties		79,794	19,705
Adjustments for increase in other operational payables		(2,268)	(8,124)
Adjustments for increase/decrease in prepaid expenses		(12,447)	22,587
Adjustments for increase/decrease in deferred income		60,720	(19,823)
Adjustments for employee benefits		(2,499)	8,949
Other changes in working capital		(44,854)	(24,863)
Employee termination benefits paid	18	(30,117)	(23,868)
Income taxes paid	29	(63,763)	(74,175)
A. Cash flows from operating activities		**1,192,578**	**820,325**
Cash outflows from purchase of plant, property of equipment and intangibles	14,15	(514,251)	(457,274)
Cash inflows from sales of plant, property of equipment and intangibles		82,586	12,833
Cash outflows purchases of investment properties	13	(7,997)	(14,648)
Cash inflows from sales of invesment properties		253	154,883
Cash outflows from purchases of financial assets		(2,237)	-
Investment in inventories (residences)		(54,097)	(62,488)
Dividends received	8,26	9,064	10,023
Cash outflows from capital increases in associates		(24,158)	(44,382)
Proceeds on sale of subsidiary		-	26,525
Payments for acquisition of subsidiary, net of cash acquired		-	(46,462
Other cash inflows /outflows		-	31,151
B. Cash flows from investing activities		**(33,934)**	**(258,940)**
Cash inflows from the sale of repurchased shares		235,348	-
Cash outflows from the acquisition of own shares and other equity instruments		(31,464)	-
Cash inflows from borrowings obtained	20	2,840,627	2,740,114
Cash outflows related to loan repayment	20	(2,509,203)	(2,570,252)
Dividends paid		(151,691)	(52,714)
Dividends paid to non-controlling interests		(290,940)	(273,168)
Cash outflows due to changes in partnership shares in a manner that does not lead to loss of control in subsidiaries		14	91
Due to related payables		(46,455)	-
Capital increase	22	14,007	21,011
Interest received		86,233	42,528
Interest paid		(180,410)	(166,550)
C. Cash flows from financing activities		**(33,934)**	**(258,940)**
Net increase in cash and cash equivalents (A+B+C)		**647,807**	**171,546**
D. Change in restricted deposits		**(530)**	**1,169**
E. Cash and cash equivalents at the beginning of the year	6	**883,791**	**711,076**
Cash and cash equivalents at the end of the year (A+B+C+D+E)	6	**1,531,068**	**883,791**

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

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2018

(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Akkök Holding Anonim Şirketi ("Akkök") was established in 1979. Akkök and its subsidiaries, joint ventures and associates (together will be referred as "the Group") mainly operate in the chemicals, energy, real estate, coating and textile sectors and engage in manufacturing of all kinds of raw materials, auxiliary materials and intermediate substances, artificial, synthetic and natural fibres, carbon fibres, filament and polymers, and any equipment, machinery or spare parts used in the production, processing or storage of these, importing and exporting, establishment of domestic, foreign and international branches, marketing and trading, establishment and start-up and rental of energy generation plant, electricity generation and sale of generated electricity or capacity to customers and purchase and sale of or investing in real estate properties. The Group, in addition to its main operation also has operations in restaurant management, marketing, air transport, port management, information technology, insurance agency, and tourism companies.

The Group's ultimate parents are A.R.D Holding Anonim Şirketi, NDÇ Holding Anonim Şirketi, and Atlantik Holding Anonim Şirketi, which are being controlled by Dinçkök family members (Note 22).

On 22 April 2014, at the general assembly for 2013, the Company has changed its title to Akkök Holding Anonim Şirketi from Akkök Sanayi Yatırım ve Geliştirme Anonim Şirketi with the amendment of 3rd Article of Company's articles of association and following the decision, change of the title has been registered on trade registry 13 May 2014 followed by the declaration on 20 May 2014,

Akkök Holding Anonim Şirketi is registered in Turkey and the address of the registered office is as follows:

Miralay Şefik Bey Sokak
No: 15 Akhan
Gümüşsuyu 34437 İstanbul

Subsidiaries

The subsidiaries of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

Subsidiaries	Country of incorporation	Nature of business
Akiş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("Akiş")	Turkey	Real estate investment
Karlıtepe Gayrimenkul Geliştirme ve Yatırım Anonim Şirketi ("Karlıtepe")	Turkey	Real estate investment
Akyaşam Yönetim Hizmetleri A.Ş	Turkey	Real estate investment
Akasya Çocuk Dünyası A.Ş.	Turkey	Real estate investment
Aksu Real Estate E.A.D. ("Aksu Real Estate")	Bulgaria	Real estate investment
Ak-Kim Kimya Sanayi ve Ticaret Anonim Şirketi ("Ak-Kim")	Turkey	Chemicals
Gizem Seramik Frit ve Glazür Sanayii ve Ticaret Anonim Şirketi ("Gizem Frit")	Turkey	Chemicals
Megacolor Productos Ceramicos S.L.U. ("Megacolor")	Spain	Chemicals
Megacolor Productos Ceramicos Mexico SRL CV	Mexico	Chemicals
Megacolor Foshan S.L.	China	
Chemicals		
Dinox Handels GmbH ("Dinox")	Germany	Chemicals
Akmeltem Poliüretan Sanayi ve Ticaret Anonim Şirketi ("Akmeltem")	Turkey	Chemicals
Aksa Akrilik Kimya Sanayii Anonim Şirketi ("Aksa")	Turkey	Chemicals
Aksa Egypt Acrylic Fiber Industry SAE ("Aksa Egypt")	Egypt	Textile
Fitco BV ("Fitco") (*)	Netherland	Investment
Ak Havacılık ve Ulaştırma Hizmetleri Anonim Şirketi ("Ak Havacılık")	Turkey	Aviation
Akmerkez Lokantacılık Gıda Sanayi ve Ticaret Anonim Şirketi ("Akmerkez Lokanta")	Turkey	Restaurant management
Ak-Pa Tekstil İhracat Pazarlama Anonim Şirketi ("Akpa")	Turkey	International trade
Akport Tekirdağ Liman İşletmeleri Anonim Şirketi ("Akport")	Turkey	Port management
Aktek Bilgi İletişim Teknolojisi San. ve Tic. Anonim Şirketi ("Aktek")	Turkey	Information technologies
Dinkal Sigorta Acenteliği Anonim Şirketi ("Dinkal")	Turkey	Insurance agency
Zeytinliada Turizm ve Ticaret Anonim Şirketi ("Zeytinliada")	Turkey	Tourism

(*) The liquidation process of the Company's subsidiary Fitco BV, which has no operations, was completed on 19 December 2018.

AKKÖK HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED December 31, 2018
(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Joint ventures

The joint ventures of Akkök, the countries they are incorporated in, and the nature of their businesses and joint venture partners are as follows:

Joint Ventures	Country of incorporation	Nature of business	Joint venture partner
Akcez Enerji Yatırımlar Sanayi ve Ticaret Anonim Şirketi ("Akcez")	Turkey	Energy	CEZ a,s,
Sakarya Elektrik Dağıtım Anonim Şirketi ("Sedaş")	*Turkey*	*Energy*	*CEZ a,s,*
Sakarya Elektrik Perakende Satış Anonim Şirket ("Sepaş")	*Turkey*	*Energy*	*CEZ a,s,*
Akenerji Elektrik Üretim Anonim Şirketi ("Akenerji")	Turkey	Energy	CEZ a,s,
Ak-El Yalova Elektrik Anonim Şirketi ("Ak-El")	*Turkey*	*Energy*	*CEZ a,s,*
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret Anonim Şirketi	*Turkey*	*Energy*	*CEZ a,s,*
Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret Anonim Şirketi	*Turkey*	*Energy*	*CEZ a,s,*
Egemer Elektrik Üretim Anonim Şirketi ("Egemer")(*)	*Turkey*	*Energy*	*CEZ a,s,*
Ak-el Kemah Elektrik Üretim Anonim Şirketi ("Kemah")	*Turkey*	*Energy*	*CEZ a,s,*
DowAksa Advanced Composites Holding B.V. ("DowAksa")	Hollanda	Kimya	Dow Europe Holdings B.V.
DowAksa İleri Kompozit Malzemeler San, Ltd, Şirketi	*Turkey*	*Chemistry*	*Dow Europe Holdings B,V,*
DowAksa Switzerland GmbH	*Switzerland*	*Chemistry*	*Dow Europe Holdings B,V,*
DowAksa USA LLC	*USA*	*Chemistry*	*Dow Europe Holdings B,V,*
DowAksa Tianjin Trading Company	*China*	*Chemistry*	*Dow Europe Holdings B,V*
DowAksa Deutschland GmbH	*Germany*	*Chemistry*	*Dow Europe Holdings B,V,*
Akiş- Mudanya Adi Ortaklığı	Turkey	Real Estate	Mudanya
WMG London Developments L.P.	England	Real Estate	-
OXR Limited	*England*	*Real Estate*	-

(*) With the decision of Board of Directors on 4 September 2018, it is decided to merge Egemer within the body of Akenerji with all of its assets and liabilities by using the "facilitated merger", and following the permissions and approvals retained, the merger is completed with the registry of Istanbul Registry of Commerce on December 31, 2018.

AKKÖK HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED December 31, 2018
(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Associates

The associates of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

Associates	Country of incorporation	Nature of business
Akmerkez Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("Akmerkez")	Turkey	Real Estate Development

Financial investments

The financial investments of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

Financial investments	Country of incorporation	Nature of business
Akhan Bakım Yönetim Servis Hizmet Ticaret Anonim Şirketi ("Akhan")	Turkey	Service
Üçgen Bakım ve Yönetim Hizmetleri Anonim Şirketi ("Üçgen")	Turkey	Service

Subsidiaries that are not material to the consolidated financial statements and financial investments that do not have quoted fair values or for which fair values cannot be reliably measured through alternative methods, are measured at cost less any impairment.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

The accompanying consolidated financial statements are prepared in accordance with the International Accounting Standards ("IAS") issued by International Accounting Standards Board ("IASB"). IAS contains International Accounting Standards, International Financial Reporting Standards ("IFRS") and its addendum and interpretations ("IFRIC").

Akkök, its subsidiaries, joint ventures and associates maintains its accounting records and prepares its statutory financial statements in accordance with Public Oversight Accounting and Auditing Authority of Turkey's decision and General Communiqués on Accounting Systems Practices ("ASGC"), in Turkish Liras, in accordance with the requirements of Turkish Commercial Code (the "TCC").These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with IFRS.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates, It also requires management to exercise judgment in the process of applying the Group's accounting policies, The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED December 31, 2018
(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

2.2 Principles of consolidation

The significant accounting policies used during the preparation of these consolidated financial statements are summarised below:

a) The consolidated financial statements include the accounts of the parent company, Akkök, its subsidiaries, joint ventures and associates on the basis set out in sections (b) to (e) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements, and are prepared in accordance with IFRS as explained in Note 2.1. The results of operations of subsidiaries, joint ventures and associates are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.

b) Subsidiaries are companies in which Akkök has the power to control their financial and operating policies. Akkök's control over the investee, only and only when all of the following indicators are available; (a) has power over the investee, (b) the exposure to variable returns from its involvement with the investee or is entitled to these returns, and (c) has the ability to use its power over the investee to affect the amount of return to be earned.

Such control is established through the joint exercise of; (a) the voting rights of Akkök and its subsidiaries, (b) the voting rights of certain members of Dinçkök family and the related shareholders who declared to exercise their voting rights inline with Akkök's voting preference, and (c) the voting rights of entities that are controlled by the family members mentioned above and the related shareholders, which declared to exercise their voting rights inline with Akkök's voting preference. Effective interest rate represents the effective shareholding of the Group through the shares held directly by Akkök and indirectly by its subsidiaries in the consolidated financial statements, interests owned by the Dinçkök family members are presented as non-controlling interests.

The statements of balance sheets and statements of comphrensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Akkök and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Akkök and its subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Akkök in its subsidiaries are eliminated from equity and income for the period, respectively.

The portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through the subsidiaries, by the parents, is presented as non-controlling interest.

AKKÖK HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED December 31, 2018
(Amounts in the tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

The table below sets out the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at December 31, 2018 and 2017:

	Proportion of voting power held by Akkök and its subsidiaries (%) [1]		Proportion of voting power held by certain Dinçkök family members and related shareholders (%) [2]		Total voting power held		Proportion of effective interest (%) [3]	
Subsidiaries	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Ak Havacılık ve Ulaştırma Hizmetleri Anonim Şirketi	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Ak-Kim Kimya Sanayi ve Ticaret Anonim Şirketi	42.00	42.00	36.63	36.63	78.63	78.63	42.00	42.00
Gizem Seramik Frit ve Glazür Sanayii ve Ticaret Anonim Şirketi	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*42.00*	*42.00*
Megacolor Productos Ceramicos S.L.U. [6]	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*42.00*	*42.00*
Megacolor Productos Ceramicos Mexico SRL CV	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*42.00*	*42.00*
Megacolor Foshan S.L.	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*100.00*	*42.00*	*42.00*
Dinox Handels GmbH [5]	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*42.00*	*42.00*
Akmeltem Poliüretan Sanayi ve Ticaret Anonim Şirketi	50.00	50.00	1.67	1.67	51.67	51.67	50.00	50.00
Akmerkez Lokantacılık Gıda Sanayi ve Ticaret Anonim Şirketi	43.75	43.75	-	-	43.75	43.75	43.75	43.75
Ak-Pa Tekstil İhracat Pazarlama Anonim Şirketi	86.69	86.69	7.50	7.50	94.19	94.19	86.69	86.69
Akport Tekirdağ Liman İşletmeleri Anonim Şirketi	96.30	96.30	1.85	1.85	98.15	98.15	96.30	96.30
Aksa Akrilik Kimya Sanayii Anonim Şirketi	39.59	39.59	19.88	19.06	59.47	58.65	39.94	39.59
Fitco BV [7]	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*39.94*	*39.59*
Aksa Egypt Acrylic Fiber Industries SAE	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*39.94*	*39.59*
Dinkal Sigorta Acenteliği Anonim Şirketi	96.66	96.66	2.23	2.23	98.89	98.89	96.66	96.66
Zeytinliada Turizm ve Ticaret Anonim Şirketi	89.61	89.61	4.64	4.64	94.25	94.25	89.61	89.61
Akiş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi[4]	14.66	14.66	54.43	43.91	69.09	58.57	14.66	17.75
Aksu Real Estate E.A.D.	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*14.66*	*17.75*
Akyaşam Yönetim Hizmetleri A.Ş.	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*14.66*	*17.75*
Akasya Çocuk Dünyası A.Ş.	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*14.66*	*17.75*
Karlıtepe Gayrimenkul Geliştirme ve Yatırım Anonim Şirketi	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*14.66*	*17.75*
Aktek Bilgi İletişim Teknolojisi San.ve Tic. Anonim Şirketi	20.00	20.00	40.00	40.00	60.00	60.00	20.00	20.00

(1) Represents total direct ownership interest held by Akkök and its subsidiaries.
(2) Represents total direct ownership interest held by certain Dinçkök family members and related shareholders who declared to exercise their voting power in-line with the voting preference of Akkök.
(3) Represents total direct and indirect ownership interest held by Akkök.
(4) Following the merger of Akiş GYO and Saf GYO, the voting rights of Akkök increased to 14,66% and the effective shareholding ratio increased to 17,75% due to the shares redeemed by Akiş GYO (Note 5).
(5) Ak-Kim, a subsidiary of the Group, acquired a 100% share of Dinox Handels GmbH ("Dinox") on February 15, 2017 for a consideration of EUR 3,750,000(Note 5).
(6) Gizem Frit, a subsidiary of the Group, acquired a 100% shares of Megacolor on November 22, 2017 for a consideration of EUR 7,002,128(Note 5).
(7) The liquidation process of the Company's subsidiary Fitco BV, which has no operations, was completed on 19 December 2018.

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c) A joint arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an economic activity. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Akkök exercises such joint control through direct and indirect ownership interest held by itself and/or through voting power Dinçkök family members and the related shareholders who declared to exercise their voting power inline with the voting preferences Akkök. The Group's interest in joint ventures is accounted for by using the equity method (Note 8). Under the equity method, investments in the joint ventures are carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the joint venture and the comprehensive income reflects the share of the results of operations of the joint ventures. Where there has been a change recognised directly in the equity of the joint ventures, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.The table below sets out the joint-ventures, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at December 31, 2018 and 2017:

	Proportion of voting power held by Akkök and its subsidiaries (%) (1)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%) (2)		Total voting power held		Proportion of effective interest (%) (3)	
Joint ventures	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Akenerji Elektrik Üretim Anonim Şirketi	20.43	20.43	16.93	16.93	37.36	37.36	20.43	20.43
Ak-El Yalova Elektrik Anonim Şirketi	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*20.43*	*20.43*
Ak Enerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret Anonim Şirketi	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*20.43*	*20.43*
Egemer Elektrik Üretim Anonim Şirketi (4)	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*20.43*	*20.43*
Ak-el Kemah Elektrik Üretim Anonim Şirketi	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*20.43*	*20.43*
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret Anonim Şirketi	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*20.43*	*20.43*
Akcez Enerji Yatırımları Sanayi ve Ticaret Anonim Şirketi	50.00	50.00	-	-	50.00	50.00	50.00	50.00
Sakarya Elektrik Dağıtım Anonim Şirketi	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*50.00*	*50.00*
Sakarya Elektrik Perakende Satış Anonim Şirketi	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*50.00*	*50.00*
Dowaksa Advanced Kompozit Holding B.V.	50.00	50.00	-	-	50.00	50.00	19.79	19.79
DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*19.79*	*19.79*
DowAksa Switzerland GmbH	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*19.79*	*19.79*
DowAksa USA LLC	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*19.79*	*19.79*
DowAksa Tianjin Trading Company	*100.00*	*100.00*	-	-	*100.00*	*100.00*	*19.79*	*19.79*
DowAksa Deutschland GmbH	*100,00*	*100.00*	-	-	*100.00*	*100.00*	*19.79*	*19.79*
Akiş - Mudanya Adi Ortaklığı	50.00	50.00	-	-	50.00	50.00	8.87	8.87
WMG London Developments L.P.	51.00	-	-	-	51.00	-	7.48	-
OXR Limited	100,00	-	-	-	100.00	-	7.48	-

(1) Represents total direct ownership interest held by Akkök and its subsidiaries.
(2) Represents total direct ownership interest held by certain Dinçkök family members and related shareholders who declared to exercise their voting power in-line with the voting preference of Akkök.
(3) Represents total direct and indirect ownership interest held by Akkök.
(4) With the decision of Board of Directors on 4 September 2018, it is decided to merge Egemer within the body of Akenerji with all of its assets and liabilities by using the "facilitated merger", and following the permissions and approvals retained, the merger is completed with the registry of Istanbul Registry of Commerce on December 31, 2018.

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d) Investments in associated undertakings are accounted for using the equity method (Note 8). These are undertakings, over which the Group generally has between 20% and 50% of the voting rights; through the voting rights of Akkök and its subsidiaries and/or through the voting rights of certain members of Dinçkök family and related shareholders in those companies who declared to exercise their voting rights inline with Akkök's voting preference or through the Group's exercise of significant influence with, no controlling power. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking or significant influence of the Group ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter. The table below sets out the associates accounted for using the equity method of accounting, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at December 31, 2018 and 2017:

	Proportion of voting power held by Akkök's subsidiaries (%)(1)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%)(2)		Total voting power held		Proportion of effective interest (%)(3)	
Subsidiaries	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Akmerkez GayrimenkulYatırım Ortaklığı Anonim Şirketi (4)	13.12	13.12	5.57	5.57	18.69	18.69	13.12	13.12

e) Other investments in which the Group and its subsidiaries have an interest below 20%, or Group and its subsidiaries have an interest over 20% but the Group does not exercise a significant influence, or which are immaterial, are classified as available-for-sale investments, Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value (Note 7).

	Proportion of Voting power held by Akkök's subsidiaries (%)(1)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%)(2)		Proportion of effective interest (%)(3)	
Financial Investments	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Akhan Bakım Yönetim Servis Hizmet Ticaret Anonim Şirketi ("Akhan")	99.00	99.00	0.15	0.15	99.00	99.00
Üçgen Bakım ve Yönetim Hizmetleri Anonim Şirketi ("Üçgen")	39.37	39.37	-	-	39.37	39.37

(1) Represents total direct ownership interest held by Akkök and its subsidiaries.
(2) Represents total direct ownership interest held by certain Dinçkök family members and related shareholders who declared to exercise their voting power in-line with the voting preference of Akkök.
(3) Represents total direct and indirect ownership interest held by Akkök.
(4) Akkök has the significant influence over Akmerkez GYO, an associate of the Group, through representation on the board of directors and participation in policy-making processes, including participation in decisions about dividends or other distributions.

2.3 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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2.4 The new standards, amendments and interpretations

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

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

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- IFRS 4 Insurance Contracts (Amendments)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- IAS 40 Investment Property: Transfers of Investment Property (Amendments)
- Annual Improvements to IFRSs -2014-2016 Cycle

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

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows, The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)
- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements - 2015-2017 Cycle
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- IFRS 17 The new Standard for insurance contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

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

IFRS 16 Leases: The Group is planning to adopt IFRS 16 using the simplified modified retrospective approach. The Group will adopt IFRS 16 to the contracts which were previously defined as leasing in accordance with IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. Accordingly, the Group will not apply IFRS 16 to the contracts which were not previously defined as leasing in accordance with IAS 17 and IFRIC 4. The impact of the transition to IFRS 16 on the consolidated statement of financial position of the Group as an increase on intangible assets (use of rights) and finance lease liability is estimated to approximate 1% as of December 31, 2018.

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2.5 Comparatives and adjustment to previous periods' financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. In order to comply with the presentation of consolidated financial statements the current period when deemed necessary, comparative information is reclassified.

The Company has made necessary classifications in the financial statements of the previous periods in accordance with the changes in presentation of current period. In the past, in this frame:

- Inventories amounting to TL 68.337.854 in the non-current assets are reclassified under current assets for the December 31, 2017 financial statements.

- Asset amounting to TL 48.173 in the financial investments are reclassified under long term prepaid expenses for the December 31, 2017 financial statements.

- Other operating income to TL 8,106,000 which was accounted under income from investing activities, has been reclassified to income from investing activities for the period between January 1, - December 31, 2017.

2.6 Changes in accounting policies, accounting estimates and errors

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

	Note	**January 1, 2017** *(restated)*	**January 1, 2017** *(previously reported)*	*Difference*
Investments accounted using the equity method	B	737,035	556,973	180,062
Investment properties	B	1,238,047	485,761	752,286
Deferred tax liabilities	B	36,554	32,327	(4,227)
Retained earnings/(loss)	B	387,055	(66,976)	(454,031)
Non-controlling interests	B	1,608,500	1,134,410	(474,090)

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	Note	December 31, 2017 (restated)	December 31, 2017 (previously reported)	Difference
Investments accounted using the equity method	B	568,703	409,584	159,119
Investments properties	B	3,654,271	2,668,702	985,569
Intangible assets	A	289,405	281,650	7,755
Goodwill		*55,604*	*56,993*	*(1,389)*
Other intangible assets		*233,801*	*224,657*	*9,144*
Other payables - long term	A	5,351	-	(5,351)
Due to other parties		*5,351*	*-*	*(5,351)*
Deferred tax liabilities	A,B	42,299	32,826	(9,473)
Currency translation differences	A	73,405	73,285	(120)
Retained earnings/(loss)	B	276,675	(177,356)	(454,031)
Net profit/(loss) for the year	B	201,033	269,028	67,995
Non-controlling interests	B	3,089,112	2,337,648	(751,464)

	Note	December 31, 2017 (restated)	December 31, 2017 (previously reported)	Difference
Cost of sales (-)	B	(2,853,776)	(2,895,016)	41,240
General administrative expenses (-)	B	(148,046)	(149,223)	1,177
Other operating income		506,282	514,388	(8,106)
Income from investing activities	B	347,408	134,681	212,727
Share of profit/(loss) on investments accounted using the equity method	B	(70,735)	(49,792)	(20,943)
Deferred tax expense (-)	A,B	(5,003)	(873)	(4,130)
Net profit	A,B	1,074,770	852,805	221,965

A: Gizem Frit, a subsidiary of the Group, acquired a 100% shares of Megacolor on November 22, 2017 and the acquisition transaction is provisionally accounted in the consolidated financial statements of Gizem Frit by the acquisition method in accordance with IFRS 3 "Business Combinations". As a result of the purchase price allocation on June 30, 2018, the Company's net assets have been recalculated and recorded.

B: As of January 1, 2017, the Group has started to recognize its land and buildings, which are classified as investment properties, at fair value rather than cost value in accordance with IAS 40 Investment Property. In this context, the fair value model has been accounted for investment properties at December 31, 2016 and 2017 financials.

2.7 Going concern

The consolidated financial statements including the accounts of the parent company, its subsidiaries, joint ventures and associates have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

2.8 Changes in accounting policies

The accounting policies applied in the preparation of the consolidated financial statements as of January 1-December 31, 2018 are consistent with those applied in the preparation of the consolidated financial statements as of December 31, 2017, except for the new IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers standards, which are valid as of January 1, 2018.

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IFRS 9 "Financial Instruments"

Classification and measurement

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Changes regarding the classification of financial assets and liabilities in terms of IFRS 9 are summarised below. The amendments, there is no significant impact on the measurement of financial assets.

Financial assets	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Financial asset (*)	Held-to-maturity	Fair value through other comprehensive income
Financial liabilities		
Borrowings	Amortised cost	Amortised cost
Leasing debts	Amortized cost	Amortised cost
Derivative instruments	Fair value through profit or loss	Fair value through profit or loss
Trade payables	Amortized cost	Amortised cost

(*) As the fair value cannot be measured in accordance with IAS 39, financial investments carried at cost, accounted for at cost because fair value is approximate to cost under IFRS 9.

Impairment

The Group has made amendments to the IFRS 9 methodology for allocating impairment of financial assets in accordance with the newly anticipated credit loss model. There is no significant impact on the financial assets and financial liabilities book value from the applying IFRS 9.

(iv) IFRS 15 Revenue from Contracts with Customers Standard

In September 2016, IASB issued IFRS 15 Revenue from Contracts with Customers In this framework, a five-stage model was created to regulate the revenue generated from contracts with customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g. the sale of property, plant and equipment). IFRS 15 effective date is January 1, 2018.The amendments did not have a significant impact on the financial position or performance of the Group.

2.9 Convenience Translation into English of Financial Statements

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Related parties

Parties are considered related to the Group if;

a) directly, or indirectly through one or more intermediaries, the party:

i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
ii) has an interest in the Group that gives it significant influence over the Group or has joint control over the Group;

b) the party is an associate;

c) the party is a joint venture in which the Group is a venture;

d) the party is member of the key management personnel of the Group or its parent;

e) the party is a close member of the family of any individual referred to in (a) or (d);

f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to In (d) or (e); or

g) the party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Related party transactions are transfer of resources, services or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the ordinary course of business (Note 9).

3.2 Financial assets

Classification

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Financial assets are not reclassified after initial recognition, except where the business model of the Group is subject to change in the management of financial assets. In the case of business model change; the financial assets are reclassified on the first day of the following the change reporting period.

Recognition and Measurement

"Financial assets measured at amortized cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables" and "financial investments". Financial assets carried at amortized cost are measured at their fair

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value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income.

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified.

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

Subsidiaries excluded from the scope of consolidation

For investments as subsidiaries that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment (Note 7).

3.3 Trade receivables and payables

Trade receivables are recognised at original invoice amount and carried at amortised cost less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate. Bad debts are written off when identified (Note 10).

Applied the "simplified approach" for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

Trade payables consist of the amounts invoiced or not invoiced related with the realised material or service purchases, and are carried at amortised cost (Note 10).

3.4 Inventories

Inventories are valued at the lower of cost or net realisable value less costs to sell. Cost of inventories comprises the purchase cost and the cost of bringing inventories into their present location and condition. Cost is determined by the monthly moving weighted average method. The cost of borrowings is not included in the costs of inventories. Net realisable value less costs to sell is the estimated sales price in the ordinary course of business, less the estimated costs necessary to make the sale (Note 11).

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Land planned for used in current or near future development projects are classified as inventories. As of balance sheet date, inventories which are not expected to be sold in one year are classified under non-current assets.

3.5 Investment properties

Land and buildings that are held for rental yields or for capital appreciation or both rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as "investment property" (Note 13).

Investment properties are measured at fair value and changes in fair value are recognized under statement of profit or loss. Fair value of an investment property is the price at which the property could be exchanged between or a payment of a debt between knowledgeable and willing parties in a market condition.

3.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided for property, plant and equipment on a straight-line basis (Note 14). Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful life (Year)
Land improvements	2-50
Buildings	5-50
Machinery and equipment	3-40
Motor vehicles	4-8
Furniture and fixtures	2-50
Leasehold improvements	4-5

The Group assesses at each balance sheet date whether there is objective evidence that a property, plant and equipment or a group of property, plant and equipment is impaired. In the event of circumstances indicating that an impairment has occurred in the property, plant and equipment, an inspection is performed for the purpose of determining a possible impairment, and if the registered value of the tangible asset is higher than its recoverable value, the registered value is reduced to its recoverable value by reserving a provision. The recoverable value is considered either the net cash flow to be caused by the current use of the respective property, plant and equipment or the next sales price, whichever is higher.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate (Note 26).

Repairs and maintenance are charged to consolidated statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will be retained.

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3.7 Intangible assets

Intangible assets acquired separately from a business are capitalised at acquisition cost. Intangible assets created within the business are not capitalised and the related expenditures are charged against profits in the year in which it is incurred. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. The depreciation period for the intangibles capitalised in relation with the developments will be started after the production of these developments are started. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable (Note 15).

Fees paid for usage rights of assets in Yalova Kompozit ve Kimya İhtisas Islah Organize Sanayi Bölgesi ("Yalkim OSB") have been classified under intangible assets and fees paid for usage of land with indefinite useful life is not amortized.

Intangible assets recognized as a part of business combination

In business combinations, the acquirer may recognize identifiable assets, intangible assets and/or contingent liabilities which are not included in the acquiree's financial statements and which can be separated from goodwill, at their fair values in the consolidated financial statements. The customer relationships of the acquiree is considered as identifiable intangible asset and recognized at fair value at the acquisition date.

Intangible assets useful lives vary between 3 and 15 years.

Research and development expenses

Expenditures for research and development are expensed in the period incurred. Except with the following criteria for project expenditures are recorded as expense in the period incurred as well. The costs related to the development projects are capitalised when the criteria below are met and amortised on a straight-line basis over the useful lives of related projects according to IAS 38 "Intangible Assets" (Note 15):

- The product or process is clearly defined and costs are separately identified and measured reliably,
- The technical feasibility of the product is demonstrated,
- The product or process will be sold or used in-house,
- A potential market exists for the product or its usefulness in case of internal use is demonstrated
- Adequate technical, financial and other resources required for completion of the project are available.

The Group manages research and development projects with project declaration documentation. On the beginning and ending of projects, top management of Group confirms projects declaration forms, reviews projects and controls research and development expenses and capitalization.

3.8 Revenue recognition

Group recognises revenue based on the following five principles in accordance with the TFRS 15 - "Revenue from Contracts with Customers" standard effective from January 1, 2018:

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue

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Group evaluates each contracted obligation separately and respective obligations, which are committed to deliver the goods or perform services, are determined as separate performance obligations. After that determines at whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore fies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

a) presence of Group's collection right of the consideration for the goods or services,
b) customer's ownership of the legal title on goods or services,
c) physical transfer of the goods or services,
d) customer's ownership of significant risks and rewards related to the goods or services,
e) customer's acceptance of goods or services.

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted.

On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference of the consideration is recognised on an accrual basis as other operating income. Incomes from consultancy services resulting from the construction of facilities are accounted for when it is probable that the economic return to the Group will be possible and the yield can be reliably measured. Revenue is calculated by deducting the discounts and value added and sales taxes.

Dividend income is recognised when the Group has the right to receive the dividend payment.

Commission income is recognised when the intermediary goods have been billed by the seller.

The Group has accrued volume rebates in line with the customers' purchase targets to be paid at the end of the year. The Group classifies such volume rebates as "sales discounts" account under revenues.

Rent income from investment properties is recognized on the accrual basis. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when the amount of revenue can be measured reliably and when it is probable that future economic benefits associated with the transaction will flow to the Group. The seasonal rent discounts are offsetted from rent revenue as incurred.

Revenue is shown by after eliminated in-group sales, deducting discounts and sales taxes.

Revenue from real estate sales is recognized in the statement of comprehensive income when the risks and benefits are transferred to the buyer.

Interest income is recognized using the effective interest method, which takes into account the future cash inflows from an asset over its expected life.

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3.9 Borrowings

All bank borrowings are initially recognised at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, bank borrowings are subsequently measured at amortised cost using the effective yield method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement (Note 20).

3.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

3.11 Provision for employee termination benefits

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

IAS 19, "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc,) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/losses
(Note 18).

The Group has an employee benefit plan called "Seniority Incentive Bonus" ("Bonus") which is paid to employees with a certain level of seniority. The Group accounts for this Bonus according to IAS 19, "Employee Benefits", Seniority incentive bonus provision which is disclosed within the employee termination benefit represents the present value of the estimated total reserve of the probable future obligations (Note 18).

Unused vacation rights

Liabilities arising from unused vacations of the employees are accrued in the period when the unused vacations are qualified.

3.12 Current and deferred tax

Tax expense or income is the aggregate of current income tax and deferred taxes which are based on the gains and losses for the period,

The corporation tax rate is 20% after January 1, 2006 in Turkey. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. Corporation tax rate is applicable on the total income of the companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment incentive exemption, etc,) and income tax deductions (for example research and development expenses deduction). No further tax is payable unless the profit is distributed.

Except for the dividends paid to non-resident corporations which have a representative office in Turkey or resident corporations, dividends are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Akmerkez, an associate of the Group and Akiş, a subsidiary of the Group, are not subject to Corporate Tax according to article 94, paragraph 6-a of Income Tax Law and the stoppage rate is decided as "0%" according to decision numbered 93/5148 by Council of Ministers,

Deferred tax is provided for in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements,

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. The carrying amount of deferred tax assets is reviewed by the Group at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized (Note 29).

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2018 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, at individual entity level.

3.13 Events after the balance sheet date

The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements (Note 31).

3.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate (Note 17).

3.15 Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements, but disclosed when an inflow of economic benefits is probable.

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Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs (Note 17).

3.16 Business combinations

Business combinations are accounted in accordance with IFRS 3, "Business Combinations". Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. If the purchase amount is less than the fair value of provisions, contingent assets and liabilities, the subjected difference is identified with income statement.

Changes in Ownership Interests

The Group applies a policy of treating transactions with non-controlling interests that do not result in loss of control, as transactions with owners of the parent. In a purchase transaction with non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. In a sale transaction with non-controlling interests, the difference between fair value of any proceeds received and the relevant share of non-controlling interests are also recorded in equity. Consequently, gains or losses on disposals to non-controlling interests are not accounted for in the consolidated statement of comprehensive income.

3.17 Foreign currency transactions

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in Turkish Lira, which is the functional currency of Akkök.

Foreign currency transactions and balances

Income and expenses arising in foreign currencies have been translated into TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statement of comprehensive income.

3.18 Derivative financial instruments

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of interest rate swap and forward foreign exchange purchase and sale transactions. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements and fair value difference of these derivatives are accounted for under consolidated income statements. Derivatives of the Group which qualified for hedge accounting under specific rules are measured using the methods stated as below:

Cash Flow Hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group. Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in equity as “hedging reserves”. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognized under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gains or losses previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Hedge accounting

The Group has determined that the transactions subject to hedge accounting that already meet the required criteria will be within the scope of hedge accounting within the framework of IRFS 9. IFRS 9 does not change the general principles of an entity’s effective hedge accounting. IFRS 9 does not have a significant effect on the Group’s financial statements.

3.19 Statement of cash flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows of the Group generated from operations. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (capital expenditures and financial investments). Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Cash and cash equivalents include investments in which cash and bank deposits are highly liquid, short-term and readily convertible into cash with a maturity of 3 months or less (Note 6).

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3.20 Government grants

Grants from the government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are recognised in the statement of comprehensive income by deducting from research and development expenses. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are recognized in the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

3.21 Paid in share capital

The shareholders are classified as share capital. The share capital through a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings (Note 22).

3.22 Leases

a) The Group as the lessor

Operating leases

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 of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

b) The Group as the lessee

Finance leases

Assets held under a finance lease are presented in statement of financial position as a receivable at an amount equal to the present value of lease payments. Interest income is determined over the term of the lease using the net investment period, which reflects a constant periodic rate of return and the deferred financial income on the transaction date is recognised as unearned finance income.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the consolidated balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised in the consolidated income statement on a straight-line basis over the lease term.

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NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements according to IFRS, necessitates the use of estimates and assumptions that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next reporting period are outlined below:

a) Fair values of investment property

The Group has determined the fair values of investment properties and disclosed them in Note 13.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as discounted cash flow projections.

b) Deferred income tax assets

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised (Note 29).

c) Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. Useful lives of property, plant and equipment, rely on best estimates of management, these estimates are reviewed balance sheet dates and if necessary adjustments are made necessary (Note 14 and 15).

d) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when reliable estimate can be made of the amount of the obligation (Note 17).

e) Income taxes

Subsidiaries, joint ventures and associates of the Group are subject to income tax and various tax legislations. The group performs the accounting of liabilities related to the taxes expected based on the assumption of whether additional tax will be paid or not. If the tax amount reached as a result of these is significantly different from the amount first entered to the book, these differences may affect the provision of income tax and deferred taxes related to that period (Note 29).

f) Impairment of goodwill

According to the determined accounting policies, the Group performs impairment test for goodwill annually or when circumstances indicate that the carrying value may be impaired. Impairment test for goodwill is generated by comparing its carrying amount with the recoverable amount. The recoverable amount is determined by discounted cash flow projections of Groups five year business plan (Note 16).

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NOTE 5 - BUSINESS COMBINATIONS

Merger of Akiş GYO and Saf GYO

In accordance with the decisions of Board of Directors of Akiş GYO dated September 8, 2016, within the scope of the relevant legislation, Saf GYO has merged in the body of Akiş GYO, where all assets and liabilities of Saf GYO stated in the statement of financial position as at June 30, 2016 has been taken over by Akiş GYO.

The merger transacition has been evaluated in accordance with IFRS 3 requirements and in accordance with the standard, the acquisition method accounting is applied and merged balance sheet is prepared. At the date of merger; assets and liabilities included in the statement of financial position of Saf GYO are included in the statement of financial position of Akiş GYO and the necessary adjustments in accordance with IFRS 3 acquisition method accounting are made.

Akiş GYO and Saf GYO have been merged on January 18, 2018, Until January 18, 2017, the Group has accounted Saf GYO as investments accounted using the equity method. Until to the date of merger, Saf GYO is accounted using the equity method and the carrying amount of Saf GYO has been accounted as TL 107,377,204.

The movement of carrying value of Saf GYO until January 18, 2017 and December 31, 2016 is as below:

	January 1 - January 18, 2017	January 1 - December 31,
Opening balance	149,423	164,644
Share of net loss for the period	(9,121)	(10,665)
Share of other comprehensive income	-	(614)
Repurchased shares	(32,925)	-
Dividend received	-	(3,942)
Closing balance	**107,377**	**149,423**
Investments accounted using the equity method as of January 18, 2017 (b)		**107,377**
The fair value of the Company as of January 18, 2017 (19,71% effective rate) (a)		250,903
The effect of remeasurement of previously acquired shares of the Company (a-b)		**143,526**

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As of January 18, 2017, an independent valuation company has determined Saf GYO's net asset value based on the merger and the fair value of the Saf GYO weighted by having (net asset value method, market value method and methods for analyzing discounted cash flows). The fair value of the net assets of Saf GYO on January 18, 2017 is as follows:

	Book value	Difference of revaluation	Adjusted net assets
Current assets	**115,192**	**6,691**	**121,883**
Cash and cash equivalents	28,288	-	28,288
Trade receivables	37,615	-	37,615
Other receivables	10,591	-	10,591
Inventories	5,334	6,691	12,025
Prepaid expenses	5,501	-	5,501
Current income tax assets	112	-	112
Other current assets	27,751	-	27,751
Other non-current assets	**2,328,322**	**9,727**	**2,338,049**
Financial investments	1,893	-	1,893
Trade receivables	4,014	-	4,014
Other receivables	1,479	-	1,479
Investment properties	2,266,300	-	2,266,300
Property, plant and equipment	18,854	9,727	28,581
Intangible assets	6,114	-	6,114
Deferred tax assets	55	-	55
Other non-current assets	29,613	-	29,613
Total assets	**2,443,514**	**16,418**	**2,459,932**
Short term liabilities	**211,001**	**-**	**211,001**
Short term borrowings	182,884	-	182,884
Other short term liabilities	28,117	-	28,117
Long term liabilities	**750,144**	**-**	**750,144**
Long term borrowings	736,371	-	736,371
Deferred income	12,882	-	12,882
Other long term liabilities	891	-	891
Total liabilities	**961,145**	**-**	**961,145**
Net asset value based on merger	**1,482,369**	**16,418**	**1,498,787**

The reconciliation of the gain on merger transaction is as follows:

Net asset value based on merger	1,498,787
Fair value of the Company	1,272,818
Gain on merger transaction	**225,969**

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The details of "Other Income from Associates, Joint Ventures and Subsidiaries" included in the consolidated statement of profit or loss for the period ended December 31, 2017 are as follows:

	January 1-December 31, 2018
Gain on merger transactions	225,969
The effect of remeasurement of previously acquired shares to the fair value	143,526
Other Income from Associates, Joint Ventures and Subsidiaries	**369,495**

Acquisition of Dinox by Ak-Kim

Ak-Kim, a subsidiary of the Group, acquired a 100% share of Dinox Handels GmbH ("Dinox") on February 15, 2017 for a consideration of EUR 3,750,000. Dinox mainly sells chemical products produced by Ak-Kim in Europe. The aim of the acquisition of Ak-Kim's subsidiary, Dinox, is to provide more effective sales organization in Europe and increase market share of chemical products manufactured by Ak-kim, a subsidiary of the Group. The acquisition transaction is accounted in the consolidated financial statements of Ak-Kim by the acquisition method in accordance with IFRS 3 Business Combinations Standard. As a result of related accounting, goodwill has been accounted amounting to TL 3,310,794 in the consolidated financial statements of Ak-Kim (Note 16).

	January 1-February 15, 2017
Cash paid portion of acquisition price (Note 16)	13,992
Cash and cash equivalents of the purchased subsidiary	(1,215)
Cash outflows related to acquisitions	**12,777**

The fair value of the identifiable assets and liabilities of Dinox as of February 15, 2017 is as follows:

	Book value	Difference of revaluation	Adjusted net assets
Current assets	**14,014**	**-**	**14,014**
Cash and cash equivalents	1,215	-	1,215
Trade receivables	8,828	-	8,828
Other receivables	156	-	156
Inventories	3,688	-	3,688
Current income tax assets	127	-	127
Other non-current assets	**1,977**	**13,404**	**15,381**
Financial investments	564	-	564
Property, plant and equipment	1,372	13,404	14,776
Intangible assets	41	-	41
Total assets	**15,991**	**13,404**	**29,395**

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	Book value	Difference of revaluation	Adjusted net assets
Short term liabilities	**14,224**	**-**	**14,224**
Short term borrowings	274	-	274
Trade payables	11,940	-	11,940
Other payables	1,066	-	1,066
Current income tax liabilities	349	-	349
Other short term provisions	595	-	595
Long term liabilities	**-**	**4,021**	**4,021**
Deferred tax liabilities	-	4,021	4,021
Total indefinable assets/liabilities (Note 16)	**1,767**	**9,383**	**11,150**

Acquisition of Megacolor by Gizem Frit

Gizem Frit, a subsidiary of the Group, acquired a 100% shares of Megacolor on November 22, 2017 for a consideration of EUR 7,002,128. Megacolor manufactures pigments for the ceramics industry. The aim of the acquisition of Megacolor of Gizem Frit, a subsidiary of the Group, is to increase inkjet ink and pigment production for the ceramics sector, to provide more effective sales organization on the world and increase market share. The acquisition transaction is provisionally accounted in the consolidated financial statements of Gizem Frit by the acquisition method in accordance with IFRS 3 "Business Combinations". As a result of related accounting, goodwill has been accounted amounting to TL 1,478,864 in the consolidated financial statements of Gizem Frit (Note 16).

	January 1 - November 22, 2017
Cash paid portion of acquisition price (Note 16)	32,470
Cash and cash equivalents of the purchased subsidiary	(1,343)
Cash outflows related to acquisitions	**31,127**

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The fair value of the identifiable assets and liabilities of Megacolor as of November 22, 2017 is as follows:

	Book value	Difference of revaluation	Adjusted net assets
Current assets	**34,747**	**-**	**34,747**
Cash and cash equivalents	1,343	-	1,343
Trade receivables	14,492	-	14,492
Other receivables	805	-	805
Inventories	18,107	-	18,107
Other non-current assets	**16,502**	**9,426**	**25,928**
Property, plant and equipment	12,796	-	12,796
Intangible assets	54	9,426	9,480
Other non-current assets	3,652	-	3,652
Total assets	**51,249**	**9,426**	**60,675**
Short term liabilities	**17,790**	**-**	**17,790**
Short term borrowings	9,046	-	9,046
Trade payables	8,447	-	8,447
Other short term liabilities	297	-	297
Long term liabilities	**2,515**	**2,355**	**4,870**
Deferred tax liabilities	167	2,355	2,522
Other long term liabilities	2,348	-	2,348
Total indefinable assets/liabilities (Note 16)	**30,944**	**7,071**	**38,015**

	December 31, 2018
Purchase consideration settled in cash	32,470
Contingent consideration (*)	5,516
Net liabilities/(assets) acquired	(38,015)
Currency translation differences	150
Goodwill	121

(*) The amount of debt amounting to EUR 1,185,000 generated by Gizem Frit as a value of acquisition of Megacolor is amounting to TL 5,515,820. As of December 31, 2018, the valued amount is TL 7,143,180.

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Merger of Ak-Kim and Akferal

On November 3, 2017 the remaining 50% shares of Akferal was acquired by Akkim from the FERALCO AB by for a consideration of TL 9,000,000. Following the acquisition, the Company became the only shareholder of Akferal and in the decision of Board of Directors of the Company dated December 15, 2017, it has been resolved to merge with Akferal within the body of Company in accordance the related articles of Turkish Commercial Code and Corporate Tax Law. Following the aforementioned decision, legal procedures on merger has been completed and registration to the trade registry has been completed on December 29, 2017. The aim of Ak-Kim's acquisition and merger of Akferal, is to increase profitability by creating more effective management and operational processes on Akferal, which is managed by Ak-kim, a subsidiary of the Group, through joint participation.

The movement of carrying value of Akferal until November 3, 2017 and December 31, 2016 are as below:

	January 1- November 3, 2017	January 1- December 31, 2016
Opening balance	4,742	5,356
Capital increase	-	790
Share of net loss for the period	(589)	(1,404)
Closing balance	**4,153**	**4,742**
Investments accounted using the equity method as of November 3, 2017 (b)		**4,153**
The fair value of the Company as of November 3, 2017 (50% effective rate) (*) (a)		7,398
The effect of remeasurement of previously acquired shares of the Company (Note 8) (a-b)		**3,245**

(*) In the determination of this amount, the control obtained with 50% of the shares of Akferal acquired by Feralco B.V. of the Group was evaluated as 20% of the fair value.

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The fair value of the identifiable assets and liabilities of Akferal as of November 3, 2017 is as follows:

	Book value	Difference of revaluation	Adjusted net assets
Current assets	**7,631**	**-**	**7,631**
Cash and cash equivalents	305	-	305
Trade receivables	4,812	-	4,812
Other receivables	55	-	55
Inventories	735	-	735
Current income tax assets	2	-	2
Other current assets	1,722	-	1,722
Other non-current assets	**11,586**	**8,224**	**19,810**
Property, plant and equipment	11,414	8,224	19,638
Intangible assets	11	-	11
Other non-current assets	161	-	161
Total assets	**19,217**	**8,224**	**27,441**
Short term liabilities	**10,891**	**-**	**10,891**
Trade payables	7,350	-	7,350
Other payables	3,381	-	3,381
Deferred income	8	-	8
Liabilities for employee benefits	54	-	54
Short term provisions	97	-	97
Other short term provisions	*65*	-	*65*
Provisions for employee benefits	*32*	-	*32*
Other short term liabilities	1	-	1
Long term liabilities	**118**	**822**	**940**
Long term provisions	9	-	9
Provisions for employee benefits	*9*	-	*9*
Deferred tax liabilities	109	822	931
Total liabilities	**11,009**	**822**	**11,831**
Net asset value based on merger	**8,208**	**7,402**	**15,610**
Transfer amount			9,000
Net asset value based on acquire and fair value (a)			7,398
Total (Note 16)			**16,398**
Net assets (b) (Note 16)			15,610
Goodwill (a-b) (Note 16)			**788**

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NOTE 6 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at December 31, 2018 and 2017 is presented below:

	December 31, 2018	December 31, 2017
Cash on hand	602	648
Cash at banks	1,532,973	881,410
Demand deposits	*192,961*	*34,599*
Time deposits	*1,340,012*	*846,811*
Other	1,843	2,671
Total	**1,535,418**	**884,729**

The reconciliation between cash and cash equivalents in the consolidated statement of financial position and the consolidated statements of cash flows as at December 31, 2018 and 2017 is as follows:

	2018	2017
Cash and cash equivalents	1,535,418	884,729
Less: restricted deposits	(535)	(5)
Less: interest accruals	(3,815)	(933)
Cash and cash equivalents	**1,531,068**	**883,791**

Interest rate of time deposits with maturities less than 3 months at December 31, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
	Time Deposit	Interest Rate %	Time Deposit	Interest Rate %
USD	837,083	4,00-5,50	514,217	2,00-4,60
EUR	324,442	1,45-2,20	241,441	1,70-2,60
TL	178,487	10,80-23,25	90,803	9,00-15,00
Other	-	-	350	2,00
Total	**1,340,012**		**846,811**	

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NOTE 7 - FINANCIAL INVESTMENTS

	December 31, 2018	December 31, 2017
Bank deposits with maturities over three months (*)	24,176	27,380
Stock and bond with maturities over three months	10,998	7,673
Current financial investments	**35,174**	**35,053**
Available-for-sale financial investments	7,790	13,070
Financial investments not included in the scope of consolidation (**)	226	226
Non-current financial investments	**8,016**	**13,296**
Total	**43,190**	**48,349**

(*) Bank deposits are blocked by banks for borrowings obtained by subsidiaries of the Group. Interest rates of such, bank deposits are between 4% to 15%.
(**) Financial investments that are excluded from the scope of consolidation are excluded on the grounds of immateriality. As these shares do not have quoted market price in an active market, they are carried at cost, adjusted for inflation accounting that was applicable until December 31, 2004.

Available-for-sale financial investments:	(%)	2018	(%)	2017
Yapı ve Kredi Bankası Anonim Şirketi	<1	7,373	<1	10,531
Akçansa Çimento Sanayi Anonim Şirketi	<1	417	<1	646
Ottoman Gayrimenkul Yatırımları İnş. ve Tic. Anonim Şirketi	<1	-	<1	1,893
Total		**7,790**		**13,070**

Movements of available-for-sale financial investments for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
January 1	11,177	8,915
Addition	2,237	-
Changes in fair value	(5,624)	2,262
December 31	**7,790**	**11,177**
Other financial investments		
Ottoman Gayrimenkul Yatırımları İnş. ve Tic. A.Ş.	-	1,893
Total	**7,790**	**13,070**

Financial investments not included in the scope of consolidation:	December 31, 2018	December 31, 2017
Akhan Bakım Yönetim Servis Hizmet Ticaret Anonim Şirketi	119	119
Üçgen Bakım ve Yönetim Hizmetleri Anonim Şirketi	107	107
Total	**226**	**226**

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NOTE 8 - INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

	December 31, 2018	December 31, 2017	January 1, 2017
DowAksa	286,658	222,014	214,252
Akcez	56,903	156,989	158,928
Akmerkez	141,759	189,700	209,690
WMG London	25,180	-	-
Saf GYO (**)	-	-	149,423
Akferal (***)	-	-	4,742
Akenerji (*)	-	-	-
Total	**510,500**	**568,703**	**737,035**

(*) The Group has not recognised the Group's share in loss of Akenerji amounting to TL 285,334,095 in the financials statements as of December 31, 2018. The Group is in the opinion that that unrecognised period losses will not constitute further liabilities.
(**) In accordance with the decisions of Board of Directors of Akiş GYO dated September 8, 2016, within the scope of the relevant legislation. Saf GYO has merged in the body of Akiş GYO, where all assets and liabilities of Saf GYO stated in the statement of financial position as at June 30, 2016 has been taken over by Akiş GYO (Note 5).
(***) On November 3, 2017 the remaining 50% shares of Akferal was acquired by Akkim from the FERALCO AB by for a consideration of TL 9,000,000. Following the acquisition, the Company became the only shareholder of Akferal and in the decision of Board of Directors of the Company dated December 15, 2017, it has been resolved to merge with Akferal within the body of Company in accordance the related articles of Turkish Commercial Code and Corporate Tax Law. Following the aforementioned decision, legal procedures on merger has been completed and registration to the trade registry has been completed on December 29, 2017 (Note 5).

Movements of investments accounted using the equity method during the years ended December 31, 2018 and 2017 is as follows:

	2018	Restated (Note 2.6) 2017
1 January, Previously reported	**409.584**	**556.973**
Effects of changes in accounting policy (Note 2.6)	159.119	180.062
1 January, Restated	**568,703**	**737,035**
Share of loss from associates	(152,699)	(70,735)
Dividend received	(8,216)	(9,293)
Other comprehensive income from associates	78,554	20,769
Capital increase	24,158	35,382
Merger effect of Akferal (Note 5)	-	(4,153)
Repurchased shares	-	(32,925)
Merger effect of Saf GYO (Note 5)	-	(107,377)
December 31	**510,500**	**568,703**

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As of December 31, 2018 and 2017, summarised financial information for the Group's investments accounted for using the method are presented below:

December 31, 2018	Assets	Liabilities	Revenue	Net (loss)/profit for the period
Akenerji (*)	2,973,793	5,062,164	2,215,718	(1,396,642)
Akcez	2,872,798	2,872,322	4,040,287	(199,999)
DowAksa	1,523,809	950,493	337,155	(22,934)
Akmerkez	1,086,913	6,433	116,629	(302,733)
WMG London	66,440	17,067	-	(2,968)

(Restated Note 2.6)

December 31, 2017	Assets	Liabilities	Revenue	Net (loss)/profit for the period
Akenerji (*)	2,607,970	3,343,552	1,855,098	(439,231)
Akcez	2,248,034	2,047,386	2,804,289	(3,792)
DowAksa	1,136,847	692,819	122,117	(96,788)
Saf GYO	-	-	10,998	(46,278)
Akmerkez	386,950	7,549	116,580	(81,756)
Akferal	19,217	11,009	14,359	(1,178)

(Restated Note 2.6)

January 1, 2017	Assets	Liabilities	Revenue	Net (loss)/profit for the period
Akenerji (*)	3,263,084	3,572,614	1,420,842	(482,824)
Akcez	2,042,204	1,837,677	2,430,861	(101,664)
DowAksa	1,012,818	584,314	72,392	(158,303)
Saf GYO	1,491,725	733,619	200,591	(54,108)
Akmerkez	1,605,633	7,385	114,923	77,822
Akferal	19,345	9,861	19,042	(2,808)

(*) Total assets and liabilities in the consolidated financial statements where the Akenerji's property, plant and equipment are accounted for at fair value are TL 5,704,568,702 and TL 5,244,003,709 respectively (December 31, 2017 - TL 5,879,213,602 and TL 4,010,780,466).

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As of December 31, 2018 and 2017, market capitalization of the Group's investments accounted for using the equity method are presented below:

December 31, 2018	Total market capitalization as of December 31, 2018	Group's share
Akenerji	459,373	93,850
Akmerkez GYO	610,012	80,034
Total	**1,069,385**	**173,884**

December 31, 2017	Total market capitalization as of December 31, 2018	Group's share
Akenerji	663,539	135,561
Akmerkez GYO	762,421	100,030
Total	**1,425,960**	**235,591**

NOTE 9 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties

The analysis of trade receivables due from related parties as at December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
DowAksa (*)	33,773	26,553
Akenerji (*)	16,735	3,882
Akcez (*)	5,712	3,245
Other	4,125	1,776
Total	**60,345**	**35,456**

b) Other receivables from related parties

The analysis of other receivables due from related parties as at December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Akcez (*)	46,455	122
DowAksa (*) (***)	24,678	10,342
Ottoman Gayrimenkul Yatırımları İnş. ve Tic. A.Ş. (**)	816	10,552
Other	-	599
Total	**71,949**	**21,615**

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c) Non-current other receivables from related parties

	December 31, 2018	December 31, 2017
Akiş Mudanya Adi Ortaklığı (*)	9,407	7,257
Ottoman Gayrimenkul Yatırımları İnş. ve Tic. A.Ş (**)	3,472	-
DowAksa (*) (***)	-	102,777
Total	**12,879**	**110,034**

(*) Joint ventures
(**) Financial investments not included in the scope of consolidation
(***) According to the agreement between the Company, DowAksa and DowAksa Advanced Composites Holdings B.V., the facility of Solvent Recovery Unit was delivered to DowAksa in accordance with the leasing model. The usage of the facility was revised, a new agreement has been reached between the two companies and the facility has been transferred as of December 31, 2018 to the fact that a large part of the capacity is used by the Company.

d) Short-term trade payables due to related parties

	December 31, 2018	December 31, 2017
DowAksa (*)	41,890	38,148
Akgirişim (*****)	7,939	1,401
Yalkim OSB (*****)	1,824	5,502
Other	1,337	1,602
Total	**52,990**	**46,653**

e) Short-term other payables due to related parties

	December 31, 2018	December 31, 2017
ARD Holding A.Ş. (**)	24,486	-
Atlantik Holding A.Ş. (**)	24,486	-
NDÇ Holding A.Ş. (**)	24,485	-
Toplam	**73.457**	**-**

(*) As of December 31, 2018, other payables to related parties consist of dividend payables to be paid to shareholders.

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f) Sales to related parties

	December 31, 2018	December 31, 2017
DowAksa (*)	73,368	43,202
Akenerji (*)	30,281	15,655
Akcez (*)	27,407	21,479
Akgirişim (**)	5,543	5,871
Akferal (*)	-	287
Diğer	20,062	7,085
Total	**156,661**	**93,579**

g) İlişkili taraflardan yapılan mal ve hizmet alımları

	December 31, 2018	December 31, 2017
Akgirişim (*) (*****)	43,533	32,605
Yalkim OSB (***) (*****)	50,498	27,735
Akhan (****)	6,042	4,198
Akenerji (*)	3,013	315
Akcez (*)	62	9,048
Other	3,336	3,652
Total	**106,484**	**77,553**

Purchases from related parties consist of energy, chemical products, services, consultancy and rent expenses.

h) Interest income from related parties

	December 31, 2018	December 31, 2017
Akiş Mudanya Adi Ortaklığı (*)	1,479	1,064
Total	**1,479**	**1,064**

(*) Joint ventures
(**) The contracting charge of Aksa and Ak-Kim for the contructions in progess.
(***) The usage rights cost of joint treatment plant within Yalkim Organized Industrial Zone.
(****) Financial investments not included in the scope of consolidation
(*****) Other related parties

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i) Key management compensation

The Group has determined the key management personnel as the members of the board of directors and executive committee members,

	December 31, 2018	December 31, 2017
Key management compensation	18,263	21,161
Other benefits	229	209
Total	**18,492**	**21,370**

j) Commitments given to related parties

The long term loan amounting to USD 325,000,000 granted to Akcez and its subsidiaries, Sedaş and Sepaş as borrowers, by the International Finance Corporation ("IFC"), European Bank for Reconstruction and Development ("EBRD") and Unicredit Bank AG ("UCB") was refinanced on the basis of the negotiations with the same Bank Group as of 20 May 2016. As of the date of the refinancing of the loan, the balance is USD 220,675,000 and Akcez's shareholders Akkök Holding Anonim Şirketi And Cez Anonim Şirketi have become guarantors of the loans (each responsible individually and with a maximum balance equal to half of the loan). Loan repayments are made by Akcez and the balance of the loan is USD 172,766,899 as of December 31, 2018.

Akcez's shareholders Akkök Holding Anonim Şirketi and Cez Anonim Şirketi have become guarantors solely (each responsible individually and with a maximum amount equal to half of the loan) with respect to long term loans amounting to USD 52,162,500 and TL 149,628,082 obtained by Akcez's subsidiary, Sedaş as borrower, from the International Finance Corporation ("IFC"), European Bank for Reconstruction and Development ("EBRD") and Unicredit Bank AG ("UCB") as part of the refinancing agreement dated 20 May 2016. Loan repayments are made by Sedaş. As of December 31, 2018, the remaining balance of the loan is USD 52,162,500 and TL 149,628,082.

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties

	December 31, 2018	December 31, 2017
Trade receivables	1,553,230	1,200,390
Less: Provision for doubtful receivables	(72,786)	(69,343)
Less: Unearned financial income	(7,632)	(10,879)
Subtotal	**1,472,812**	**1,120,168**
Trade receivables from related parties (Note 9)	60,345	35,456
Total	**1,533,157**	**1,155,624**

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Maturity of trade receivables of the Group is generally less than three months (2017: less than three months). The past experience of the Group in collecting receivables has been taken into consideration when determining the provision amount for doubtful receivables. Therefore, the Group believes that, there is no additional collection risk for trade receivables is necessary other than the provision provided.

Movements of provision for doubtful trade receivables for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
1 January	**69,343**	**64,626**
Collections and write off	(1,882)	(16,075)
Charge for the year	5,325	16,183
Merger effect	-	3,127
Increase due to Akferal acquisition	-	1,482
December 31	**72,786**	**69,343**

b) Long-term trade receivables

	December 31, 2018	December 31, 2017
Notes receivables	43,924	59,735
Less: Unearned financial income	(2,100)	(3,295)
Total	**41,824**	**56,440**

c) Short-term trade payables

	December 31, 2018	December 31, 2017
Trade payables	1,052,120	918,608
Less: Unearned financial expenses	(2,976)	(4,382)
	1,049,144	**914,226**
Trade payables to related parties (Note 9)	52,990	46,653
Total	**1,102,134**	**960,879**

d) Long-term trade payables

	December 31, 2018	December 31, 2017
Trade payables	3,310	582
Total	**3,310**	**582**

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NOTE 11 - INVENTORIES

	December 31, 2018	December 31, 2017
Raw materials	409,699	338,066
Semi-finished goods	47,191	29,769
Finished goods	240,343	163,402
Trade goods	14,066	7,429
Complete and incomplete residences	504,993	450,896
Other inventories and spare parts	59,752	51,503
Less: Provision for impairment in inventories (*)	(51,820)	(28,777)
Total	**1,224,224**	**1,012,288**

(*) The inventory value of TL 32,063,843 the cost of Çiftehavuzlar land as of December 31, 2018 amounting to TL 69,132,843 is the amount of impairment resulting from the redemption of land to the purchase price of TL 37.069.000 (December 31, 2017: 25,082,503).

	2018	2017
January 1	**28,777**	**1,915**
Charge for the year	23,043	26,862
Reversals for the year	-	-
December 31	**51,820**	**28,777**

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NOTE 12 - PREPAID EXPENSES AND DEFERRED INCOME

	December 31, 2018	December 31, 2017
Current prepaid expenses:		
Advances given for inventories	27,038	17,633
Prepaid expenses	19,156	12,855
Total	**46,194**	**30,488**
Non-current prepaid expenses:		
Advances given	24,172	28,217
Prepaid expenses	2,664	1,878
Total	**26,836**	**30,095**
Deferred income:		
Advances received	92,760	30,807
Deferred income	5,470	4,813
Total	**98,230**	**35,620**
Long term deferred income:		
Deferred income for the year (*)	6,717	9,413
Advances received	806	-
Total	**7,523**	**9,413**

(*) This amount consists of the councils which are taken as promotional contribution shares from the related tenants of Akasya Shopping Center. Contributions are recorded on the basis of the relevant rental period.

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NOTE 13 - INVESTMENT PROPERTIES

	January 1, 2018	Effect of the restated (Note 2.6)	(Restated) January 1, 2018	Additions	Disposals	Increase in fair value	December 31, 2018
Cost	2,762,253	892,018	3,654,271	7,997	(253)	1,271,970	4,933,985
Accumulated depreciation	(93,551)	93,551	-	-	-	-	-
Net book value	**2,668,702**	**985,569**	**3,654,271**	**7,997**	**(253)**	**1.271.970**	**4,933,985**

	January 1, 2017	Effect of the restated (Note 2.6)	(Restated) January 1, 2017	Additions	Disposals	Acquisitions by business combinations (*)	Disposal within scope of consolidation(**)	Increase in fair value	December 31, 2017
Cost	536,895	701,152	1,238,047	14,648	(50,766)	2,266,300	(28,205)	214,247	3,654,271
Accumulated depreciation	(51,134)	51,134	-	-	-	-	-		-
Net book value	**485,761**	**752,286**	**1,238,047**	**14,648**	**(50,766)**	**2,266,300**	**(28,205)**	**214,247**	**3,654,271**

(*) Acquisitions by business combinations consist of additions resulted by Saf GYO's merger with Akiş GYO on January 18, 2017 (Note 5).
(**) The Group has sold its subsidiary, Ariş Sanayi ve Ticaret Anonim Şirketi to MR Boya on May 24, 2017.

	Used method	Level	December 31, 2018	December 31, 2017
Akasya Shopping Mall	Discounted cash flow method	2	3,331,000	2,410,000
Akbatı Shopping Mall	Income approach method	2	1,216,000	912,050
Uşaklıgil Project	Market approach method	2	214,380	186,390
Yalova-Çiftlikköy land and buildings	Substitution cost method	2	78,000	56,100
Akhan	Precedend comparison method	2	33,620	32,255
Social facility	Precedend comparison method	2	20,835	19,715
Other	Precedend comparison method	2	40,150	37,761
Total			**4,933,985**	**3,654,271**

Fair value of the Group's investment properties, as of December 31, 2018 were estimated by an independent valuation company as TL 4,933,985,000 (2017: TL 3,654,271,000). Total fair value determined is classified as Level 2.

There are amounting to TL 2,761,466,737 mortgage on investment properties of the Group as of December 31, 2018 (2017: TL 1,718,230,027).

As of December 31, 2018, there is TL 3,824,260,058 insurance guarantee on investment properties (December 31, 2017: 2,230,615,736 TL).

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NOT 14 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2018	Additions	Disposals	Transfers (*)	Currency translation differences	December 31, 2018
Cost						
Land and land improvements	290,974	2,267	(58,083)	45,581	360	281,099
Buildings	337,521	3,685	(677)	12,904	3,730	357,163
Machinery and equipment	1,873,001	145,741	(62,932)	254,353	5,463	2,215,626
Motor vehicles	84,112	2,203	(437)	-	144	86,022
Furniture and fixtures	126,449	8,820	(8,959)	10,164	197	136,671
Leasehold improvements	18,309	549	(2,723)	19	-	16,154
Construction in progress (**)	97,054	323,086	(2,948)	(305,352)	-	111,840
Total	**2,827,420**	**486,351**	**(136,759)**	**17,669**	**9,894**	**3,204,575**
Accumulated Depreciation						
Land and land improvements	88,238	5,647	(26,942)	-	-	66,943
Buildings	75,777	8,602	(242)	-	508	84,645
Machinery and equipments	1,013,549	113,955	(61,761)	-	2,933	1,068,676
Motor vehicles	21,824	769	(359)	-	98	22,332
Furniture and fixtures	83,137	11,600	(7,485)	-	206	87,458
Leasehold improvements	12,843	681	(2,721)	-	-	10,803
Total	**1,295,368**	**141,254**	**(99,510)**	**-**	**3,745**	**1,340,857**
Net book value	**1,532,052**					**1,863,718**

(*) Amount of TL 17,669,435 of transfers are transferred to intangible assets.
(**) Construction in progress is mainly comprised of modernization of production facilitites and construction of reverse osmosis facility of Aksa, and investmets with respect to ultra filtration and Yalova persulfates facilities of Ak-Kim.

Depreciation expense of the current period is TL 143,602,106 for the cost of goods sold, TL 3,096,564 for research and development expenses, TL 8,012,197 for general administrative expenses, TL 4,436,607 for marketing, sales and distribution expenses and TL 394,000 are include in project development costs not yet completed and TL 5,504,000 are included in inventories.

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	January 1, 2017	Additions	Disposals	Transfers (*)	Currency translation differences	Increase due to acquisitions (**)	Disposal within scope of consolidation (***)	December 31, 2017
Cost								
Land and land improvements	276,463	920	(56)	1,702	98	12,057	(210)	290,974
Buildings	261,851	4,770	(123)	44,085	23	26,915	-	337,521
Machinery and equipment	1,457,149	15,486	(21,328)	402,641	165	18,888	-	1,873,001
Motor vehicles	82,567	780	(429)	-	109	1,085	-	84,112
Furniture and fixtures	94,295	7,318	(1,004)	7,104	32	18,704	-	126,449
Leasehold improvements	16,234	628	(999)	-	-	2,446	-	18,309
Construction in progress (**)	138,974	418,203	(1,225)	(457,990)	-	-	(908)	97,054
Total	**2,327,533**	**448,105**	**(25,164)**	**(2,458)**	**427**	**80,095**	**(1,118)**	**2,827,420**
Accumulated Depreciation								
Land and land improvements	81,116	7,113	-	-	-	9	-	88,238
Buildings	64,460	10,720	(38)	-	115	520	-	75,777
Machinery and equipments	931,019	94,917	(19,803)	-	247	7,169	-	1,013,549
Motor vehicles	20,880	719	(408)	-	73	560	-	21,824
Furniture and fixtures	62,750	11,250	(788)	-	72	9,853	-	83,137
Leasehold improvements	12,854	550	(966)	-	-	405	-	12,843
Total	**1,173,079**	**125,269**	**(22,003)**	**-**	**507**	**18,516**	**-**	**1,295,368**
Net book value						**1,154,454**		**1,532,052**

(*) TAmount of TL 1,026,740 of transfers are transferred to intangible assets and amount of TL 1,430,735 of transfers are due to classification of asset held for sale of a land owned by Ak-Kim, a subsidiary of the Group.
(**) Construction in progress is mainly comprised of modernization of production facilitites and construction of reverse osmosis facility of Aksa, and investmets with respect to ultra filtration and Yalova persulfates facilities of Ak-Kim.
(***) As of December 31, 2017, the increases related to the business combination resulted from Akiş GYO and Saf GYO merger on January 18, 2017, merger of Ak-Kim by Akferal on November 3, 2017, acquisiton of Dinox by Ak-Kim on February 15, 2017 and acquisiton of Megacolor by Gizem Frit on November 23, 2017 (Note 5).
(****) The Group has sold its subsidiary, Ariş Sanayi ve Ticaret Anonim Şirketi to MR Boya on May 24, 2017 and İstasyon Tekstil ve Sanayi Ticaret Anonim Şirketi on August 4, 2017 to Gökhan Kaştan.

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NOTE 15 - INTANGIBLE ASSETS

	January 1, 2018	Additions	Disposals	Transfers	Currency translation differences	December 31, 2018
Cost:						
Rights(*)	140,135	16,965	(13,012)	(26,180)	2,089	119,997
Development costs	29,314	8,970	(73)	8,259	-	46,470
Other	12,626	1,965	(57)	252	1,105	15,891
Customer list	131,778	-	-	-	6,645	138,423
Total	**313,853**	**27,900**	**(13,142)**	**(17,669)**	**9,839**	**320,781**
Accumulated amortisation:						
Rights	21,226	5,673	(200)	-	324	27,023
Development costs	15,455	2,659	-	-	-	18,114
Other	8,319	2,076	(57)	-	736	11,074
Customer list	35,052	13,382	-	-	426	48,860
Total	**80,052**	**23,790**	**(257)**	**-**	**1,486**	**105,071**
Net book value	**233,801**					**215,710**

(*) Additions are mainly consisted of the usage cost of joint treatment plant and lands within Yalkim OSB.

	January 1, 2017	Additions	Disposals	Transfers	Currency translation differences	Increase due to acquisitions (**)	December 31, 2017
Cost:							
Rights (*)	125,235	3,454	(9)	459	1,286	9,710	140,135
Development costs	26,037	2,819	-	458	-	-	29,314
Other	6,343	2,896	-	110	-	3,277	12,626
Customer list	107,276	-	-	-	1,515	22,987	131,778
Total	**264,891**	**9,169**	**(9)**	**1,027**	**2,801**	**35,974**	**313,853**
Accumulated amortisation:							
Rights	12,930	6,389	(9)	-	234	1,682	21,226
Development costs	12,382	3,073	-	-	-	-	15,455
Other	5,050	1,174	-	-	-	2,095	8,319
Customer list	21,456	10,728	-	-	770	2,098	35,052
Total	**51,818**	**21,364**	**(9)**	**-**	**1,004**	**5,875**	**80,052**
Net book value	**213,073**						**233,801**

(*) Additions are mainly consisted of the usage cost of joint treatment plant and lands within Yalkim OSB,
(**) As of December 31, 2017, the increases related to the business combination resulted from Akiş GYO and Saf GYO merger on January 18, 2017, merger of Ak-Kim by Akferal on November 3, 2017, acquisiton of Dinox by Ak-Kim on February 15, 2017 and acquisiton of Megacolor by Gizem Frit on November 23, 2017 (Note 5).

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NOTE 16 - GOODWILL

The details of goodwill as of December 31, 2018, December 31, 2017 and January 1, 2017 is as follows:

December 31, 2018	Karlıtepe	Gizem Frit	Dinox	Akferal	Megacolor	Total
Purchase consideration settled in cash	100	212,458	13,992	16,398	32,470	275,418
Contingent consideration (*)	-	9,436	-	-	5,516	14,952
Net liabilities/(assets) acquired	607	(171,186)	(11,150)	(15,610)	(38,016)	(235,355)
Currency translation differences	-	-	1,578	-	151	1,729
Goodwill	**707**	**50,708**	**4,420**	**788**	**121**	**56,744**

(Restated Note 2.6)

December 31, 2017	Karlıtepe	Gizem Frit	Dinox	Akferal	Megacolor	Total
Purchase consideration settled in cash	100	212,458	13,992	16,398	32,470	275,418
Contingent consideration (*)	-	9,436	-	-	6,291	15,727
Net liabilities/(assets) acquired	607	(171,186)	(11,150)	(15,610)	(38,016)	(235,355)
Currency translation differences	-	-	469	-	(655)	(186)
Goodwill	**707**	**50,708**	**3,311**	**788**	**90**	**55,604**

January 1, 2017	Karlıtepe	Gizem Frit	Total
Purchase consideration settled in cash	100	212.458	212.558
Contingent consideration (*)	-	9.436	9.436
Net liabilities/(assets) acquired	607	(171.186)	(170.579)
Goodwill	**707**	**50.708**	**51.415**

(*) Contingent consideration has been remeaseured as of balance sheet date of these consolidated financial Statements.

Impairment test for goodwill:

On January 5, 2015, the Ak-Kim, a subsidiary of the Group, acquired 100% shares of Gizem Frit. On May 22, 2015, the Akiş, a subsidiary of the Group, acquired 100% shares of Karlıtepe. Ak-Kim, a subsidiary of the Group, acquired a 100% share of Dinox on February 15, 2017 for a consideration of EUR 3,750,000. On November 3, 2017 the remaining 50% shares of Akferal was acquired by Akkim from the FERALCO AB by for a consideration of TL 9,000,000. Gizem Frit, a subsidiary of the Group, acquired a 100% shares of Megacolor on November 22, 2017 for a consideration of EUR 7,002,128. The difference between the total purchase price, fair value of acquired net assets and resulting goodwill in the consolidated financial statements.

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The Group tests whether goodwill has suffered any impairment on an annual basis. The Group, considers the carrying value of its investment in Gizem Frit, Karlıtepe, Dinox, Akferal and Megacolor for possible impairment in every reporting period. The impairment analysis cannot be performed by considering market data since related financial asset has not active market and the Company management has to make significant estimations.

Gizem Frit;

On January 5, 2015, the Group acquired 100% shares of Gizem Frit. Gizem Frit is a producer of performance coatings and pigments. The products are being used for the decorative and protective purpose in coating of the materials such as metal sheet, stainless steel, aluminium, cast iron, ceramic tile, sanitary ware, porcelain, medical porcelain and glass. Additionally, these materials are being colorized by inorganic pigments which are also manufactured by Gizem Frit. The acquisition transaction is accounted in the consolidated financial statements of Ak-kim by the acquisition method in accordance with IFRS 3 "Business Combinations". As a result of the related accounting, a goodwill amounting to TRY 50,708,286 is accounted in the consolidated financial statements.

The impairment test is based on a 5-year USD based projection between January 1, 2019 and December 31, 2023. Five-year discount rate used in future cash flow estimations has been determined as 10% in the calculation model of the fair value. No impairment has been determined as a result of the analyses carried out by the Group.

Dinox;

Ak-Kim, a subsidiary of the Group, acquired a 100% share of Dinox Handels GmbH ("Dinox") on February 15, 2017 for a consideration of EUR 3,750,000. Dinox mainly sells chemical products produced by Ak-Kim in Europe. The aim of the acquisition of Ak-Kim's subsidiary, Dinox, is to provide more effective sales organization in Europe and increase market share of chemical products manufactured by Ak-kim, a subsidiary of the Group. The acquisition transaction is accounted in the consolidated financial statements of Ak-Kim by the acquisition method in accordance with IFRS 3 Business Combinations Standard. As a result of related accounting, goodwill has been accounted amounting to TL 4,419,769 in the consolidated financial statements of Ak-Kim.

The impairment test is based on a 5-year EUR based projection between January 1, 2019 and December 31, 2023. Five-year discount rate used in future cash flow estimations has been determined as 12% in the calculation model of the fair value. No impairment has been determined as a result of the analyses carried out by the Group.

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short term provisions:	December 31, 2018	December 31, 2017
Provisions for debts and expenses	7,720	8,188
Provision for lawsuits	5,878	6,710
Total	**13,598**	**14,898**

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Contingent assets and liabilities:

a) Guarantees received

Mortgages, guarantee notes and cheques, letters of guarantee and other commitments received for short-term trade receivables are as follows:

	December 31, 2018	December 31, 2017
Insurances on receivables	883,703	546,610
Received mortgages	218,121	200,901
Received notes, guarantee and cheques	170,575	198,850
Received letters of guarantee	159,001	152,061
Limits from direct debit systems	37,248	18,700
Confirmed/nonconfirmed letters of guarantees	32,615	42,006
Total	**1,501,263**	**1,159,128**

b) Guarantees given

Letters of guarantee, mortgages and letters of credit given by the Group are below:

	December 31, 2018	December 31, 2017
Mortgages given (Note 13)	2,761,467	1,718,230
Letters of credit given	684,678	750,214
Letters of guarantee given	772,809	662,320
Total	**4,218,954**	**3,130,764**

c) Dispute related to port investments of Akport:

Akport, a subsidiary of the Group, took over the right to operate the Tekirdağ Port for 30 years on June 17, 1997 as a result of the Agreement to Transfer the Right to Operate the Tekirdağ Port ("Agreement") signed with Türkiye Denizcilik İşletmeleri A.Ş. ("TDİ") and the Republic of Turkey's Prime Ministry Privatisation Authority ("Privatisation Authority").

Based on its conclusion in its business plans that the Tekirdağ Port would be operationally effective only if it were transformed into a container port, Akport built a container terminal area of 101,820 square metres by filling in the sea along the coast within the coordinates specified in the Tekirdağ Port Instruction as of the date the operation right was acquired. The container terminal area is recognised with a net book value of TL 30,967,453 in the Group's consolidated financial statements as of
December 31, 2018.

Following construction of the container port, the Ministry of Finance's General Directorate of National Estate claimed title to the area on which the container platform was located and charged various eviction penalties to Akport. Subsequently, Akport's permission to operate the Tekirdağ Port expired on November 1, 2010. The Undersecretariat for Maritime Affairs did not extend the permission, the reason for the unauthorized use of the port between November 1, 2010 and December 31, 2011 due to the continuation of the activities of Akport Anonim Şirketi in order to prevent the country and the region from being affected by economic difficulties that would not have been caused by this situation and Akport was charged an administrative fine of TL 4,434,000 on the grounds that the port was used without permission until the date December 31, 2016. The fine payments are recorded as expense in 2012.

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As efforts to obtain the required permission remained fruitless, the situation created legal and penal liabilities for Akport and its officials and events occurring outside of Akport’s discretion reached an uncontrollable level. It became impossible to manage the port administratively and legally, which in turn made it impossible to uphold the Agreement between TDİ, the Privatisation Authority and Akport on November 1, 2010.

In the face of these developments, Akport advised the Privatisation Authority on February 6, 2012 that the operational activities were halted and the facility should be taken back over. The response letter sent to Akport by the Privatisation Authority on April 16, 2012 stated that the Privatisation Authority and TDİ were authorised to take actions in line with the decision of the Privatisation Authority relating to the request of Akport, and the Tekirdağ Port began to be operated by TDİ during the course of March 2012. In order to ensure that public services at the port were not interrupted following this transfer, certain services requested by TDİ continued to be offered by Akport until October 2012.

Because the Agreement was terminated due to the impossibility of fulfilling the requirements as specified in the Code of Obligations, the area built for the purpose of transforming the port into a container port should be returned to Akport. Therefore, the valuation study performed in the presence of the Tekirdağ 2nd Civil Court of Peace which indicates the value of container terminal area as TL 78,025,056 and railway and land improvements as 10,049,974 TL. However, as the area constructed by means of filling the sea cannot be returned by means of an ordinary demounting process, Akport claims that Akport should be compensated for the cost of construction of the container port aggregated to TL 88,075,029 and a claim for compensation against Türkiye Denizcilik İşletmeleri was opened. By the judgement of September 15, 2015 (including accrued interest as of December 2017) it is decided to make payment to Akport with the amount of approximately TL 96,045,000 by TDİ.

TDİ filed an action for annulment of this decision; however the Court (Istanbul 13rd Commercial Court of First Instance) gave a decision of non-jurisdiction on March 3, 2016 which also was appealed by TDİ. During the appeal process, in order to come to an amicable agreement, a protocol was signed by the parties on April 20, 2018 for a payment of TL 60,012,046.48. In accordance with this protocol, TDİ, after all relevant deductions, made a payment of TL 58,815,614 to Akport on June 19, 2018. This settlement between the parties was notified to the court file.

The Court of Appeals of the Court of Cassation decided that the cancellation case should be seen in the Regional Court of Justice, and decided to break it off in terms of duty and the decision was notified to Akport on July 25, 2018. The decision of the Supreme Court to quash the decision of the Court of First Instance (Istabul 13th Commercial Court of First Instance) in accordance with the decision of non-jurisdiction was given on November 10, 2018 and the file was sent to the Istanbul Regional Court of Justice in charge of the file and the Istanbul Regional Courthouse Court of the 15th Legal Department December 25, 2018. The decision was made on the date of January 1, 2019.

d) Lawsuits from shareholders:

Following Akkök extraordinary general assembly meeting dated October 31, 2013 and ordinary general assembly meeting related to the year ended 2013 dated April 22, 2014 (delayed to and completed on May 23, 2014) certain shareholders began to file numerous lawsuits against the Group.

The lawsuit filed for the annulment of Akkök’s Extraordinary General Assembly Meeting dated October 31, 2013, was accepted by the Court of First Instance on October 21, 2015 and as the parties did not appeal to the higher court, became final on November 21, 2015.

Concerning the lawsuits filed for the annulment of Akkök’s extraordinary general assembly meetings dated December 23, 2015 and January 14, 2016 and for annulment of Akkök’s Board of Directors decision no 4 dated February 24,

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2016 regarding the exercise of the shareholder’s rights to pay 50% of their share capital commitment, the Court, with an interim decision dated March 28, 2016, rejected the claimants’ application for a temporary injunction. In the last hearing on May 24, 2018, the Court, by decisions subject to appeal, dismissed the cases. The applicant has appealed against the aforementioned decisions by the claimant and in the consolidated financial statements no provisions were recognized related to this claim as of December 31, 2018.

NOTE 18 - EMPLOYEE BENEFITS

	December 31, 2018	December 31, 2017
Short term:		
Provision for bonuses	20,966	20,528
Unused vacation provision	5,343	5,342
Subtotal	**26,309**	**25,870**
Long term:		
Provision for employment termination benefits	40,219	43,356
Provision for seniority incentive plan	1,888	1,960
Total	**42,107**	**45,316**

Movements in the short term provisions for employment termination benefits for the years ended December 31, 2018 and 2017 are as follows:

Provision for bonuses	December 31, 2018	December 31, 2017
1 January	20,528	18,038
Current period charges	20,966	20,528
Bonus premiums paid	(20,528)	(18,038)
December 31,	**20,966**	**20,528**

Unused vacation provision	December 31, 2018	December 31, 2017
1 January	5,342	3,729
Charge for the year	1	1,613
December 31,	**5,343**	**5,342**

Under Turkish labor law, the Company is officially required to pay the severance pay to each employee whose employment contract has expired. Also, the Company is required to pay the severance payment to employees who has the right to leave the Company by receiving severance pays according to the 2422 numbered, 6 March 1981 dated and 4447 numbered, 25 August 1999 dated Law no.506 on Social Insurance Law’s 60th clause which is still effective.

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

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IAS 19 "Employee Benefits" require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability:

	December 31, 2018	December 31, 2017
Discount rate (%)	6.86	4.67
Probability of retirement (%)	97.97-98.25	83.19-98.40

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TL 6,017.60 effective from January 1, 2019 (January 1, 2018: TL 5,001.76) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the provisions for employment termination benefits and seniority incentive bonus for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
January 1	**45,316**	**36,444**
Compensation paid	(9,589)	(5,830)
Service cost	6,657	5,001
Interest cost	4,260	2,990
Akferal acquisition effect (Note 5)	-	9
Actuarial gain/(loss)	(4,537)	6,702
December 31	**42,107**	**45,316**

NOTE 19 - OTHER ASSETS AND LIABILITIES

	December 31, 2018	December 31, 2017
Other current assets:		
VAT receivable	185,460	147,851
Income accruals	551	385
Other	1,854	2,423
Total	**187,865**	**150,659**
Other non-current assets:		
VAT receivable	5,368	2,112
Other	401	1,952
Total	**5,769**	**4,064**

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Other current liabilities:		
Taxes and funds payable	9,963	4,983
Restructured tax and other liabilities	1,017	1,427
Expense accruals	342	210
Total	**11,322**	**6,620**
Other non-current liabilities:		
Restructured tax and other liabilities	149	516
Total	**149**	**516**

NOTE 20 - BORROWINGS

	December 31, 2018	December 31, 2017
Short-term bank borrowings	1,530,692	1,086,736
Short-term factoring and leasing liabilities	41,063	35,174
Subtotal	**1,571,755**	**1,121,910**
Short term portion of long-term bank borrowings	1,256,016	413,911
Total short-term financial liabilities	**2,827,771**	**1,535,821**
Long-term bank borrowings	2,151,568	2,080,879
Long-term factoring and leasing liabilities	16,976	40,723
Total long-term financial liabilities	**2,168,544**	**2,121,602**

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The details of borrowings of the Group are as follows:

	Weighted average interest rate %	December 31, 2018 TL	Weighted average interest rate %	December 31, 2017 TL
Short term bank borrowings:				
USD Loans	3,76	1,174,271	2,65	788,096
EUR Loans	0,73	354,049	0,95	188,166
TL Loans	-	2,372	15,85	110,474
Total		**1,530,692**		**1,086,736**
Short term factoring payables:				
TL factoring payables		378		501
USD factoring payables		40,685		34,673
Total		**41,063**		**35,174**
Short term portion of long-term bank borrowings:				
USD Loans	5,05	637,500	4,90	252,959
EUR Loans	3,33	176,629	3,50	100,525
TL Loans	15,16	441,887	15,15	60,427
Total		**1,256,016**		**413,911**
Long-term bank borrowings:				
USD Loans	5,80	1,289,168	5,16	1,010,787
EUR Loans	3,78	796,286	3,20	605,720
TL Loans	14,9	66,114	15,15	464,372
Total		**2,151,568**		**2,080,879**
Long-term factoring payables:				
TL factoring payables		-		-
USD factoring payables		16,976		40,723
Total		**16,976**		**40,723**

Total borrowings as of January 1, 2018	**3,657,423**
Cash inflow from new borrowings obtained	2,840,627
Cash outflows from redemption of borrowings	(2,351,478)
Interest paid	(157,725)
Change in interest accrual	58,174
Change in exchange rate differences	949,294
Total borrowings as of December 31, 2018	**4,996,315**

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The book value and fair value of the borrowings as of December 31, 2018 and 2017 is as follows:

	December 31, 2018 Fair Value	December 31, 2018 Book Value	December 31, 2017 Fair Value	December 31, 2017 Book Value
USD borrowings	3,123,821	3,162,940	2,154,420	2,127,251
EUR borrowings	1,362,763	1,322,364	915,717	894,41
TL borrowings	600,517	511,011	685,801	635,762
Total	**5,087,101**	**4,996,315**	**3,755,938**	**3,657,423**

The fair values of the borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 2 fair values in the fair value hierarchy.

The repayment schedule of long term bank borrowings is as follows:

	December 31, 2018	December 31, 2017
Within 1 - 2 year	554,539	1,084,624
Within 2 - 3 year	540,174	314,480
Within 3 - 4 year	589,283	543,895
Over 4 years	467,572	137,880
Total	**2,151,568**	**2,080,879**

At December 31, 2018, bank borrowings with floating interest rates amounts to TL 1,141,808,201 (2017: TL 1,002,638,000). The floating interest rate bank borrowings denominated in USD, which represents a significant portion of total bank borrowings of the Group, have interest rates fluctuating between London Interbank Offered Rate (Libor) +3,10% and +4,50% (2017: Libor+3,10% and +3,50%).

NOTE 21 - DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2018 Asset	December 31, 2018 Liabilities	December 31, 2017 Asset	December 31, 2017 Liabilities
Hedging instruments	7,730	13,841	4,675	-
Held for trading	9,219	-	627	1,928
Total	**16,949**	**13,841**	**5,302**	**1,928**

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Derivatives as hedging instruments:

	December 31, 2018		December 31, 2017	
	Contract amount	Fair value Asset	Contract amount	Fair value Asset
Interest rate swap	291,897	7,730	236,721	4,675

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The derivative instruments of the Group mainly consist of interest rate swap and forward foreign exchange purchase and sale transactions.

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives hedging derivative financial instruments in the consolidated financial statements. Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in equity as "hedging reserves" after tax effect.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, or when a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement. The realisation of promised or probable future transactions are recorded in the income statement, if not realised, accumulated gains or losses are recognised as income or loss in the consolidated financial statements.

At December 31, 2018, the fixed interest rates vary from 3.15% to 6.36% for USD (2017: USD -1.13% to 3.64%), and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of December 31, 2018 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings.

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NOTE 22 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

At December 31, 2018 and 2017, the Group's share capital and shareholding structure exceeding 1% were as follows:

	% Share	December 31, 2018	% Share	December 31, 2017
A.R.D Holding Anonim Şirketi	33	334,483	33	334,483
Atlantik Holding Anonim Şirketi	33	334,483	33	334,483
NDÇ Holding Anonim Şirketi	33	334,482	33	334,482
Other	1	2	1	2
Total	**100**	**1,003,450**	**100**	**1,003,450**
Unpaid capital		-		(14,007)
		1,003,450		**989,443**
Adjustment to share capital		(10,406)		(10,406)
Total Equity		**993,044**		**979,037**

The Group's authorised share capital consists of 100,345,000,000 shares each with TL 0.01 value (2017: 100,345,000,000). There are no privileges given to shares of different groups and shareholders, As of balance sheet date, the paid-in capital is TL 1,003,450.

The share capital, which was increased from TL 13,098,000 to TL 863,378,000 with the decision taken at the extraordinary general meeting dated 23 December 2015, through the addition of the Company's whole internal resources to the capital (only from internal resources) pursuant to Article 462 of the Turkish Commercial Code (TCC) was incresed to TL 1,003,450,000 taken at the extraordinary general assembly meeting held on 23 December 2016, Increased to TL 1,003,450,000 with the decision of capital increase taken at the extraordinary general meeting held on 14 January 2016. All of the guaranteed was paid in cash.

Retained Earnings and Legal Reserves

Legal reserves consist of first and second legal reserves, calculated in accordance with the Turkish Commercial Code. The first legal reserve is calculated as 5% of the financial statutory profits per annum until the total reserve reaches 20% of the historical paid-in share capital. In accordance with Turkish Commercial Code, restricted reserves not exceeding 50% of share capital can be offset against accumulated losses, but cannot be distributed.

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As of December 31, 2018 and 2017 retained earnings of Akkök its stand alone with statutory financial statements are as follows:

	December 31, 2018	December 31, 2017
Legal reserves	19,188	11,308
Net profit for the period	180,484	157,593
Retained earnings	118,172	-
Total	**317,844**	**168,901**

Informations on subsidiaries with significant non-controlling interest

Group subsidiaries with significant non-controlling interest are Akiş, Akkim and Aksa, Summary of the financial information of these subsidiaries are stated below:

December 31, 2018	Ownership of non-controlling interest (%)	Assets	Liabilities	Revenue	Net profit/(loss) for the year
Akiş	%85.34	5,611,717	1,980,912	396,098	1,029,883
Ak-Kim	%58.00	1,701,052	1,414,889	1,350,321	67,975
Aksa	%60.06	4,249,376	2,748,291	3,537,548	246,143
Total		**11,562,145**	**6,144,092**	**5,283,967**	**1,344,001**

December 31, 2017	Ownership of non-controlling interest (%)	Assets	Liabilities	Revenue	Net profit/(loss) for the year
Akiş	%82.25	4,272,238	1,772,882	319,650	678,241
Ak-Kim	%58.00	1,241,523	979,739	847,695	77,396
Aksa	%60.41	3,390,635	1,981,218	2,767,384	294,971
Total		**8,904,396**	**4,733,839**	**3,934,729**	**1,050,608**

NOTE 23 - REVENUE AND COST OF SALES

a) Revenue

	January 1 - December 31, 2018	January 1 - December 31, 2017
Local sales	3,268,232	2,726,728
Export sales	2,109,411	1,275,364
Less: Sales returns (-)	(18,224)	(19,543)
Less: Sales discounts (-)	(151,702)	(132,377)
Revenues, net	**5,207,717**	**3,850,172**

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b) Cost of sales

	January 1 - December 31, 2018	*Restated (Note 2.6)* January 1 - December 31, 2017
Raw materials	3,103,499	2,361,362
Personnel expenses	211,524	186,748
Depreciation and amortization expenses	143,602	133,982
Shopping mall costs	55,486	46,796
Other	353,140	124,888
Total	**3,867,251**	**2,853,776**

NOTE 24 - GENERAL AND ADMINISTRATIVE EXPENSES

a) General administrative expenses

	January 1 - December 31, 2018	*Restated (Note 2.6)* January 1 - December 31, 2017
Personnel expenses	85,302	67,765
Consultancy expenses	36,117	25,239
Depreciation and amortization expenses	8,012	6,166
Other tax expenses	6,832	10,878
Communication expenses	6,316	6,636
Travelling expenses	5,444	3,712
Rent expenses	4,768	3,233
Office expenses	3,431	2,966
Donations and charities	1,323	7,156
Other	11,655	14,295
Total	**169,200**	**148,046**

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b) Marketing expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Commission expenses	32,788	19,591
Export expenses	27,154	25,728
Personnel expenses	23,342	18,666
Transportation expenses	19,927	11,422
Advertisement expenses	6,032	2,503
Travel expenses	4,644	3,113
Depreciation and amortization expenses	4,437	2,268
Insurance expenses	3,694	1,325
Rent expenses	1,974	1,432
Other	10,102	8,079
Total	**134,094**	**94,127**

NOTE 25 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	January 1 - December 31, 2018	January 1 - December 31, 2017
Foreign exchange gain on commercial activities	821,516	427,532
Interest income on credit sales	35,814	31,566
Reversal of provision for litigation (Note 17)	-	18,083
Provisions no longer required	2,556	2,455
Other	23,813	26,646
Total	**883,699**	**506,282**

b) Other operating expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Foreign exchange loss on commercial activities	734,682	324,078
Interest expense on credit pruchases	13,617	18,679
Impairment expense (*)	6,981	25,083
Provision expenses	5,204	5,234
Tax penalty	-	9,026
Other	16,365	18,612
Total	**776,849**	**400,712**

(*) The cost of Çiftehavuzlar land as of December 31, 2018 amounting to TL 69,132,843 is the amount of impairment resulting from the redemption of land to the purchase price of TL 37,069,000.This amount is the amount foreseen within the scope of ongoing legal and administrative processes.

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NOTE 26 - INCOME AND EXPENSE FROM INVESTING ACTIVITIES

a) Income from investing activities

	December 31, 2018	*Restated (Note 2.6)* December 31, 2017
Increase in fair value of investment properties	1,271,970	214,247
Gain on sales of fixed assets and investment properties (*)	32,452	113,789
Rent income	6,859	5,990
Dividend income	848	730
Gain on sale of shares of subsidiaries (**)	-	12,652
Total	**1,312,129**	**347,408**

(*) As the result of winning of the lawsuit between Akport a subsidiary of the Group and TDİ, collected from amounting TL 58,815,614, the carrying value of the fixed assets of the Group's consolidated financial statement, which has a net book value of TL 30,967,453 has been accounted for the gain on sale of fixed asset amounting to TL 27,848,161.
(**) The Group, transferred its 800 shares which are 100% of the capital of Ariş Sanayi ve Ticaret Anonim Şirketi to Mr Boya Kimya Sanayi ve Ticaret Ltd. Şti. At a price of TL 21,059,341 on May 24, 2017 and the Group transferred İstasyon Tekstil ve Sanayi Ticaret Anonim Şirketi at a price of TL 4,297,887 on August 4, 2017 to Gökhan Kaştan. As a result of these transactions, gain on saleof shares of subsidiaries amounting to TL 12,652,324 has been accounted under income from investment activities.

b) Expense from investing activities

	December 31, 2018	December 31, 2017
Impairment of financial assets (*)	1,893	-
Total	**1,893**	**-**

(*) The Group has evaluated the financial statements of Ottoman Gayrimenkul, which it has accounted as a long-term financial investment in its financial statements, and since the financial investment has no value, it is expensed in the financial statements.

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NOTE 27 - EXPENSES BY NATURE

Expenses classified by nature for the period of December 31, 2018 and 2017 are as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Raw materials	3,130,355	2,374,341
Personnel expenses	332,455	283,747
Depreciation and amortisation expenses	159,147	145,871
Shopping mall costs	57,172	42,670
Other	515,343	273,136
Total	**4,194,472**	**3,119,765**

Personnel expenses	January 1 - December 31, 2018	January 1 - December 31, 2017
Cost of sales	211,524	186,748
General administrative expenses	85,302	67,765
Marketing expenses	23,342	18,666
Research and development expenses	12,287	10,568
Total	**332,455**	**283,747**

NOTE 28 - FINANCIAL INCOME AND EXPENSES

a) Financial income

	January 1 - December 31, 2018	January 1 - December 31, 2017
Foreign exchange gain	1,457,653	466,243
Interest income	89,115	42,619
Gain on derivative financial instruments	12,284	2,465
Gain on share sales	18	-
Total	**1,559,070**	**511,327**

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b) Financial expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Foreign exchange loss	(2,261,541)	(677,208)
Interest expenses	(238,584)	(166,550)
Loss on derivative financial instruments	(3,509)	-
Total	**(2,503,634)**	**(843,758)**
Net financial expense	**(944,564)**	**(332,431)**

NOTE 29 - TAXES ON INCOME

	December 31, 2018	December 31, 2017
Corporate and income taxes payable	64,182	73,186
Less: prepaid corporate income tax	(55,105)	(64,528)
Current income tax liabilities	**9,077**	**8,658**

The details of taxation on income in the statements of comprehensive income for the years ended December 31, 2018 and 2017 are as below:

	December 31, 2018	*(Restated Note 2.6)* December 31, 2017
Current income tax expense	(64,182)	(73,186)
Deferred tax expense, net	842	(5,003)
Total tax expense, net	**(63,340)**	**(78,189)**

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Deferred tax assets and liabilities

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at December 31, 2018 and 2017 using the enacted tax rates is as follows:

Restated (Note 2.6)

	Temporary taxable differences			Deferred tax assets / (liabilities)		
	2018	2017	2016	2018	2017	2016
Investment incentives	55,703	83,584	51,730	11,141	17,338	10,346
Employee benefits	45,587	49,269	39,230	9,556	10,272	7,846
Deferred tax assets from carryforward tax losses	-	-	610	-	-	122
Trade receivables	4,625	17,495	-	927	3,499	-
Provision for doubtful receivables	1,859	1,444	540	409	318	108
Derivative financial instruments	-	38	235	-	8	47
Impairment of inventories	10,172	1,232	-	2,238	253	-
Other	7,961	4,298	5,810	1,609	940	1,162
Deferred tax assets				**25,880**	**32,628**	**19,631**
Property, plant and equipment and intangible assets	(322,467)	(289,807)	(267,901)	(56,041)	(61,711)	(42,968)
Derivative financial instruments	(5,924)	(2,923)	-	(1,303)	(643)	-
Trade payables	(2,976)	(3,954)	(2,905)	(655)	(859)	(581)
Impairment of inventories	-	(14,560)	(1,155)	-	(3,050)	(231)
Other	(14,429)	(2,503)	-	(2,999)	(501)	-
Deferred tax liabilities				**(60,998)**	**(66,764)**	**(43,780)**
Deferred tax liabilities, net				**(35,118)**	**(34,136)**	**(24,149)**

Since each subsidiary are separate taxpayers, net deferred income tax assets or liabilities for each of these taxpayers have been calculated; however these have not been offset in the consolidated balance sheets. The temporary differences and deferred tax assets and liabilities presented above are based on the gross values and represent the net deferred tax position.

Restated (Note 2.6)

	December 31, 2018	December 31, 2017	January 1, 2017
Deferred tax assets	7,224	8,163	12,405
Deferred tax liabilities	(42,342)	(42,299)	(36,554)
Deferred tax assets/(liabilities), net	**(35,118)**	**(34,136)**	**(24,149)**

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Movements of deferred tax assets/(liabilities) as at December 31, 2018 and 2017 as below:

Restated (Note 2.6)

	December 31, 2018	December 31, 2017
1 January, Previously reported	**24,663**	**19,922**
Effect of changes in accounting policy (Note 2.6)	9,473	4,227
1 January, Restated	**34,136**	**24,149**
Deferred tax income / (expense) recognized in profit or loss for the year, net	(842)	5,003
Amounts recognised in equity	1,300	(1,099)
Currency translation differences	524	764
Disposal within scope of consolidation		(1,169)
Merger effect (Note 5)		6,488
Balances at December 31,	**35,118**	**34,136**

The reconciliation of tax expenses stated on the consolidated statement of comprehensive income for the years ended December 31, 2018 and 2017 is as follows:

Restated (Note 2.6)

	2018	2017
Profit before tax on consolidated financial statements	1,333,068	1,152,959
Expected tax expense of the Group	**(293,275)**	**(230,592)**
Tax rate	**22%**	**%20**
Effect of tax losses for which no deferred tax assets recognized	(4,570)	(851)
Effect of consolidation adjustments	3,837	(4,306)
Non-deductible expenses	(7,165)	(6,329)
Other income exempt from tax	198,639	133,656
Investment incentives	12,945	27,432
Effect of revaluation	21,322	-
Effect of tax losses by tax redumption	-	6,446
Effect of tax rate change and other	4,927	(3,645)
Total tax expense, net	**(63,340)**	**(78,189)**

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As of balance sheet date, the Group did not recognize deferred income tax assets on carry forward tax losses' of certain subsidiaries, for which amounts and expiration dates are as follows:

Dates of expiry	December 31, 2018	December 31, 2017
2018	-	19,095
2019	14,817	14,817
2010	5,562	5,562
2021	4,815	4,815
2022	4,258	4,258
2023	20,772	-
Total	**50,224**	**48,547**

NOTE 30 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Financial risk factors

The Groups principal financial instruments are cash and cash equivalents, trade receivables, trade payables and financial liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, interest rate risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarised below.

30.1 Foreign currency risk

Foreign currency risk is identified by the changes in cash flows and revenues due to changes in foreign currency rates. The Group is exposed to foreign currency risk with the foreign currency transactions of sales, purchases and financial liabilities. In these transactions, USD and EUR are the main currencies. In selected subsidiaries, Akkök, implemented written policies for managing these risks. Written policies are determined considering, a) risk appetite b) strategies and plan to reduce risk to an acceptable level c) risk monitoring methods (reporting, etc.). These policies are revised when necessary and reviewed at least once a year.

Net foreign currency positions of selected subsidiaries are periodically analysed by Akkök. In order to manage the foreign currency risk, natural hedging is achieved, as practically possible, through balance sheet management. In addition, the Group enters into derivative contracts to manage shorter - term foreign currency risk, where necessary. For longer term management of the risk, the Group considers market conditions and enters into derivative contracts.

As of December 31, 2018, the foreign currency position of the Group is prepared using the following foreign exchange rates USD/TL 5.2609, EUR/TL 6.0280 (2017: USD/TL 3.7719, EUR/TL 4.5155).

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Foreign currency position table denominated in Turkish Lira as of December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Assets	2,711,451	1,875,584
Liabilities (-)	(5,486,686)	(3,779,671)
Net balance sheet position	**(2,775,235)**	**(1,904,087)**

				December 31, 2018
	USD	EUR	Other currencies	Total
Assets:				
Cash and cash equivalents	860,278	380,740	74,063	1,315,081
Financial investments	34,050	-	-	34,050
Trade receivables	1,006,006	266,566	125	1,272,697
Other assets	86,562	683	2,378	89,623
Total assets	**1,986,896**	**647,989**	**76,566**	**2,711,451**
Liabilities:				
Short-term borrowings	1,852,456	530,678	-	2,383,134
Long-term borrowings	1,306,145	796,286	-	2,102,431
Trade payables	822,462	122,140	825	945,427
Other liabilities	16,162	39,532	-	55,694
Total liabilities	**3,997,225**	**1,488,636**	**825**	**5,486,686**
Net foreign currency position	**(2,010,329)**	**(840,647)**	**75,741**	**(2,775,235)**

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				December 31, 2017
	USD	EUR	Other currencies	Total
Assets:				
Cash and cash equivalents	525,891	250,646	4,721	781,258
Financial investments	25,113	-	-	25,113
Trade receivables	840,125	210,872	374	1,051,371
Other assets	8,965	8,877	-	17,842
Total assets	**1,400,094**	**470,395**	**5,095**	**1,875,584**
Liabilities:				
Short-term borrowings	1,041,556	288,691	-	1,330,247
Long-term borrowings	1,051,510	605,720	-	1,657,230
Trade payables	730,958	58,419	2,378	791,755
Other liabilities	360	79	-	439
Total liabilities	**2,824,384**	**952,909**	**2,378**	**3,779,671**
Net foreign currency position	**(1,424,290)**	**(482,514)**	**2,717**	**(1,904,087)**

The table below shows the sensitivity of the net foreign currency position of the Group to the changes in foreign exchange rates as of December 31, 2018 and 2017.

December 31, 2018	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TL by 10%	(201,033)	201,033
USD net assets / liabilities		
USD net effect - income/ (expense)	**(201,033)**	**201,033**
Change of EUR against TL by 10%		
EUR net assets / liabilities	(84,065)	84,065
EUR net effect - income/ (expense)	**(84,065)**	**84,065**

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December 31, 2017	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TL by 10%		
USD net assets / liabilities	(142,429)	(142,429)
USD net effect - income/ (expense)	**(142,429)**	**(142,429)**
Change of EUR against TL by 10%		
EUR net assets / liabilities	(48,252)	48,252
EUR net effect - income/ (expense)	**(48,252)**	**48,252**

30.2 Interest rate risk

Interest rate risk arises from changes in interest rates of interest bearing liabilities and assets. As the medium and long term borrowings are only available with floating rates in the market the Group is exposed to interest rate risk from time to time. Akkök Holding Anonim Şirketi, implemented written policies for managing these risks. Written policies are determined considering, a) risk appetite b) strategies and plans to reduce risk to an acceptable level c) risk monitoring methods (reporting, etc.). These policies are revised when necessary and reviewed at once a year. The Group watches markets closely, analyses sensitivity to interest rate changes and the weighted average maturity of liabilities to identify possible changes in costs. As a result of analysis; if necessary, interest rate swaps are used to fix some portion of the floating rate debt liabilities during the term of the loan.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. As of December 31, 2018 and 2017, the Group's borrowings at floating rates are mainly denominated in USD and EUR.

At December 31, 2018, if interest rates on USD denominated borrowings had been higher/lower by 100 base point with all other variables held constant, profit before income taxes would have been TL 4,707 (2017: TL 4,852) lower/ higher, mainly as a result of high interest expense on floating rate borrowings

30.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by the management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables

The Fitch rating scores of the banks in which the company has short term time and demand deposits, are within the range of F3-B.

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As at December 31, 2018, trade receivables amounting to TL 514,167,205 (2017: TL 168,039,371) were past due but not impaired. The Group does not foresee any collection risk for receivables overdue up to one month due to industry dynamics and circumstances. The Group applies a portion of trade receivables overdue more than one month by interest charge. Aging of past due but not impaired trade receivables at December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Up to 3 months	362,246	112,410
More than 3 months	151,921	55,629
Total	**514,167**	**168,039**

Credit risk of financial instruments at December 31, 2018 and 2017 are as follows:

	Trade and other receivables		Bank	Stock and	Derivative
December 31, 2018	Related party	Other	deposits	bond	financial assets
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	**145,173**	**1,520,278**	**1,557,149**	**10,998**	**16,949**
Secured portion					
A. Net book value of financial assets that are neither past due nor impaired	-	526,718	-	-	-
- Secured portion	145,173	1,005,413	1,557,149	10,998	16,949
B. Net book value of financial assets that are past due but not impaired	-	460,196	-	-	-
- Secured portion	-	514,167	-	-	-
C. Net book value of financial assets that are past due and impaired	-	65,824	-	-	-
- Overdue (gross book value)		698	-	-	-
- Impairment (-)	-	73,484	-	-	-
- Secured portion	-	(72,786)	-	-	-
- Not overdue (gross book value)					
- Impairment (-)	-	698	-	-	-
- Secured portion	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-

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	Trade and other receivables		Bank	Stock and	Derivative
December 31, 2018	Related party	Other	deposits	bond	financial assets
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	**167,105**	**1,184,360**	**908,790**	**7,673**	**5,302**
Secured portion					
A. Net book value of financial assets that are neither past due nor impaired	-	456,468	-	-	-
- Secured portion	167,105	1,015,623	908,790	7,673	5,302
B. Net book value of financial assets that are past due but not impaired	-	401,197	-	-	-
- Secured portion	-	168,039	-	-	-
C. Net book value of financial assets that are past due and impaired	-	54,573	-	-	-
- Overdue (gross book value)	-	698	-	-	-
- Impairment (-)	-	70,041	-	-	-
- Secured portion	-	(69,343)	-	-	-
- Not overdue (gross book value)	-	698	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-

30.4 Liquidity risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed. The liquidity is minimised by balancing the cash inflows and outflows and also securing funds from reliable financial institutions. The breakdown of financial assets and liabilities according to their maturities is disclosed considering the due date periods. Financial assets and liabilities that have no certain due dates are classified in over one year column.

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December 31, 2018:

Contractual maturities	Carrying value	Contractual cash flows (=I+II+III+IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivate financial liabilities						
Borrowings	4,996,315	6,115,276	1,051,179	1,862,290	2,759,389	442,418
Trade payables to third parties	1,052,454	1,055,430	850,172	201,948	3,310	-
Due to related parties	52,990	52,990	50,740	2,250	-	-
Total	**6,101,759**	**7,223,696**	**1,952,091**	**2,066,488**	**2,762,699**	**442,418**

Expected (or contractual) maturities	Carrying value	Contractual cash flows (=I+II+III+IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Derivative financial assets, (net)						
Derivative cash outflows	13,841	26,889	2,864	7,948	16,077	-

December 31, 2017:

Contractual maturities	Carrying value	Contractual cash flows (=I+II+III+IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivate financial liabilities						
Borrowings	3,657,423	3,943,418	320,177	1,218,474	2,324,395	80,372
Trade payables to third parties	914,808	919,190	743,594	175,014	582	-
Due to related parties	46,653	46,653	44,386	2,267	-	-
Total	**4,618,884**	**4,909,261**	**1,108,157**	**1,395,755**	**2,324,977**	**80,372**

Expected (or contractual) maturities	Carrying value	Contractual cash flows (=I+II+III+IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Derivative financial assets, (net)						
Derivative cash outflows	1,928	1,928	1,928	-	-	-

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30.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group controls its capital using the net debt/total capital ratio. This ratio is calculated by dividing net debt by the total capital amount. Net debt is calculated as total liability amount (comprises of borrowings, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents Total capital is calculated as equity plus the net debt amount as presented in the balance sheet.

The ratio of net debt/equity at December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Total liabilities	6,101,759	4,618,884
Less: cash and cash equivalents (Note 6)	(1,535,418)	(884,729)
Less: short term financial investments	(35,174)	(35,053)
Net debt	**4,531,167**	**3,699,102**
Total shareholders' equity	**5,889,839**	**4,739,486**
Total equity	**10,421,006**	**8,438,588**
Debt/equity ratio (%)	**43**	**44**

30.6 Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

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The following methods and assumptions are used to estimate the fair value of the financial instruments:

Monetary assets

Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. These balances are anticipated to approximate their book value.

The carrying values of significant portion of cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

The carrying values of trade receivables are assumed to approximate to their fair value with their provisions for doubtful receivables.

Monetary liabilities

Bank loans and other liabilities are anticipated to approximate their book value due to their short-term nature.

The long-term loans are assumed to approximate to their carrying value due to their variable interest rates. The determined fair value of long-term loans to explained on notes, is the discounted amount of cash flows according to agreements with current market interest rate (Note 20).

Fair Value Estimation:

Effective from January 1, 2011, the group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following hierarchy:

Level 1: Quoted 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 is not based on observable market data.

December 31, 2018	Level 1	Level 2	Level 3
Available-for-sale financial assets	7,790	-	226
Derivative financial assets	-	16,949	-
Total assets	**7,790**	**16,949**	**226**

December 31, 2017	Level 1	Level 2	Level 3
Available-for-sale financial assets	11,177	-	2,167
Derivative financial assets	-	5,302	-
Total assets	**11,177**	**5,302**	**2,167**

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The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

NOTE 31 - EVENTS AFTER THE BALANCE SHEET DATE

According to the Board of Directors' decision dated March 11, 2019, in order to complete the capital (to close the balance sheet deficits) subject to the approval of the Akcez General Assembly and to be in the same conditions as the Joint venture of CEZ in Akcez; it has been decided to pay TL 45.574.450 of liabilities given to Akcez on December 17, 2018 to shareholders' equity and to pay an additional TL 14.623.550 cash to Akcez on 14 March 2019 and TL 33.521.000 to cash until June 17, 2019 at the latest.

Akcez which are joint ventures of Akkök Holding A.Ş and Akcez and its subsidiaries' Sedaş and Sepaş, whose details are presented in Note 9, there are certain financial ratios which are required to be met by Akkök Holding A.Ş. and CEZ. Although one of these ratios could not be met as of December 31, 2018, the negotiations were started with the banks before December 31, 2018 and the exemption letter was provided from IFC for the period February 1, 2019 and EBRD on December 21, 2018.

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